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Good morning.

We have heard this morning Joanna and Sir David's comments on the impact of the Global Financial crisis on the Financial Reporting Framework. I have been asked to provide some comments on what else needs to be done in response to the Credit Crisis. As this could be a very wide area, I am assuming I am expected to talk about what else needs to be done from the perspective of us as standard setters.

One option is for us to do nothing. The G20 have re-affirmed their support for fair value accounting and have called on the IASB to achieve a single set of high quality global accounting standards. Given many of us in this room agree with both of those objectives one could argue that there is therefore nothing further for us to do but sit back and await further exposure drafts from the IASB. This, in my view, would amount to irresponsible behaviour. There are many areas in which we, as national standard setters, need to grasp the issues, deliberate and be heard to a level where we can influence the process and support the IASB.

Firstly, let us look at the calls from the G20. While there are many good things included in their Communique of 2nd April, there are some danger signs that we need to be alert to. These include the following:

- A call on standard setters to work urgently with supervisors and regulators to improve standards on valuation and provisioning;
- Accounting standard setters should significantly advance their work to address weaknesses in accounting and disclosure standards for off-balance sheet vehicles.

- With a view toward promoting financial stability, the governance of the international accounting standard setting body should be further enhanced, including by undertaking a review of its membership, in particular in order to ensure transparency, accountability, and an appropriate relationship between this independent body and the relevant authorities.

- Regulators, supervisors and accounting standard setters should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high quality accounting standards;

- The IMF, expanded FSF, and other regulators and bodies should develop recommendations to mitigate pro-cyclicality, including the review of how provisioning practices may exacerbate cyclical trends;

- International standard setters should set out strengthened capital requirements for banks' structured credit and securitization activities;

- The role of accounting standards is to smooth shocks and not amplify them. It should no longer be possible to set standards without the involvement of public authorities and without a clear aim of financial stability.

There are some worrying trends in these principles that we, as national standard setters, must be conscious of and do our utmost to help ensure that common good sense prevails and that accounting standards remain true to their stated intention, i.e. to provide investors with useful information for decision-making.

Consequently, I believe we must all work together to help our regulators, supervisors and preparers realise this goal in a practical way. When doctors prescribe medicinal and medical remedies, they remain unchallenged, unless they have not acted in accordance with the standards of their profession. We need to ensure our environment remains intact in this regard.

Whilst I acknowledge that the role of regulators is to enforce financial prudence and capital adequacy, this is not a primary role of accounting and we must consistently make this clear to regulators. So called "dynamic provisioning", mentioned earlier today, brings with it the risk of generating false confidence in the banking sector. If a downturn is more severe than anticipated, as recent events have demonstrated can happen, the level of provisions will not be sufficient to absorb actual losses.

Now, please do not misunderstand me. I firmly believe that standard setters and regulators have a collective role to play in the stability of capital markets, however we reach a stage where our collective responsibilities diverge and it is vital that we each recognize where this happens and we each must become accountable for our independent responsibilities.

Independence and due process are the cornerstone of standard setting. In this regard I am concerned to see the effect that congress has had on Bob Hertz recently. While it is laudable for congress to help us see potential weaknesses in our standards, immediate changes without proper due process, can lead to significant unintended consequences. As standard setters we must continuously strive to achieve our goal of a comprehensive set of high quality standards which can only be high quality when due process has been followed and all potential consequences identified and evaluated.

In summary, we must work with regulators and politicians, but not pander to them. Neither should we become defensive in our attitudes. We must understand the comments made about our standards and use our diplomacy to ensure reasoned and high quality standards prevail in the long term.

Another worrying comment I have seen recently is that standard setters should take into account country specific characteristics of markets in adapting IFRS for national circumstances. This is something we must not do. It is up to the IASB to listen to reasoned arguments and present final standards as reflecting business as transacted in capital markets. It is up to us as national standard setters to ensure we have well reasoned arguments to support our comments. Arguments that simply state that we don't like the answer or that our constituents don't like the answer, will not get us very far. In addition, citing impediments such as "our legal system does not permit that" is unhelpful. A large part of our job is to work with legislators to ensure that our systems are updated and support modern business. To this end, I am personally delighted to see the government in Hong Kong now completing a complete re-write of our companies' legislation.

This leads me to our other role as national standard setters and that is to spend more time educating our preparers as to the logic and principles behind the standards. This means that we must become much more involved at the discussion level than we have been in the past. Those of us who have run lean and mean standard setting departments need to re-think this approach. I note that EFRAG have approximately nine full time employees who vet the acceptability of standards for Europe and prepare papers supporting and challenging current thought leadership. How many people have each of us got in our standard setting departments? Those of us in Asia, with certain obvious exceptions, need to upgrade our standard setting resources if we are to be more credible with IASB, our own regulators and governments and with our preparer community.

Further to this point, it is also clear to me that if the G20 are demanding that IASB raise their game, then adequate funding is needed from all territories that use their standards. It is one thing to issue a communiqué that has principle aims of improving standards and timeliness of updates to them, but is silent on how this should be funded.

A controversial subject at the moment is one of whether standard setters should weigh up a cost vs. benefits analysis. While the constitution of IASB dictates that their role is to develop high quality Global standards useful to investors for decision-making, (a focus I entirely agree with), there would, in my view, be some merit in understanding this analysis as part of explaining to constituents and their prepares the context within which decisions have been made. Too often I hear cries that the standard setters did not listen and that they do not live in the real world. In reality, it is often the preparers who do not listen to their investors (or funds providers as I prefer to refer to them).

In summary, it is time to sort out some fundamentals to support what was said this morning. We must stop working in silos. Regulators and governments must recognize that standard setters are on the same side and proper lines of communication and mutual respect are needed. Both the IASB and national standard setters need adequate and known funding sources on a long term basis. National standard setters need to stand up and be counted, with well reasoned arguments, rather than be defensive. While transparency and accountability are essential, we must not make the process ineffective by over bureaucratic oversight and approval processes that stifle agility combined with appropriate due process.

National standard setters need to work collectively. So many times I have heard the cry "but we are unique". In today's global world, rarely is one territory unique. A good example is the standard on related party transactions where the world felt that

China was unique and initially was not listened to. With the US, UK and several other territories nationalizing their banks (and possibly also insurance companies) look how widespread this standard has become. National standard setters and their constituents must look to the big picture and whether the standard being developed is of a higher quality. If so, immediate support should flow.