

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

IOSCO Technical Committee

Statement on Providing Investors with Appropriate and Complete Information on Accounting Frameworks Used to Prepare Financial Statements

6 February 2008

As accounting standards around the world continue to converge and as cross border capital market activity increases, it can no longer be assumed that investors will automatically be familiar with the jurisdiction in which an issuer company is based and the accounting standards that have been used. Furthermore, there may be a growing tendency for investors and other users of financial statements to assume that all accounts are generally comparable, even when they are prepared in accordance with very different generally accepted accounting principles (GAAPs). This tendency exists particularly in circumstances where national standards assert that they are based on but do not fully implement International Financial Reporting Standards (IFRS), i.e., when IFRS have been modified or adapted to the particular circumstances of a national market. The IOSCO Technical Committee is concerned that investors run the risk of making investment decisions without a full understanding of financial statement data if they are not fully aware of the basis on which financial statements are prepared, and of the accounting standards that underpin the company's policies.

The risk of misunderstanding can be mitigated by making sure that the information regarding the company's accounting policies and the reporting framework on which they are based is fully and appropriately described in the financial statements and that investors and other users can readily get access to the accounting standards and other authoritative literature which underpin the policies. To that end the Technical Committee recommends that all annual and interim financial statements that are prepared on the basis of national standards that are modified or adapted from IFRS and published by publicly traded companies should include at a minimum the following statements, (which should be tailored to the company's circumstances and the markets in which securities may be traded):

1. A clear and unambiguous statement of the reporting framework on which the accounting policies are based;
2. A clear statement of the company's accounting policies on all material accounting areas;

3. An explanation of where the accounting standards that underpin the policies can be found;
4. A statement that explains that the financial statements are in compliance with IFRS as issued by the IASB, if this is the case; and
5. A statement that explains in what regard the standards and the reporting framework used differs from IFRS as issued by the IASB, if this is the case.