

IASB Educational Session:

FSB risk disclosure initiative and the Enhanced Disclosure Task Force

International Accounting Standards Board

London, England

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Financial Stability Board

Established in April 2009 with G20 Leaders' support

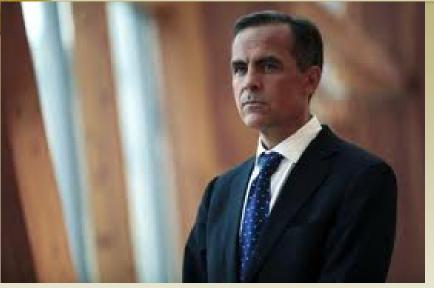


• Comprised of (G20 & others):

- 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



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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