U.S. Securities and Exchange Commission

Speech by SEC Staff: Remarks before the 2004 AICPA National Conference on Current SEC and PCAOB Developments

by

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Introduction

Thank you for that kind introduction and good morning. As we kick-off the AICPA's Thirty-Second National Conference on Current SEC and PCAOB Developments, let me begin by thanking the conference staff who - we all know - have worked hard to pull this event together. The AICPA has long played a critical role in providing quality continuing education programs to its members through conferences such as this one. I understand that we have a record number of attendees. So welcome to the newcomers and to those of you, like me, who have been attending this conference for many years. Also I am pleased to see so many young faces in the audience. You are the future of our profession, and you will inherit the legacy that prior generations leave behind, experience first-hand the reforms currently under way, and move forward the initiatives we dream today. So the comments I make, especially about the state of our profession, may have the most significant impact on you. This is a great time to be in the early stages of your career. You will have the opportunity to see the benefits of the recent reforms over the next decades and to push for further improvements. I urge you to be involved, get your peers involved, embrace change and make this profession the gold standard - one that is known for constantly raising the bar and exceeding expectations. What you do matters a great deal.

I should also mention here that the remarks I make today are my own and do not necessarily represent the views of the Commission or others of its staff. And I'll take this opportunity to extend the disclaimer to include all the SEC staff speaking at this conference.

Based on the agenda, I think it's safe to say that this will be an interesting couple of days. And I hope you take advantage of the Q&A sessions. This morning - following my comments - you will hear from my three exceptionally talented Deputies: Scott Taub who has done double and triple duty in the past is now focusing more of his time and energy on accounting and registrant matters, Andrew Bailey who oversees auditing matters and, the newest member of my team, Julie Erhardt who will involve herself in international activities. Because of the tight schedule, I suspect that we will not get to all of your questions. So I encourage you to approach us during the breaks or in the hallways. This process of give and take allows us to better understand what is important to you.

Speaking of the staff, we also have a number of other SEC staff who will be covering numerous issues in greater detail over the next two days. I would recommend that you listen carefully and don't hesitate to ask them questions, because these are the issues that we will be focusing on in the near term. We are in a time of change, and it is important that all participants engage in this dialogue as we consider short, medium and long term improvements to our profession, to financial reporting, and to the standard setting process.

My comments today will be broad-ranging, covering - among other things - the state of the accounting and auditing profession, enhancing the financial reporting process, off-balance sheet arrangements, reporting on internal controls, the use of new risk management and technology tools, and international activities. With that in mind, let me point out a unifying theme in all matters handled by my office. First, we need to provide better and more useful information to the investing public. Second, we need to provide more timely information to investors. And third, we need to provide this information in a cost-effective manner. To achieve these goals, I will work closely with investors, analysts, preparers, and auditors as well as other governmental agencies and standard-setters. I've been around too long to expect perfection, but I do hope that you embrace change and be engaged as the profession raises the bar.

Before I speak about these issues, I'd like to make a few comments about the changes that we have made in OCA during the last year. In your dealings with us, you may have noticed that we are more proactive and delving into the issues more deeply. That's true in large part because, during the last year, the office has been completely restructured, more than doubled in size, and we have streamlined communications between OCA and other Divisions within the Commission. These changes enable us to take on additional responsibility, such as oversight of the PCAOB. We are now more proactive in a number of areas including accounting and auditing matters, considering and testing the use of new technology and risk management tools, and getting out in front of issues. Much of this is due to the great talent that exists in my office as well as other areas of the Commission. I would also be remiss in not commending the companies and accounting firms that have brought accounting and auditing issues to our attention, early in the process. So let me say, thank you to the SEC staff, and thank you to those in the profession who, over the last year, have actively worked with us on accounting and auditing developments.

State of the Accounting and Auditing Profession

An important part of my job - and the job of others of the SEC staff - is to enforce our nation's accounting standards and to help ensure that the millions of investors who invest in our capital markets can make investment decisions on the basis of timely, relevant, reliable and complete information. Investor protection forms the bedrock of the decisions that I make. I also understand that with this responsibility comes accountability. You know that I hold preparers, auditors, standard setters, my staff and others to a very high standard, but I want you to know that, as Chief Accountant, I also have high expectations of myself and recognize that I have a unique position of responsibility and accountability.

