



International Accounting Standards
Committee Foundation®

Press Release

FOR IMMEDIATE RELEASE

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EUROPEAN CONSULTATIVE GROUP ON ACCOUNTING ISSUES AFFECTING FINANCIAL INSTITUTIONS TO BE CREATED

Paul A Volcker, chairman of the IASC Foundation Trustees, has invited senior officials from European banking, securities and insurance regulators and from the accounting, banking, and insurance industries to form a high level European consultative group to advise the International Accounting Standards Board (IASB). The group will focus specifically on certain basic issues related to the application of accounting standards to financial institutions.

The concept of such a group has grown out of discussions with the European Commission, which is invited to participate in the consultative group's discussions as an observer. While deliberations on the international standards on financial instruments (IASs 32 and 39) must come to a close by the end of March 2004, the extended debate surrounding the IASB's proposed improvements to these two standards has demonstrated that long-standing and basic issues of accounting and regulatory philosophy and approach will remain.

The IASB will need in the future to address these longer-term issues, which centre importantly on the application and extent of fair value accounting appropriate for regulated financial institutions in the banking and insurance industries. The question of "fair value" accounting raises related accounting issues, such as the approach towards provisions and core deposits. This consultative group will focus on these important issues.

Given the adoption of International Financial Reporting Standards (IFRSs) in the European Union in 2005, such a high level European group will be well placed to advise the IASB on these longer-term issues, as well as on issues related to the standards to be finalised in March. Because of the complexity of and wide ranging opinion regarding the issue of fair value accounting, the questions of the use of fair value accounting and other related issues beyond IAS 39 are unlikely to come before the IASB for final decision for several years. However,

the European and other advisory groups may identify areas for rapid improvement in the existing IASs 32 and 39 at an earlier stage.

As part of their current review of the IASC Foundation Constitution, the Trustees will consider other steps to reinforce the consultative process regionally and globally.

Commenting on the establishment of the advisory group, Mr Volcker stated, “The IASB is continuing its discussions with the many interested parties on the existing financial instruments standards (IASs 32 and 39). The IASC Foundation Trustees have been encouraged by the IASB’s intensive efforts aimed at addressing particular and technical concerns raised. With the 2005 deadline approaching for the European Union and elsewhere, debate on those standards must come to a close shortly. The finalisation of the improvements of IASs 32 and 39, however, will not resolve the broader issues concerning the use of ‘fair value’ accounting, particularly for regulated financial institutions. It is both the Trustees’ and the IASB’s hope that the establishment of this high level advisory group will mark the first of many steps taken by the IASB aimed at developing a consensus on these difficult conceptual issues.”

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NOTE TO EDITORS

The International Accounting Standards Committee (IASC) Foundation, based in London, is the oversight body of the International Accounting Standards Board (IASB). The governance of the organisation rests with 19 Trustees, chaired by former US Federal Reserve chairman Paul A Volcker. The IASC Foundation is funded by contributions from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The IASC Foundation, through 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.

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