

NEWS RELEASE

9 June 2009



Three steps to get global accounting standards back on track

Chief executives of accountancy bodies within the Global Accounting Alliance, meeting in Edinburgh, have welcomed the greater spirit of dialogue between the International Accounting Standards Board (IASB) and the EU Economic and Financial (Ecofin) Council demonstrated at yesterday's Council meeting.

Global convergence to International Financial Reporting Standards (IFRS) issued by the IASB, as endorsed by the G20 London Summit communiqué and at the informal Ecofin meeting in Prague in April 2009, will be a critical component in helping to rebuild global investor confidence and securing a sustainable economic recovery for the long term. Representing the global accounting community, we remain firmly committed to the broader goal of developing truly global standards that are of the highest quality, determined by independent accounting standard setters.

The fallout from the financial crisis, including the pressure to circumvent due process for amending financial reporting standards, has illustrated the need for all parties to take concerted action to get the development of a single set of high-quality global accounting standards back on track. We believe that the following three steps will help achieve this goal.

1. The standard setter should strive to improve its engagement with stakeholders

Better communication, improved accountability structures, enhanced transparency on the part of the IASB is vitally important. The standard setter should make concerted efforts to learn from the turmoil of the past nine months in order to better manage its many and varied stakeholders around the world. This should include establishing a well-understood and robust protocol for taking issues on to its agenda and prioritising - and reprioritising - its workload. This protocol should include how it takes forward emergency measures. Such improvements are essential in order to manage the very challenging pressures that, as a global body, the IASB will inevitably be subject to.

2. All parties should commit to global consultation and cooperative dialogue

Carrying forward the G20 London Summit communiqué, relevant authorities in jurisdictions that have adopted IFRS, and those that are considering the adoption of IFRS, should make a sustained effort to commit to the global consultation process for standards and engage in open, cooperative dialogue in order to achieve a single set of high-quality global accounting standards.

3. All parties need to acknowledge that producing high-quality standards takes time

Amending standards for financial instruments is a complicated business. We need to be sure that all stakeholders are consulted, allowing the proper time for debate and testing, and that all the difficult issues are identified and fully considered. This demands that adequate due process is carried out in all circumstances. Undue haste in the standard setting process is not conducive to high-quality and risks creating unintended consequences, potentially undermining transparency and confidence in financial reporting. It is not in the interests of any stakeholder - regulators, investors, insurers, bankers, or users - for complex changes to accounting requirements on financial instruments to be rushed through in a piecemeal fashion and with inadequate time for proper implementation.

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Notes to editors

1. The members of the GAA present at the Edinburgh meeting are:-

- American Institute of Certified Public Accountants (AICPA)
- Canadian Institute of Chartered Accountants (CICA)
- Hong Kong Institute of Certified Public Accountants (HKCPA)
- Institute of Chartered Accountants in Australia (ICAA)
- Institute of Chartered Accountants in England and Wales (ICAEW)
- Institute of Chartered Accountants in Ireland (ICAI)
- Institute of Chartered Accountants of Scotland (ICAS)
- New Zealand Institute of Chartered Accountants (NZICA)
- South African Institute of Chartered Accountants (SAICA)