I joined the Commission, in large part, because I thought that I could make a contribution to the future of our profession. I had a 100-day plan, a one-year plan and so forth. Over the last year many of the goals I set for myself have been met, but some have not. This was a result of a number of factors, including the need to give preparers and auditors some breathing room to implement new requirements, such as the internal control requirements. But, in the final analysis, I am accountable to the investing public, the Commission, and to those of you in this audience, and my performance will be judged accordingly.

I spoke last year about my disappointment with cooked books, indefensible audit and corporate governance failures, and intentional gaming of the accounting rules, which led to financial losses measured in the trillions and an inevitable crisis of investor confidence. The crisis was real. The losses were real. And every person in this room has been impacted by the resulting legislation - the Sarbanes-Oxley Act - in a very tangible way. I believe that the Act and the actions which followed are the most significant reforms affecting our capital markets since the Securities Act of 1934. The actions we take today and the manner in which we establish and execute our priorities, will be judged by future generations. I know that we all want history to report that we were successful in implementing change.

Sarbanes-Oxley established an appropriate foundation to improve financial reporting and, over the last year, key requirements have taken hold including:

- CEO and CFO certifications;
- Issuance of the first PCAOB inspection reports on the large firms;
- Issuance of important auditing standards by the PCAOB; and
- Soon, for the first time, public reporting on internal controls and their effectiveness - by both management and auditors.

There has also been a heightened concern for and a corresponding strengthening in corporate governance. This represents a tremendous amount of change. And it's important that we recognize the many market participants - many of you who are sitting in this room - who have worked tirelessly and diligently over the last few years to improve our systems and to regain investor confidence. To a large extent, I believe we are making progress. All across corporate America significant, additional resources have been added, training and continuing education has appropriately focused both on ethics and technical issues, awareness of corporate controls has transcended accounting and moved to all aspects of companies' operations, and there is a real push starting at the very top of business organizations to make the tough calls and to get the numbers right. These are all positive developments, and they should be acknowledged.

I also recognize that we continue to discover both industry-wide and company specific failures of business ethics and of disclosures to shareholders. Such failures are, of course, offensive and unacceptable. And they highlight the fact that, while we may have turned the corner, our profession's work is not yet done. Investors continue to be skeptical of management and auditor reports, and this prolonged erosion in investor confidence remains troubling. Investors and the public rightly demand more - holding management, board members, accountants, lawyers, standard-setters, regulators and others to higher standards, and they are still looking for greater quality and transparency in financial reporting. So while I am encouraged by the positive steps you have taken to regain investor confidence - and I mean that sincerely - I believe there is still much we can do.

In asking that all involved in financial reporting do more, I recognize that there already is a legitimate concern with overload. Significant costs have been incurred, the hours have been long, many of you have made huge sacrifices, and there are still resource constraints - at least in the short term - that are very real. I am sensitive to these issues and particularly to what can be a disproportionate cost burden with respect to smaller public companies. Small business is the growth engine of our economy, and we need to be careful that we do not create a regulatory framework that is so burdensome that it smothers the economic viability of these companies.

Speaking more specifically to auditors, I realize that over the last few years your profession has been under a great deal of scrutiny. That scrutiny and much of the criticism was warranted. Change was necessary, but it is important that this focus produce positive developments - developments that enhance the quality of the audit and help restore the credibility of the profession and its role as a leader in the financial community. As I said before, what you do does matter. I understand that your audit and business practices have undergone significant change. You now report to the audit committee. You are working long hours. You are under an enormous amount of pressure, and there is great concern about being second guessed. I appreciate your efforts, and I understand the anxiety, especially as you take on new responsibilities such as reporting on internal controls. You are making real progress.

That being said, I would encourage you to continue taking steps to enhance the credibility of your profession.

- Focus on your core business - the audit.
- Be open and transparent. Investors want to know more about your firms.
- Continue to instill a culture of ethics and integrity.
- Reward technical competence.
- And continue to play a public leadership role in our capital markets.

