



FINANCIAL CRISIS ADVISORY GROUP

March 31, 2009

The Rt Hon Gordon Brown MP
Prime Minister
10 Downing Street
London SW1A 2AA

Dear Prime Minister:

We are writing to you in your role as host of the meeting of leaders of the G-20 nations on April 2 in London. We respectfully request that the Secretariat circulate this letter to all meeting participants.

As leaders of the G-20 nations meet to discuss strengthening the global financial system, we would like to bring to your attention the work underway by the Financial Crisis Advisory Group (FCAG).

The FCAG was established by the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) to advise the two boards about standard-setting implications of the global financial crisis and potential changes to the global regulatory environment. It consists of 18 senior leaders with broad international experience with financial markets, joined by official observers representing key global banking, insurance, and securities regulators. The chairmen and a few other board members from the IASB and the FASB also participate in the discussions. Attachment 1 lists the FCAG's members and official observers.

The FCAG is considering how improvements to financial reporting may enhance investor confidence in the financial markets and is seeking to identify, and provide input and advice on, significant accounting issues that require the boards' immediate attention or longer-term consideration. Topics being discussed include, among others, fair value (including 'mark-to-market') accounting, loan provisioning, and structured entities and other off-balance sheet vehicles. The FCAG is also examining the oversight of the boards, the standard-setting process in exigent situations, and the benefits of convergence of the two boards' standards. As part of its work, the FCAG is considering various studies connected with the financial crisis, such as the US Securities and Exchange Commission's study on 'mark-to-market' accounting, the UK Financial Services Authority's Turner Review on the global banking crisis, and the Financial Stability Forum's work on addressing procyclicality in the financial system, as well as the important communiqué issued by The Group of 20 finance ministers on March 14, 2009. The FCAG has also solicited written input from other interested parties. Attachment 2 contains the charge of the FCAG.

The FCAG expects to issue its report in July. We look forward to providing you with a copy of that report.

Sincerely,

A handwritten signature in black ink, appearing to read "Harvey J. Goldschmid".

Harvey J. Goldschmid
Co-chair

A handwritten signature in black ink, appearing to read "Hans Hoogervorst".

Hans Hoogervorst
Co-chair

Cc: FCAG members and official observers
Sir David Tweedie, chairman, IASB
Mr. Robert Herz, chairman, FASB

Attachment 1 – FCAG Membership

CO-CHAIRS

Harvey J. Goldschmid

*Former Commissioner, U.S. Securities and Exchange Commission
United States*

Hans Hoogervorst

*Chairman, AFM (the Netherlands Authority for the Financial Markets)
Europe*

MEMBERS

John Bogle

*Founder, Vanguard
United States*

Jerry Corrigan

*Goldman Sachs and Former President of the New York Federal Reserve Bank
United States*

Fermin del Valle

*Former President, International Federation of Accountants
Argentina*

Jane Diplock

*Chairman, International Organization of Securities Commissions Executive Committee
New Zealand*

Raudline Etienne

*Chief Investment Officer, New York State Common Retirement Fund
United States*

Stephen Haddrill

*Director General, Association of British Insurers
United Kingdom*

Toru Hashimoto

*Former Chairman, Deutsche Securities Limited
Japan*

Nobuo Inaba

*Former Executive Director, Bank of Japan
Japan*

Gene Ludwig

*Former Comptroller of the Currency
United States*

Yezdi Malegam

*Board Member, National Reserve Bank of India
India*

Klaus-Peter Müller

*Chairman of the Supervisory Board, Commerzbank
Germany*

Don Nicolaisen

*Former Chief Accountant, U.S. Securities and Exchange Commission
United States*

Wiseman Nkuhlu

*Chairman of the Audit Committee, AngloGold Ashanti; Former Economic Advisor to the
President of the Republic of South Africa
South Africa*

Tommaso Padoa-Schioppa

*Former Finance Minister
Italy*

Lucas Papademos

*Vice-President, European Central Bank
Europe*

Michel Prada

*Former Chairman, Autorité des Marchés Financiers
France*

OBSERVERS

Basel Committee of Banking Supervisors

Committee of European Securities Regulators

Financial Stability Forum

International Association of Insurance Supervisors

Japan Financial Services Agency

U.S. Securities and Exchange Commission

Nelson Carvalho, Former Chairman, IASB Standards Advisory Council, Brazil

**Dennis Chookaszian, Chairman, Financial Accounting Standards Advisory Council,
United States**

Attachment 2 – FCAG Charge

An Overview

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) have a long-standing commitment to work together in an internationally coordinated manner on improving financial reporting standards. As part of that commitment, accounting issues emerging from the global crisis will be considered by both boards. The boards established an advisory group comprised of senior leaders with broad international experience with financial markets to assist in that important process.

