



IASB Educational Session:
*FSB risk disclosure initiative and the
Enhanced Disclosure Task Force*

International Accounting Standards Board

London, England

21 November 2012

Jerry Edwards

Senior Advisor on Accounting and Auditing Policy

Financial Stability Board



Financial Stability Board

Established in April 2009 with G20 Leaders' support



- **Comprised of (G20 & others):**
 - National & international regulatory authorities (eg, *finance ministries, central banks & securities authorities* in 24 key centers + EC; BCBS, IOSCO, IAIS)
 - International financial institutions (BIS, IMF, WB, OECD); ECB; key central bank expert groups (CGFS, CPSS); **IASB**
- **Seeks to assess & mitigate risks to financial stability; coordinate key financial regulatory policies & reforms; & monitor implementation**
- **Reports requested by the G20 Leaders**
- **Activities include support for sound international accounting & auditing**



FSB Work Program – 2011-2012



- **FSB Chairman (2011 – present):
Mark Carney, Governor, Bank of
Canada**



**Svein Andresen,
Secretary General**

- **Implementation**
 - Basel III (BCBS)
 - Resolution
 - Compensation
- **Continuing policy
development**
 - Extension of SIFI framework
 - Shadow banking
 - OTC derivatives markets
 - Data initiatives (including
LEIs), risk governance review
 - Risk disclosure, accounting and
external audit



Early work on risk disclosure:

The state of bank risk disclosure: 2007





Early work on risk transparency:

G7 Request to the FSF



- **G7 request to FSF in 2007 to address the market turmoil included valuation & accounting as key topics**
 - FSF WG on Market & Institutional Resilience formed; IASB was a member
- **FSF report to G7 in April 2008 was a “spark” that encouraged actions in key areas, e.g., capital, disclosure, accounting reforms**
- **The turmoil highlighted the importance to market confidence of reliable valuations & useful disclosures about risks**



FSB steps to improve bank risk transparency



- **FSB (FSF) recommendations in 2008 report to the G7**
 - Encouraged improved risk disclosures about structured credit products and SPEs
 - Included recommendation for private sector work on principles and leading practice risk disclosures
- **FSB thematic review report on risk disclosure practices – March 2011**



FSB Roundtable on Risk Disclosure

Basel, Switzerland, December 2011

- Followed FSB review & involved leading financial institutions, investors, analysts, CRAs, auditors, supervisors, regulators & key standard setters
- Candid dialogue about risk disclosure standards & practices, needed enhancements:
 - Risk governance & risk management strategies
 - Prioritized, summarized, relevant disclosure
 - *Credit risk*
 - *Liquidity risk*
 - *Capital adequacy & risk-weighted assets (RWAs)*
 - *Pillar 3 disclosures that are more integrated with financial reporting disclosures*
 - *Scenario & sensitivity analyses*
 - Encouraged the FSB to facilitate work by private sector to enhance risk disclosure practices
- **IFRS 7 & US SEC's MD&A principles provide a helpful foundation for improving practices**





Formation of the Enhanced Disclosure Task Force (EDTF)

- **After discussions with the FSB Plenary, the FSB:**
 - Issued a press release on risk disclosure next steps – 20 March 2012, including Roundtable summary
 - Issued a press release on the formation of the EDTF - 10 May 2012
- **Three EDTF Co-Chairs:**
 - **Hugo Bänziger**, former CRO and Member of the Management Board, Deutsche Bank
 - **Russell Picot**, Group General Manager and Group Chief Accounting Officer, HSBC Holdings plc,
 - **Christian Stracke**, Managing Director, Member of Investment Committee, and Global Head of Credit Research Group, PIMCO
- **Outreach took place with standard setters, regulators & prudential authorities – for example:**
 - IOSCO, BCBS, IASB, FASB, IAASB, IFIAR, PCAOB, EC, SEC, etc.



Enhanced Disclosure Task Force

- **Joint private sector initiative** - comprised of senior experts from financial institutions (CROs, CFOs & chief accounting officials), investors & analysts, CRAs, & Big 4 audit firms
- **Asked by the FSB to:**
 - To develop principles for enhanced disclosures, based on current market conditions and risks, including ways to enhance the comparability of disclosures, and
 - To identify leading practice risk disclosures presented in annual reports for end-year 2011 based on broad risk areas such as those identified in the summary of the first FSB roundtable on risk disclosures (December 2011).
- **Target - report recommendations to the FSB in October** (which would be published) – *published 29 October; welcomed by FSB, G20*
- **Seeks to enhance risk disclosure practices** beginning with certain aspects in end-2012 annual reports, with fuller implementation in 2013 and beyond; *uniquely designed for growing voluntary implementation*



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