I am committed to supporting your efforts in these areas, and you will hear me speak more about this in the coming months. So I encourage you to engage in an open dialogue with all relevant participants, including the press.

Financial Reporting Process

I also believe that the financial reporting process can be greatly improved and better serve the needs of the investing public. Financial reporting is first and foremost a communication exercise, and it is broader than just the financial statements and the footnotes required by GAAP. It includes various disclosures in filings with the SEC, including MD&A, key performance indicators and other appropriate non GAAP measures and disclosures. These disclosures are essential to an understanding of financial performance, especially as we struggle with the complexities of a mixed attribute accounting model that uses a combination of historical costs, lower of cost or market, and fair values. All too often disclosures fail to provide sufficient information to investors about current, past or expected future changes, and they are often lacking in quality and organization. I encourage those preparing and auditing financial statements to think of disclosure rules as the floor, not the ceiling. I support the joint effort of the FASB and IASB on financial performance reporting. With the current mixed attribute model which allows assets and liabilities to be reported using different measurement attributes, it's important that investors have access to information that permits them to distinguish between balance sheet items that are a result of transactions verses those that lead to a change in value but do not involve transactions.

We live in a world where risk exposures are often selected, rather than inherent to the preparer's business model or industry. Disclosures should inform investors about the relationship between risk exposures and firm performance. Without this information, the predictive value of financial reports is less effective. Furthermore, many companies' disclosures can be better organized and presented. The good news is that management can significantly improve disclosures - and there is time to do it now - avoiding the need for more rules and enforcement. Let me repeat. As preparers, you can enhance the quality of communications with investors without the need for more rules.

My time is limited, so I'm going to speak only briefly about a few key areas that I believe would greatly enhance disclosure. Some of these issues will be discussed in greater detail by Scott Taub and by others during the upcoming panel sessions.

But, before I address these issues, let me respond to a question that many people have asked me: "When you refer to investors, who do you have in mind?" My response is this. They are real people - mothers, fathers, grandparents, brothers, sisters, friends, neighbors, blue collar workers, small business owners, employees with 401k plans, mutual fund owners, and professionals like you. You get the idea. These are the people who depend on what you do. They want to trust you and believe in what you say. These are also the people for whom you prepare financial statements, footnotes and related disclosures.

- You need to communicate with them in plain English. This should not simply be viewed as a compliance activity, but rather as a way to explain your business. For example, many users ask for information on the cash flow statement under the direct method, additional segment information, and disclosure beyond what is required by GAAP. There's nothing that stops companies from providing that information right now, and I suspect that improved disclosures would be rewarded by the capital markets.

- MD&A is the vital communication link between management and investors. Unfortunately the MD&A sections of some companies' reports continue to rely too much on boilerplate language at the expense of what are likely to be the more important and relevant disclosures for investors. There's no need to regurgitate the boilerplate language of the past. I would encourage preparers to take a user-focused approach to disclosure, providing a complete picture written in plain English.

- We need to broaden investor understanding of what information is important in terms of making investment decisions. A clue: it's more than earnings-per-share. So I would ask you to reflect on the type of information you require before you, your company or your firm makes a major investment decision. Do you make similar information readily available and unvarnished to the public?

- I know that FIN 46 generated a great deal of discussion and concern, and many people have asked me in the last year whether it worked. The standard was on an accelerated track as a result of the concerns around SPEs raised by the Enron debacle. FIN 46 attempted to - and has generally been successful in - addressing an important aspect of consolidation practice, but it also raises the question as to whether there is a need to re-look at consolidation more generally. Our pending SEC report to Congress on off-balance sheet activities will cover this issue, as well as a number of other important topics such as accounting for leasing transactions, pensions, contingencies, and contractual obligations to name a few. So stay tuned.

The Standard Setting Process

Over the next year, we will be taking a hard look at many of our rules - including reporting on internal controls - and the manner in which they have been applied. In many instances, our goal will be to:

- You need to communicate with them in plain English. This should not simply be viewed as a compliance activity, but rather as a way to explain your business. For example, many users ask for information on the cash flow statement under the direct method, additional segment information, and disclosure beyond what is required by GAAP. There's nothing that stops companies from providing that information right now, and I suspect that improved disclosures would be rewarded by the capital markets.