The primary function of the advisory group is to advise the boards about standard-setting implications of (1) the global financial crisis and (2) potential changes to the global regulatory environment. The group will conclude its activities within approximately six months (or less) and will conduct advisory meetings during that time.

Areas within the Advisory Group's Purview

The advisory group will consider how improvements in financial reporting could help enhance investor confidence in financial markets. The advisory group also will help identify significant accounting issues that require urgent and immediate attention of the boards, as well as issues for longer-term consideration.

In providing that advice, the advisory group will draw upon work already underway in a number of jurisdictions on accounting and the credit crisis, as well as information gathered from the public roundtables—one each in Asia, Europe, and North America—that the boards are hosting in November and December.

The advisory group is invited to discuss, among other issues, the following:

- ◆ Areas where financial reporting helped identify issues of concern, or may have created unnecessary concerns, during the credit crisis.
- ◆ Areas where financial reporting standards could have provided more transparency to help either anticipate the crisis or respond to the crisis more quickly.
- ◆ Whether priorities for the IASB and the FASB should be reconsidered in light of the credit crisis.
- ◆ Potential areas that require future attention of the IASB and the FASB in order to avoid future market disruption.
- ◆ The implications of the credit crisis for the interaction between general purpose financial reporting requirements for capital markets and the regulatory reporting, particularly for financial institutions.
- ◆ The relationship between fair value and off-balance sheet accounting and the current crisis, both during and leading up to the crisis.
- ◆ The findings and relevance of conclusions of various studies underway, including the US Securities and Exchange Commission study under the Emergency Economic Stabilization Act of 2008.
- ◆ The need for due process for accounting standard-setters and its implications on resolving emergency issues on a timely and inclusive basis.
- ◆ The independence of accounting standard-setters and governmental actions to the global financial crisis.

Advisory Group Structure and Meetings

The advisory group is chaired jointly by two co-chairs—one from each of Europe and North America. The advisory group is comprised of approximately 15-20 senior leaders with broad experience with international financial markets and an interest in the transparency of financial reporting information. Depending on the needs of the advisory group, subcommittees may be formed to consider various issues.

In order to provide the boards and others in the financial reporting system with the benefits of their advice, the advisory group will generally meet in public sessions, with webcasting facilities available to all interested parties. The advisory meetings also may involve private sessions, at the discretion of the co-chairs.

The advisory group meetings will be held in London and New York on a rotating basis. The first meeting will be in January 2009. Staff support for the advisory group is provided by the IASB and FASB. Also, advisory members are entitled to be reimbursed for actual out-of-pocket travel expenses incurred in connection with advisory group meetings as they may request if it is their employer's policy not to provide reimbursement for such costs.

Conduct of its Activities

Advisory group meetings are the primary mechanism that will be used to provide input to the IASB and FASB. The advisory group's role is not to reach a consensus or to vote on the issues that it considers at its meetings. For that reason, it is important to convene the advisory members as a group so that the boards can hear the individual members' views and members can hear and respond to each other's views.

The IASB and the FASB will provide the staff to document and communicate the input from the advisory group.

About the Advisory Group Co-Chairs

Harvey Goldschmid is a former Commissioner of the United States Securities and Exchange Commission (US SEC). Mr. Goldschmid is the Dwight Professor of Law at Columbia University, United States. He served as an SEC Commissioner between 2002 and 2005.

Hans Hoogervorst is the Chairman of the Netherlands Authority for the Financial Markets (AFM), the Dutch securities regulator. Mr. Hoogervorst also serves as Vice-Chairman of the Technical Committee of the International Organization of Securities Commissions (IOSCO) and is a former Minister of Finance in the Netherlands.