

January 4, 2010

Prime Minister Chung Un-Chan  
Central Government Complex  
55 Sejong-no  
Jongno-gu  
Seoul, 110-760  
Republic of Korea

Dear Prime Minister:

We are writing to you in your role as chair of the G-20. We respectfully request that the Secretariat circulate this letter to all G-20 participants.

On December 15, 2009, the Financial Crisis Advisory Group (FCAG) met to review the progress of the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) in addressing the recommendations contained in our July 28, 2009 report. The members of our group, which was established to advise the Boards on the standard-setting implications of the crisis, are listed in Attachment A.

Although conditions may have improved somewhat in various markets around the globe, the FCAG believes it remains critically important to achieve a single set of high quality, globally converged financial reporting standards that provide consistent, unbiased, transparent and relevant information across geographical boundaries. We are encouraged by the Boards' progress to date in developing such standards, as summarized in Attachment B. We fully support the shared goals, values, and principles expressed in the Boards' Joint Statement of November 5, 2009 (see Attachment C) and the pathway set forth in that document for completion of the Boards' major convergence projects. Although we recognize that there are challenges ahead, we urge the Boards to reach fully converged solutions.

The FCAG expects the standard setting process to continue in a spirit of independence and accountability. As we noted in our July report, in order to develop high-quality standards that provide unbiased, transparent and relevant information, it is critical that the Boards enjoy a high degree of independence from undue commercial and political pressures. At the same time, they must have a high degree of accountability through appropriate due process, including wide engagement with constituents, and oversight conducted in the public interest.

We commend the Boards' demonstrated commitment to consultation with all interested parties, including prudential regulators, as they proceed with their work. We urge all parties to participate fully in the Boards' consultative efforts and to endorse the final standards as promulgated by the Boards after completion of their wide due process procedures. Such participation and endorsement

are essential to meeting the G-20's call for convergence, a result vital to the long-term effectiveness of our global financial markets, and thus to global financial stability and sound economic growth.

We warmly welcome the recent decision by the European Commission to join the IASB Monitoring Board. This will further serve to strengthen the accountability of the IASB.

The next several months are likely to see a number of key developments, including:

- the US Securities and Exchange Commission's response to the comments it has received regarding its proposed roadmap for the potential use of International Financial Reporting Standards (IFRS) by domestic U.S. reporting companies;
- the European Union's endorsement decision regarding the completed first part of the IASB's financial instruments project, IFRS 9, *Financial Instruments: Classification and Measurement*;
- the constituent feedback on the IASB's proposed standard from the second part of its financial instruments project, *Financial Instruments: Amortized Cost and Impairment*, and the issuance of its proposal on hedge accounting, the third and final part of its financial instruments project; and
- the issuance by the FASB of its comprehensive financial instruments proposals on classification and measurement, impairment, and hedge accounting.

In light of all of this, the FCAG expects to meet again in the fourth quarter of 2010 to review the Boards' further progress and any relevant external developments. In the meantime, we have advised the Boards that we remain available to assist in their efforts.

Sincerely,



Harvey J. Goldschmid  
Co-chair



Hans Hoogervorst  
Co-chair

cc: Prime Minister Gordon Brown  
FCAG members and official observers  
Sir David Tweedie, chair, IASB  
Robert Herz, chair, FASB  
Gerrit Zalm, chairman of the Board of Trustees, International Accounting  
Standards Committee Foundation  
John J. Brennan, chairman of the Board of Trustees, Financial Accounting  
Foundation