

**Statement of Sir David Tweedie**  
**Chairman, International Accounting Standards Board**

I am honoured and delighted to be here today to mark what I believe is an important step for the development of the Korean economy and its place in the world's increasingly integrated capital markets. The announcement of the roadmap towards Korea's adoption of International Financial Reporting Standards (IFRSs), as set by the International Accounting Standards Board (IASB) is a matter for congratulation. Like the United States and China, Korea is now committed to convergence with IFRSs.

The IASB's mission is to make it possible for accounting transactions to be accounted for in the same way in Seoul or Sydney, in Seattle or Stockholm or Shanghai, by developing a single set of high quality, understandable and enforceable global accounting standards.

The logic of the drive towards convergence of accounting standards around the world is clear. The emergence of strong, stable and liquid markets is vital to economic growth. Speaking a common language of accounting and producing accounts on a shared basis of high quality global standards contributes immensely to investors' understanding and confidence, which are essential to the growth of capital markets. Without those shared standards capital will attract a risk premium because investors may not be able to understand a company's prospects—even worse, capital will flow towards what investors regard as safer opportunities.

The IASB has a vital role in this process of confidence-building. Sharing common standards reduces costs, because companies, accountants, auditors and regulators are learning and applying a single set of standards. The cost of capital is reduced because analysts and investors have a better understanding of, and confidence in the presentation of, companies' performance and results, and therefore of companies' prospects. And confidence in companies' financial statements opens the door to the world's capital markets. It is a key element in encouraging inward investment.

Around the world countries have come increasingly to perceive the benefits conferred by switching to IFRSs. At present more than a hundred countries—including all those in the

European Union—either require or permit the use of IFRSs, and in the coming years we expect many more to join the IFRS family, putting great pressure on those countries that have not yet adopted international standards. The IASB is also well advanced in its programme of achieving convergence between IFRSs and US standards, a process that we expect to lead to the removal by 2009 of the requirement for IFRS preparers to reconcile their accounts to US standards when listing in the United States.

Beyond that date we intend to work with the US standard-setter, the FASB, to eliminate further differences between our standards by jointly developing standards in areas that are in need of major improvement. We believe that in five or so years the differences between IFRSs and US GAAP will not be significant and that the dream of one set of global standards will be virtually realised.

We will welcome Korea joining us in that task of creating new standards. We already have staff seconded from the Korea Accounting Standards Board working with us and we look forward to greater collaboration in the future.

The benefits of IFRSs for major listed companies are widely understood. But the IASB recognises that the vast majority of businesses are unlisted small and medium-sized entities (SMEs). A further goal has therefore been to produce a standard for use by smaller and unlisted companies that is derived from full IFRSs while reducing the burden on the preparing company. We have recently published a draft of this standard for public comment. When completed, the IFRS for SMEs will make the accounting requirements more accessible to smaller preparers in both developed and emerging markets.

The benefits for Korea of the decision announced today are clear. As Korea's businesses adopt standards that incorporate accounting principles familiar to investors worldwide it will encourage investor confidence in Korea's capital markets and financial reporting, and will be an additional spur for investment from both domestic and foreign sources of capital. For those companies that are already known in the global arena, the acceptance of IFRSs should also reduce the cost of complying with the accounting regimes of the different jurisdictions in which they operate.

As chairman of the IASB I welcome and applaud the step that Korea has taken towards joining the IFRS family. On behalf of my colleagues at the IASB I warmly congratulate the government of Korea, the Korea Accounting Standards Board, the Korea regulatory authorities and the many other organisations in your country that have promoted and supported this far-sighted decision. We look forward to working closely with you to make the transition as quickly and easily as possible.