

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



OICU-IOSCO

**TECHNICAL COMMITTEE
OF THE
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS**

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IOSCO Technical Committee Statement
on the
Development and Use of International Financial Reporting Standards
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In 2000, after several years of intensive work by the International Accounting Standards Committee (IASC) to improve standards which existed at that time, the Technical Committee of the International Organization of Securities Commissions (IOSCO) conducted an assessment of progress made and work which remained to be done on 30 core accounting standards (the IASC 2000 Standards). The Technical Committee published a report summarizing outstanding issues and questions regarding those standards. Following this assessment, the IOSCO Presidents' Committee issued a resolution concerning the use of the IASC Standards (the Sydney 2000 Resolution), which included a recommendation that IOSCO members permit incoming multinational issuers to use the 30 IASC 2000 standards to prepare their financial statements, subject to supplementary treatments to address substantive outstanding issues at a national or regional level.

In 2001, the structure of the IASC was changed to establish a new Board to serve as a full-time independent standard setter (the International Accounting Standards Board or the IASB). Subsequently, the IASB has engaged in standards setting efforts that have addressed many of the issues noted in the 2000 Assessment Report, as well as other financial reporting issues. The IASB has issued new standards on complex issues such as share based payments and business combinations and completed a stable platform of accounting standards for large-scale adoption in the European Union and in a number of other countries in 2005. The Technical Committee commends the IASB on the completion of the stable platform for 2005 and on the Board's work to develop and improve IFRS.

The restructuring of the former IASC into the IASB in 2001 also included the establishment of a Board of Trustees (the IASC Foundation) to oversee the IASB's activities. The Trustees have been evaluating the structure and process of the IASB in a formal public Constitutional Review, and have recently published a set of proposed changes to the IASC Constitution. The IASB itself continues to work on a continuous basis to improve its efficiency and effectiveness. The Technical Committee supports the IASC Trustees in their ongoing review of the Constitution and their work in developing the IASB as a globally accepted strong, competent and independent standard setter.

Accounting standards setting is a continuous process that must respond to changes and developments in the markets and the information needs of investors. IOSCO and the IASB have developed a close and constructive relationship, which allows IOSCO members to assess continually the quality of IFRS and the process of setting them. This continuing relationship between IOSCO and the IASB involves regular comment letters of IOSCO on exposure drafts of new standards, and on the IASC's constitutional review, the attendance of IASB board members at meetings of IOSCO's Standing Committee No. 1, and IOSCO's participation in the IASB's International Financial Reporting Interpretations Committee, the Standards Advisory Council and accounting project advisory groups.

Global Accounting Convergence

The IASB has made a positive decision to seek convergence with national standard setters around the world. These intentions have been evident in actions such as the 'Norwalk Agreement' reached with the U.S. Financial Accounting Standards Board in October 2002, continuous discussions with representatives of accounting organizations and government bodies in the European Union, announcements of planned joint efforts with the Japan national standards setting body in 2004, as well as ongoing liaison activities with national standards setters that have taken place since the Board's inception. The Technical Committee is confident that the IASB is determined to solve

the remaining issues causing differences in accounting among national standards setters and to create a high quality set of global accounting standards.

Support for International Financial Reporting Standards and Ongoing Involvement with the IASB

As numerous countries around the world now engage in the adoption of IFRS in 2005 and beyond, the Technical Committee reaffirms its support for the development and use of IFRS as a set of high quality international standards in cross-border offerings and listings. The Technical Committee recommends that its members allow multinational issuers to use IFRS in cross-border offerings and listings, as supplemented by reconciliation, disclosure and interpretation where necessary to address outstanding substantive issues at a national or regional level. The Technical Committee 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.