



International Accounting Standards Committee®
Press Release

For immediate release

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Basel Committee Supports IAS in Report to G7

The Basel Committee on Banking Supervision has completed a comprehensive review of International Accounting Standards and, based on that review, has expressed its support for the IASC Standards. William J. McDonough, Chairman of the Basel Committee and President and Chief Executive Officer of the Federal Reserve Bank of New York, said: “The Committee strongly supports efforts to harmonize accounting practice internationally. The growing interdependence of international financial and banking markets necessitates transparent and comparable published financial statements. We support the standards developed by the IASC and plan to continue a close dialogue with the IASC and the banking industry to monitor future developments in this important area.”

The Basel Committee is an international organisation of bank regulators. Their review was undertaken at the request of the G7 Finance Ministers and Central Bank Governors, who in October 1998 announced that they support IASC Standards as a means toward “greater transparency and openness in the financial operations of individual countries, of financial and corporate institutions, and of the international financial institutions.”

At the time, the G7 group said: “We call upon the IASC to finalise by early 1999 a proposal for a full range of internationally agreed accounting standards. IOSCO, IAIS, and the Basel Committee should complete a timely review of these standards.” IASC did, in fact, finish the core body of standards in late 1998.

Sir Bryan Carsberg, Secretary-General of IASC, said: “We are very gratified that, following a comprehensive review, the Basel Committee has told the G7 Finance Ministers and Central Bank Governors that they support IASC Standards and efforts to harmonise accounting around the world. The Basel Committee participated actively when we developed IAS 39 on financial instruments. We appreciate the continuing assistance we are getting from them and from bankers as we develop

implementation guidance for IAS 39. We have invited the Basel Committee to continue to work with us as we develop other accounting and disclosure standards of particular relevance to banks.”

In its report, the Basel Committee commented specifically on IAS 30, which deals with bank disclosures, and on IAS 39. Regarding IAS 30, the Basel Committee identified several areas in which that Standard could be updated to better reflect recent evolution in banking practices.

Concerning IAS 39, the report noted that representatives of IASC, the Basel Committee, and the banking industry have been meeting to discuss the complex issues associated with applying IAS 39 to banks. In releasing their report, the Basel Committee said that their “dialogue with the IASC on IAS 39 resulted in positive steps in the areas of implementation guidance”. Dr Arnold Schilder, Chairman of the Basel Committee Task Force on Accounting Issues, said: “We have stressed the need for timely implementation guidance on the standard and the IASC has now established a special IAS 39 Implementation Guidance Committee, in which the Basel Committee as well as the banking industry will be represented. I am pleased that IASC is planning to issue a first tranche of guidance for public comment in June.”

The Basel Committee’s review focused on the 15 IASC Standards that have a significant effect on banks, and its report covers all of those Standards. The report sets out the criteria by which the Basel Committee judged the Standards – criteria such as relevance, reliability, and consistency of resulting information, prudence, theoretical soundness, practicability, precision, preferably not allowing alternative treatments, comprehensiveness of disclosures, and suitability for implementation in both advanced financial markets and emerging markets.

The text of the Basel Committee’s report and accompanying press release can be obtained from the IASC web site: <http://www.iasc.org.uk>.

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NOTE TO EDITORS:

The Basel Committee on Banking Supervision is a committee of banking supervisory authorities that was established by the central bank Governors of the Group of Ten countries in 1975. It consists of senior representatives of bank supervisory authorities and central banks of Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States. Its current chairman is William J. McDonough, President and Chief Executive Officer of the Federal Reserve Bank of New York. The Committee usually meets at the Bank for International Settlements (BIS) in Basel, where its permanent Secretariat is located.