

## Transition to IFRS – Working Towards a Global Set of Accounting Standards with IOSCO

June 6<sup>th</sup>, 2013

7<sup>th</sup> IFRS Regional Policy Forum, Hong Kong

*\* This presentation is prepared under the sole responsibility of the presenter. All references must be made to the original document and releases issued by the IOSCO and the JFSA.*

### Consistent Application and Enforcement of IFRS<sup>①</sup>: IASB's Perspective

Mr. Hans Hoogervorst, Chairman of the IASB, gave a speech titled "The search for consistency in financial reporting" on January 17<sup>th</sup>, 2013.

- One year after (the EU's) adoption, a study sponsored by the European Commission found that adoption of IFRS had been challenging but ultimately successful. The study concluded that 'there was widespread agreement that IFRS has made financial statements easier to compare across countries, across competitors within the same industry sector and across industry sectors'.
- However, to get the most out of comparability the standards also need to be applied, audited and enforced on a consistent basis.
- It is primarily the task of regulators and auditors to take the lead in tackling challenges with consistent application of our standards.

⇒ Consistent application and enforcement are important to get the most out of comparability, and it is primarily the task of regulators.

## Consistent Application and Enforcement of IFRS②: IOSCO's Perspective– Principles and Commitment

### <Principles>

The IOSCO has 38 principles of securities regulation, and the Principle 18 states the use of global accounting standards.

**Accounting standards used by issuers to prepare financial statements should be of a high and internationally acceptable quality.**

### <Commitment>

The IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement.



**Why are rigorous (i.e. consistent) application and enforcement important?**

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## Consistent Application and enforcement of IFRS③: IOSCO's perspective– Statements

IOSCO puts great importance on consistent application and enforcement.

- **We also support the proposition that global markets require a coordinated approach, particularly in the context of a crisis. We confirm our support for coordinated implementation of the standards produced by standard setters and for the cooperative enforcement of those standards.**

(IOSCO/MR/017/2008)

- **The Technical Committee (current IOSCO Board) further encourages members to continually evaluate such supplemental treatments as the implementation of IFRS continues and as the global financial reporting infrastructure is enhanced to encourage the consistent application and enforcement of IFRS. By this approach it is hoped that issuers would be allowed in the foreseeable future to make use of IFRS without reconciliation.**

(STATEMENT ON THE DEVELOPMENT AND USE OF  
INTERNATIONAL FINANCIAL REPORTING STANDARDS IN 2005)

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## Activities of IOSCO to enhance consistent application and enforcement

- After endorsement of IASC core standards (IFRSs) in 2000, the IOSCO has concentrated on these activities:
  - Information sharing between regulators**  
(for consistent interpretation and enforcement)  
⇒ IFRS Database
  - Comment on proposals/Participation in meetings**  
(for pursuit of improved transparency of global financial reporting)  
⇒ Comment Letters/Participation in IFRS-related meetings
  - Governance of the standard setter**  
(for enhancement of the governance of the standard setter )  
⇒ Involvement in the IFRS Foundation Monitoring Board

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## IOSCO IFRS Database System

### The IOSCO IFRS Database System

✓ Database of decisions relating to regulatory interpretation and enforcement of IFRS, in order to support the objectives underlying the adoption and use of IFRSs

- Comprehensive and current
- Readily accessible for securities regulators and enforcers

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## **IOSCO' s comment letters to IASB proposals**

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Through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting, the IOSCO sends its comment letters to the IASB proposals (EDs of newly established IFRSs, IFRS Interpretation Committee interpretations) and others.

### Major Recent Examples of Comment Letters sent by the IOSCO

- Agenda Consultation (December 2011)
- Financial Instruments: Hedge Accounting ED (April 2011)
- Due Process Handbook (September 2012)
- Limited Amendments to IFRS 9 (April 2013)

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## **IOSCO has participated in IFRS related meetings**

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As the leading international group of securities' market regulators, the IOSCO participates in various kinds of IFRS meetings, including:

- IFRS Advisory Council (as member)
- IFRS Interpretations Committee (as official observer)
- IASB public round tables (as participant)
- IFRS Foundation Monitoring Board (as member)