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While I'm not going to speak extensively about this today, I did want to say a few words about off-balance sheet transactions. I know that FIN 46 generated a great deal of discussion and concern, and many people have asked me in the last year whether it worked. The standard was on an accelerated track as a result of the concerns around SPEs raised by the Enron debacle. FIN 46 attempted to - and has generally been successful in - addressing an important aspect of consolidation practice, but it also raises the question as to whether there is a need to re-look at consolidation more generally. Our pending SEC report to Congress on off-balance sheet activities will cover this issue, as well as a number of other important topics such as accounting for leasing transactions, pensions, contingencies, and contractual obligations to name a few. So stay tuned.

The Standard Setting Process

Over the next year, we will be taking a hard look at many of our rules - including reporting on internal controls - and in particular the manner in which they have been interpreted and applied. In many instances, our goal will be to:

- Provide additional guidance;
- Identify best practices;
- Streamline the process; and
- Ensure that our rules provide relevant and timely information to investors in a cost effective manner.

With respect to any new rules, we will follow an open process, appropriate transition periods will be provided, and every attempt will be made to ensure that the rules are operational. And I expect that the FASB and the PCAOB will do likewise. We are operating in a new environment, and we need to better define and establish priorities. A key aspect of this will be to find an appropriate balance between the quest for perfection and a common sense approach to standard setting.

Standards should focus more on the underlying objective of the accounting addressed and include few, if any, exceptions. With respect to auditing standards, the PCAOB is developing its agenda. And, as with the FASB, the PCAOB has some tough issues to consider. For example, there has long been a significant gap between investors' expectations and the auditor's responsibility to detect fraud. The trick will be to strike the right balance between investor education and cost effective auditing. This will not be easy, and I suspect that with approximately 90 million Americans investing in our markets, the gap will need to be closed, in large part, by addressing the auditor's ability and responsibility to detect fraud, and by explaining that role in terms that are understandable to investors.

With respect to accounting standards, similar transactions should receive similar accounting. The level of complexity in certain standards, such as in the areas of pension and derivatives accounting, needs to be addressed. Following an objective based approach to standard setting should eliminate many of these issues and result in more understandable standards. New standards will not be easy as the issues that remain unresolved are all complex.

I also encourage the FASB to think outside of the box. It's important that users, preparers, auditors and others be engaged and supportive of this process as the FASB tackles the more challenging issues. Revenue recognition is a prime example. I've heard Mike Crooch claim that revenue recognition appears in close to two hundred different pieces of accounting literature. And, of course, these pieces of literature include many nuances, some of which are unique to particular transactions. Revenue recognition is a leading contributor to restatements, enforcement actions and embarrassment to management and auditors. The FASB's initiatives in this area are an important step forward to eventually reaching a better outcome. I don't expect change overnight, but I would be disappointed if we didn't begin the journey. Before turning to the next topic, I'd like to make one more point on accounting standard setting. It's important that registrants have sufficient time to put in place internal controls before a new standard becomes effective.

Internal Control Reporting

Speaking of internal control processes, I believe that, of all the reforms contained in the Sarbanes-Oxley Act, getting these processes right may have the greatest impact on improving the accuracy and reliability of financial reporting. It is also what I consider to be the most urgent financial reporting challenge facing a large share of corporate America and the audit profession between now and certainly through much of 2005.

Investors expect companies to have strong processes and internal controls in place to ensure that financial information reported by management has integrity. This is so important that Alan Beller and I have worked together closely over the last year to monitor progress and advise the Commission regarding actions we considered appropriate. We have deferred certain initiatives, at least temporarily, to ensure that management and auditors put the appropriate emphasis on these requirements and to improve the chances of getting them right the first time around. We have supported the deferral of reporting deadlines to provide registrants and auditors with sufficient time. And, most recently, the Commission authorized a limited and temporary postponement of the filing date for smaller accelerated filers' management reports on internal controls. Based on discussions with audit firms and registrants, I believe that these actions should give the vast majority of registrants and auditors sufficient time to complete the work necessary to issue their reports on internal control. This is a major change in practice and, although the internal control requirements will not eliminate all fraud, they play an important role in strengthening financial reporting. Stronger internal controls should reduce the number of situations where a restatement results from weak control processes over financial reporting.

