

## **AICPA Conference on Current SEC and PCAOB Developments**

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### **Opening remarks by Hans Hoogervorst, Chairman of the IASB**

This time last year I provided an update on our work to establish IFRS as the global language of financial reporting. Today, I am happy to report continued progress around the world. Over 100 countries now use IFRSs, including three quarters of the G20. Almost all of Europe, including non-EU countries such as Russia and Turkey are now on board. Africa is increasingly committed, as are big parts of Asia and the Middle-East. In the Americas, we have almost all countries applying IFRSs, including Brazil, Argentina, Mexico and Canada. Of course, there is one country sandwiched between Mexico and Canada that has yet to commit, but more on that later.

When the IASB and the FASB signed the Norwalk Agreement in 2002, IFRS was considered by many to be a bilateral project between Europe and the US. Today, the standard-setting environment looks different. Many emerging economies driving global growth are supporting IFRS. Understandably, they want a seat at the table of accounting standard-setting. We are seeing the emergence of regional accounting standard-setting forums in Asia and Latin America to complement that of Europe.

As the convergence projects are coming to an end, the IASB is looking at new, multilateral ways to engage with such groups: Last month, we published proposals for a new mechanism to allow the global standard-setting community, to be more deeply engaged in our standard-setting processes. We would like –and expect- the FASB to become a fully engaged partner in this new global forum. We will continue to need the greatly appreciated expertise of our American colleagues.

Recognising the tide of globalisation, the G20 has called time and again for global accounting standards. The United States has had a proud role in this pursuit of a single set of global standards. In 1973, the United States played a crucial role in creating the IASB's predecessor. When the organisation was restructured to become the IASB, the SEC made sure that the IASB looked very much like the FASB. The first Chairman of the Trustees was Paul Volcker. A quarter of my Board and a third of our Trustees are North Americans.

Recently, we have appointed some prominent Americans to our organisation. Mary Tokar from KPMG, and formerly from the SEC, will join the IASB in January, while Heidi Miller, a highly respected executive from JP Morgan, will become a Trustee. Apart from this direct participation, the United States has had enormous influence on our standard setting through the decade of convergence between the FASB and the IASB. As a result, our own analysis shows that the US is very well prepared for a successful transition to IFRS.<sup>1</sup>

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<sup>1</sup> IFRS Foundation staff analysis of SEC Final Staff Report on IFRS, [www.ifrs.org](http://www.ifrs.org)

All of this has been done in the expectation that the US would become a permanent participant in the development, application, and enforcement of a single set of global standards. In 2007, a comment letter by the FAF and the FASB to the SEC said it all: “Investors would be better served if all US public companies used accounting standards promulgated by a single global standard setter as the basis for preparing their financial report. This would be best accomplished by moving U.S. public companies to an improved version of IFRS.”

In my speech to you last year, I recognized that it would not be an easy task for the SEC to make up its mind about adoption of IFRS. I was not so naïve to expect wholesale adoption of IFRS for all companies from day one. But there was a reasonable expectation around the world that the SEC would plot a course towards IFRS.

Yet, as you know, the SEC’s intention to make a decision, originally planned for 2011, was postponed again in 2012. Self-imposed deadlines frequently slip, as we standard setters know all too well. I also recognize that the enormous pressures of Dodd Frank and the elections were not a perfect background for the SEC to make up its mind.

Five years ago, a standstill in the United States would have had very serious consequences for the IASB. The risk was that without the US on board, Europe would go its own way and Asia would develop its own regional standards. Today, such talk has gone. For the many countries I referred to, the cost of transition to IFRS is behind them. There is no appetite to undo this work and revert to national or regional standards. IFRS already has a global impact and that will not change. So there is no longer any risk of IFRS disintegrating as a result of a standstill in the United States.

Nevertheless, there is much concern about strong and continued US leadership in our work and processes if the US is not going to come on board in some shape or form.

I believe the United States should remain an important participant in our institutions and activities. But obviously, US influence will be commensurate with its commitment to our standards. To give just one example: it will make a huge difference whether the FASB will be in a position to endorse our standards, instead of being a national standard setter without a role towards IFRS.

Indeed, the status quo harbours a big risk of slipping back. The uncertainty about where the SEC is going to land is not a helpful backdrop for our work on the remaining convergence projects. Already, on some issues it is getting increasingly hard to find common solutions. If we cannot achieve converged outcomes within a convergence programme, then how will we maintain convergence once the programme has ended? The risk of increasing divergence will be enormous. What a waste that would be.

After a decade of progress, after tireless and sometimes painful work by the boards to bring about convergence between IFRS and US GAAP, after two years of analysis and report

writing, many people around the world expect a clearer perspective of this country's intentions with IFRS.

That is why we really need a tangible sign of continued US commitment to a single set of global standards. Merely striving for greater comparability between standards will not do. We tried that during the 1990s and it was a failure<sup>2</sup>. In the absence of a credible, tangible step on the part of the United States, international concern could turn into international scepticism. The G20 calls for global accounting standards would start to ring increasingly hollow. We cannot allow that to happen.

Ladies and gentlemen, in the past decade, IFRS has de facto become the global accounting language for the greater part of the world. Investors around the globe rely on our standards to make the world safe for their investments. I do not know of any global economic standard or organisation without a leadership role of the United States. For this reason, I find it hard to imagine IFRS without a leadership role for the United States and the SEC. But leadership requires vision, mettle and tough decisions. All of these qualities should be in ample supply in the United States.

Please excuse my frankness during these opening remarks. The Dutch are infamous for their straight-talking – and I am very Dutch. But as a Dutchman who has lived and worked in your country I know that Americans like to talk straight as well. I truly appreciate your attention.

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<sup>2</sup> The International Accounting Standards Committee (IASC) was created in 1973 by nine 'sponsoring members', with the AICPA representing the US. The idea was that national standard-setters would base their national standards on the IASC's standards, thus delivering greater international comparability. Yet, after 25 years of effort, none of the original nine sponsoring members used anything close to international standards. Each country would only take the parts of the international standard that they liked and modify those that they didn't. The model was a failure. The international community came together once again to see what could be done, and in 1997 published a strategy report that recommended the mission of a restructured IASC change to a single set of global standards.