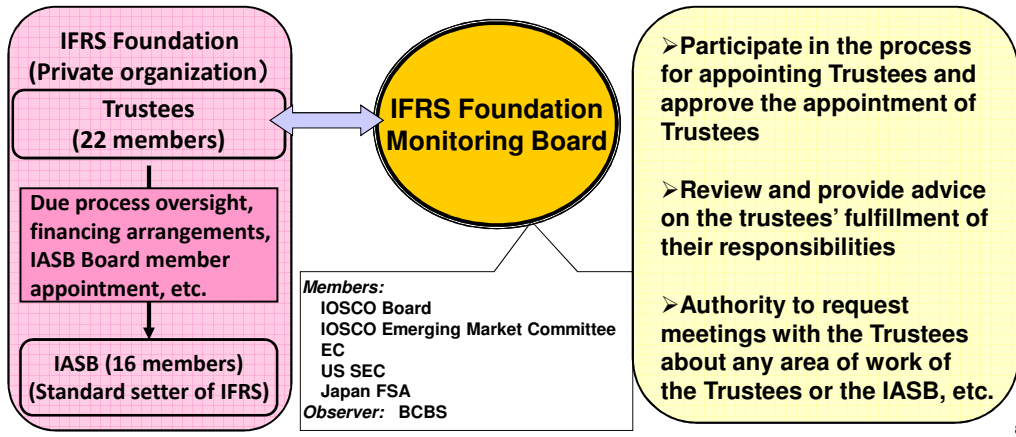
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## Overall Governance Structure of the IFRS Foundation and IASB

### G20 Action Plan (Nov 2008)

#### Strengthening Transparency and Accountability

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 appropriate relationship between this independent body and the relevant authorities.



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## IFRS Foundation Monitoring Board and IOSCO

### The IFRS Foundation Monitoring Board

- ✓ Oversight body of the IFRS Foundation
- ✓ Mission - to help ensure the public accountability of the IFRS Foundation by monitoring and reinforcing the public interest oversight function of the IFRS Foundation, as well as to promote the continued development of IFRS as a high-quality set of global accounting standards
- ✓ - published the final report on the review of the IFRS Foundation's governance in February 2012
- ✓ Chairman – Masamichi Kono (Vice Commissioner for International Affairs of the JFSA)
- ✓ IOSCO Board and IOSCO Emerging Market Committee are members
- ✓ Next steps
  - expansion of the Monitoring Board by selecting new members, including two rotating seats in consultation with IOSCO

(by MB's press release dated March 1)

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## Further Cooperation with IASB/IFRS Foundation①

- In October 2012, Mr. Michel Prada, Chairman of the IFRS Foundation, was invited to the IOSCO Board.



He made remarks about the importance of IOSCO's interaction with the IASB with respect to sharing information about IFRS adoption and implementation issues,

and

presented his view on the importance of synergies between IOSCO and the IFRS Foundation.

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## Further Cooperation with IASB/IFRS Foundation②

Regular meetings between IOSCO and IASB

- At the November 2012 C1\* meeting in Hong Kong, representatives of the IASB participated in a session with C1 to discuss the relationship between IOSCO and IFRS Foundation organizations (IASB, IFRS Interpretation Committee) going forward and how that relationship can be enhanced, in particular with respect to IFRS implementation matters.

\*C1: Committee on Multinational Disclosure and Accounting

Current and Possible  
Future Involvements  
by IOSCO

- I. Standards Development
- II. Standards Endorsement
- III. Standards Implementation
- IV. Standards Enforcement

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## I. Standards Development and II. Standards Endorsement

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### I. Standards Development:

- Sending comment letters on IASB's proposals
- Participation in IFRS-related meetings
- Discussion on relevant IFRS matters?

### II. Standards Endorsement:

- Survey on the Use of IFRS, IOSCO Database, etc.

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## III. Standards Implementation and IV. Standards Enforcement

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### III. Standards Implementation:

- Response to IASB Outreach Requests on IFRS Application in Practice Issues
- Conducting a meeting session with the IASB regarding implementation experiences, etc.
- Participation in the IFRS IC
- Providing input for post-implementation reviews of IFRSs

### IV. Standards Enforcement:

- Sharing relevant information among C1 members
- IOSCO IFRS Database

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**Thank you!**

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**JFSA**

(Financial Services Agency, Government of Japan)



**APPENDIX**



## Report of the IFRS Foundation Trustees' Strategy Review 2011 ①

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In carrying out the IFRS Foundation's mission as its standard-setting body, the IASB should develop financial reporting standards that provide a faithful portrayal of an entity's financial position and performance in its financial statements. Those standards should serve investors and other market participants in making informed resource allocation and other economic decisions. The confidence of all users of financial statements in the transparency and integrity of these statements is critically important for the effective functioning of capital markets, efficient capital allocation, global financial stability and sound economic growth.

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## Report of the IFRS Foundation Trustees' Strategy Review 2011 ②

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The Trustees believe that the IASB can best account for differing perspectives, including the needs of a range of sizes and types of entities in diverse economic settings, through effective stakeholder engagement with a broad range of parties as part of the IASB's due process. Such a due process is essential to understanding diverse needs and the impact of standards (including their potential cost) and to minimising the need to have multiple reporting requirements. For example, when it comes to issues concerning the interaction of financial reporting and prudential concerns, the IASB should seek to build upon its 'enhanced technical dialogue' established with prudential supervisors and other stakeholders. **One possibility would be to formalise existing informal arrangements in a manner that includes regular and joint meetings with specifically designated organisations** (such as **IOSCO**, the Basel Committee on Banking Supervision, the Financial Stability Board, the IMF and the IAIS).

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