Many have asked whether these changes are worth the effort and cost. My reaction is that given the massive financial scandals, the decline in market capitalization and the resulting loss of investor confidence in our markets, I believe that the additional attention to controls is warranted. The increased attention is important because our capital markets run on faith and trust that the vast majority of companies present reliable and complete financial data for investment and policy decision-making. Being able to represent that an appropriate control system is in place strengthens public confidence and encourages investment in our nation's industries. And, I expect that management, including many of you in this audience, will sleep better knowing that your company has strong internal control processes.

In principle I believe that all companies who access our public markets should adhere to the same disclosure standards and, to the extent that they have like transactions, to account for them consistently. However, I recognize that the burden on smaller companies can be disproportionately higher and the cost/benefit of compliance needs to be appropriately weighed as we determine the best ways to protect investors. Clearly, one size does not fit all. I also recognize that our foreign private issuers face significant challenges and resource constraints over the next year as they move to IAS.

Though the Sarbanes-Oxley Act does not provide an exemption for foreign private issuers, we have and continue to be sensitive to the need to accommodate unique foreign structures and requirements. Throughout this process, we will continue to reach out and engage in an open dialogue. Clearly many non-U.S. issuers and their auditors are working hard and are well on their way to completing the work necessary to report on internal controls. However, I am sensitive that this requires in some cases great cultural change. And, perhaps most importantly, I appreciate that many companies abroad, especially in Europe, face additional challenges in the near term that go above and beyond those faced by U.S. issuers as they adopt international accounting standards for the first time in 2005.

With respect to small, medium sized and less sophisticated businesses, I have encouraged the private sector to develop internal control guidance designed specifically to address their needs. The existing guidance for these companies is sparse, so I am delighted that COSO has indicated a willingness to undertake a project to develop appropriate guidance and to complete their efforts by summer of 2005. I strongly support COSO's efforts. Speaking of COSO, I should also commend them for issuing a new integrated framework which establishes a comprehensive benchmark for enterprise risk management.

While most of our efforts to date have focused on implementation issues, in addition to focusing on the particular needs of foreign private issuers and small business, Alan Beller and I are committed to having an open dialogue with preparers, investors, analysts, auditors and others next spring to consider:

- Best practices.
- What's working.
- What isn't working.
- And how the process can be streamlined to ensure that investors are getting useful and relevant information in a cost effective manner.

I also intend to work closely with other government agencies and the PCAOB as we consider these issues. As I mentioned before, we need a common sense approach to all aspects of financial reporting, and it is important that, in the area of internal control, the focus and resources be directed to the higher risk areas.

As is the case with any major change, there are bound to be challenges along the way, and we should expect in the coming months to see an increasing number of companies announce that they have material weaknesses in their controls. For this initial pass, that finding generally should not be surprising. Nor should it, by itself, necessarily be motivation for immediate or severe regulatory or investor reactions. What's important is that material weaknesses are identified and fully disclosed and that management addresses such weaknesses with appropriate remediation efforts. The goal should be continual improvement in controls. Investors will benefit from such disclosures, so I encourage companies who know they have a material weakness to provide a fulsome discussion of these issues and of their remediation plans as soon as practical.

There is no way to measure how many reporting failures may be averted or how many investment dollars may be saved because of the increased attention to stronger internal controls. But we do know that strong controls are vital to high quality financial reporting and essential to timely analysis. All participants in the financial reporting process - investors, management, audit committees, auditors, lawyers, and regulators - can help to achieve the goals of these reporting requirements by making control systems a priority.

XBRL

While we are considering changes in financial disclosures, we are also considering the costs and benefits of adopting new risk management and technology tools. I've said many times that we need to consider changes to financial reporting in the context of better, faster and cheaper ways to produce information for investors. As part of that initiative, the Commission is embracing new technologies that may enable further improvements in these areas. For example, the advent of the internet has enabled investors to access more information faster and cheaper. And, other tools exist, such as data tagging, that can better harness the power of technology. The benefits of such tools are being considered by the public and private sectors around the globe.

