

AGENDA PAPER

IFRS Advisory Council Meeting

LONDON 22 – 23 October 2012

Agenda ref 10

TOPIC Interactions between the Basel Committee and IASB

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This paper has been prepared for discussion at a public meeting of the IFRS Advisory Council. The views expressed in this paper are those of the authors. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS.

Interactions between the Basel Committee and IASB Presentation for October 2012 IFRS Advisory Council meeting

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IFRS Advisory Council

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Sylvie Mathérat
Chair of the Basel Committee's Accounting Task Force

23 October 2012

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Status of interactions

- The Basel Committee has a long history of on-going dialogue with the IASB
- Basel Committee is represented at the IFRS Advisory Council and is an observer at the Monitoring Board
- Dialogue also includes:
 - Regular bilateral meetings with Board and staff;
 - Regular tripartite meetings: IASB, IIF and Basel Committee (aka "Three-way dialogue")

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Interaction and independence

- The Committee considers the IASB's independence as a prerequisite for setting high quality accounting standards
- The Committee's view is that the interactions should help:
 - Obtain an understanding of the IASB's motivation/rationale/thinking in reshaping standards
 - Provide the banking regulator's perspective, in particular in accounting for financial instruments (financial stability and public interest)
- By no means does the Committee want to "hold the pen" in the accounting standard process


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Benefits of the interactions – Macro perspective

- Banks are major actors in the economy and are key to any transmission mechanism
- Financial crisis continues to show uncertainty about banks' assets, leading to investors' loss of confidence
- Accounting standards were not a trigger of the crisis but high quality accounting standards can help restore confidence, for example through:
 - Enhanced standard on provisioning and related disclosures
 - Improved transparency and standardised public information

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Benefit of the interactions – Micro perspective

- Banking regulators have useful experience, which the accounting standard setters can benefit from
 - Call of G20 Leaders to collaborate with prudential regulators
 - Basel Committee High level guiding principles published in August 2009
- Room for improvement in timing of reforms (e.g. Basel III and IFRS 9) // interaction between accounting and prudential standards
- IASB relationships should continue to include a broad set of stakeholders, beyond capital markets authorities

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