

**BANCO CENTRAL DO BRASIL**

COMMUNICATION 14.259

Announces procedures for the convergence of the accounting and auditing standards applicable to financial institutions and to other institutions authorized by the Central Bank of Brazil with the international standards issued by the International Accounting Standards Board (IASB) e by the International Federation of Accountants (IFAC).

The Board of Directors of the Central Bank of Brazil, in the session that occurred on March, 9th, 2006, aware of the profound transformations observed in the world economic scenario in the last years, represented, notably, by the accelerated globalization process of the economy, which require the need to promote convergence of accounting and auditing standards at international level, taking into consideration the conditions, peculiarities and stage of development of the Brazilian market and considering:

that is of fundamental importance that financial institutions make available high quality, transparent and comparable accounting information which are understandable by regulators, financial analysts, investors, auditors, accountants and other users, independent of their origin or location;

that the adoption of compatible accounting and auditing practices strengthens the information reliability, facilitates to monitoring and to comparing the economic and financial situations and the performance of the institutions, makes possible capital allocation optimization and contributes to the reduction of funding and operational costs, in this case because it eliminates the need to prepare multiple financial statements by internationally active institutions;

the importance of the application of accounting practices which contribute to assist the Brazilian financial institutions action into the international market and to reduce their funding and operational costs at an international level, including the elimination of the need to prepare multiple financial statements;

in recent years, the Central Bank of Brazil has presented regulatory propositions to the National Monetary Council with the objective to adopt accounting and auditing procedures applicable to financial institutions and to other institutions authorized by this Central Bank harmonized with international recommendations, especially the ones issued by the International Accounting Standards Board (IASB) e by the International Federation of Accountants (IFAC);

despite the already achieved results and considering the need to intensify the efforts to increase the current level of convergence,

DECIDED:

1. To determine, under the Central Bank of Brazil competence, the development of a specific action, to be concluded by December, 31st, 2006, with the objective to identify the needs of convergence to international accounting and auditing standards issued by the IASB and the IFAC, respectively, which are applicable to financial institutions.



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2. From the referred diagnosis, regulation will be released with the objective of the adoption of procedures for preparation and publication of consolidated financial statements in compliance with the IASB standards from December, 31st, 2010, as well as with the standards issued by the IFAC to independent auditors in the National Financial System.

3. Within the project horizon, including the diagnosis stage, the Central Bank of Brazil, following the efforts already in development in recent years, will adopt the necessary actions to achieve the objectives of convergence, pursuing to edit as soon as possible the standards to be implemented at 2010.

4. The Central Bank of Brazil will promote the constant monitoring of the standards issued by the IASB and the IFAC to ensure that, once achieved, the convergence remains.

Brasilia, March 10th, 2006.

Sergio Darcy da Silva Alves
Deputy governor