

Press Release



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FOR IMMEDIATE RELEASE

27 February 2006

US FASB and IASB reaffirm commitment to enhance consistency, comparability and efficiency in global capital markets

The US Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) today published a Memorandum of Understanding (MOU) that reaffirms the boards' shared objective of developing high quality, common accounting standards for use in the world's capital markets. Both boards believe that a common set of high quality accounting standards will enhance the consistency, comparability and efficiency of financial statements, enabling global markets to move with less friction.

The MOU is a further elaboration of the objectives and principles first described in the boards' Norwalk Agreement published in October 2002. While the document does not represent a change in the boards' convergence work programme, it does, however, reflect the context of the 'roadmap' for the removal of the reconciliation requirement for non-US companies that use IFRSs and are registered in the United States. It also reflects the work undertaken by the Committee of European Securities Regulators (CESR) to identify areas for improvement of accounting standards.

In discussing the publication of the MOU, Robert Herz, Chairman of the FASB, commented,

This document underscores our strong commitment to continue to work together with the IASB to bring about a common set of accounting standards that will enhance the

quality, comparability and consistency of global financial reporting, enabling the world's capital markets to operate more effectively.

Sir David Tweedie, Chairman of the IASB, said,

The memorandum of understanding marks another significant step in our partnership with the FASB to reach a truly global set of accounting standards. The pragmatic approach described in the MOU enables us to provide much-needed stability for companies using IFRSs in the near term, while taking advantage of a once-in-a-lifetime opportunity to contribute to removing the need for reconciliation requirements. At the same time, the IASB will continue its work on other areas not in the MOU and on topics that arise concerning the implementation and interpretation of IFRSs.

Both the FASB and the IASB note that removing the current reconciliation requirements will require continued progress on the boards' convergence programme. Accordingly, the MOU sets out milestones that the FASB and the IASB believe are achievable.

The roadmap also addresses auditing and enforcement, topics that are not accounting standard-setting issues and will require the co-operation of regulators and auditors. In developing the MOU, representatives of the boards have held discussions over the past year with representatives of the European Commission and the SEC staff, with the boards' respective advisory councils, and with other interested parties.

The boards agreed that trying to eliminate differences between standards that are both in need of significant improvement is not the best use of resources—instead, new common standards should be developed. Consistently with that principle, convergence work will continue to proceed on the following two tracks:

- First, the boards will reach a conclusion about whether major differences in focused areas should be eliminated through one or more short-term standard-setting projects, and, if so, the goal is to complete or substantially complete work in those areas by 2008.

- Second, the FASB and the IASB will seek to make continued progress in other areas identified by both boards where accounting practices under US GAAP and IFRSs are regarded as candidates for improvement.

The boards point out that their work programmes are not limited to the items listed in the MOU. The FASB and the IASB will follow their normal due process when adding items to their agendas.

The FASB and the IASB will meet on 27 and 28 April in London, when they will discuss topics described in the MOU.

END

Notes for editors

About the FASB

Since 1973, the Financial Accounting Standards Board has been the designated organization in the private sector in the US for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors and others rely on credible, transparent and comparable financial information. For more information about the FASB, visit its website at www.fasb.org.

About the IASB

The International Accounting Standards Board (IASB), based in London, began operations in 2001. Contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations fund the operations of the IASB.

The 14 Board members (12 of whom are full-time) are drawn from nine countries and have wide international experience and a variety of functional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting

standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.

The Memorandum of Understanding

The text of the MOU is attached.