In late September, the Commission issued a Concept Release that explores data tagging as a means of improving the financial reporting model for investors. It also explores the specifics of eXtensible Business Reporting Language - XBRL - the only tagging tool we are currently aware of for business reporting content. Additionally, the Commission proposed a rule that would allow registrants to voluntarily furnish XBRL files to the Commission using EDGAR. The Commission is still considering comments we received and no final decision has been made, but I hope that the program will be up-and-running for the 2004 calendar year-end filing season. Though we understand that many of you are consumed in the near term with the internal control requirements, we truly hope that over the next year we get a significant amount of participation. It's important to note that in the proposing release we have done a number of things to encourage participation in the voluntary program, including: providing limited liability relief for XBRL exhibits, the ability to file the information using Form 8-K, the ability to tag only part of a disclosure document, the ability to start and stop and not have to continuously file XBRL exhibits, and there is an easy way to get involved - that is, by calling one of the SEC staff members listed on the first page of the proposed rule. Let me make this even easier, you can call Jeff Naumann who recently joined my office from the AICPA at 202 942 4400.

I encourage you to follow the discussion about the use of tagged data and to provide us with your thoughts. I believe that XBRL has the potential to bring about further improvement to our financial reporting model. Likewise, I am encouraged by the Enhanced Business Reporting Consortium's efforts to develop a voluntary, internationally recognized framework for presenting industry-specific key performance indicators and disclosure of non-financial information about opportunities, risks and management's strategies and plans. And I would like to acknowledge the important role that the AICPA has had and continues to have in this effort. This represents the type of discussion and action that should be occurring in the marketplace as we all seek to improve the value of information for investors.

While I would never be so presumptive as to predict the future of financial reporting, I do believe that continuing to defend the status quo is not the answer, and I am confident that new technologies such as XBRL will play an important role in enabling these changes to take place. I also believe that it is important that the younger generation take a leading role in the broader use of technology. You are the generation of instant messaging, blackberries, and ipods, so you are in the best position to recognize and take advantage of the seemingly endless advances in technology.

International Issues

Finally, I did not save international issues until last because it is the least important. Nothing could be further from the truth. That is why I have asked my recently appointed deputy, Julie Erhardt, to speak to these matters as soon as I finish my remarks. Before she does however, I would like to make a few comments.

I am greatly impressed by the tremendous and positive progress that has been made in the European Union to move to an integrated financial services market and by the efforts in the EU and in other areas around the world to improve the infrastructure that supports high quality financial reporting. And I should also mention the significant progress that has been made to create and improve IFRS. Developing a high quality set of international accounting standards has truly been a monumental task. I would also like to commend the IASB for its efforts to work with standard setters around the world to find solutions to important accounting issues and, in particular, for its cooperation with the FASB to address differences between IFRS and U.S.

GAAP.

My personal view is that, if things continue as they have been going, I believe that the SEC ultimately will be able to eliminate its requirements to reconcile IFRS to U.S. GAAP. I assure you that I am eager to embrace IFRS, because I believe investors in the U.S. will benefit and, as the rest of the world moves to IFRS, we will need to keep pace.

Anticipating that investors will embrace IFRS, OCA is considering the steps that need to be taken to allow us to eliminate the reconciliation from IFRS to U.S. GAAP. One such step is to review the quality and consistency of the application of IFRS. While a great many non-U.S. companies register securities with us, currently less than 50 of these registrants use IFRS for their primary financial statements. This will change in 2005 as we expect perhaps as many as five hundred of those filing with us to use IFRS. I recognize that, within Europe, some companies may not fully apply IFRS, but my expectation and hope is that the majority of those companies that file with the Commission will fully comply with IAS, including accounting for derivatives.

We are gearing up for a review of these filings, which will be available for our review in the second half of 2006, to take advantage of the knowledge that can be gained from studying such a large number of IFRS-based financial statements. As part of the study, we will carefully review what differences exist between U.S. GAAP and IAS, and I will strongly encourage the FASB and the IASB to eliminate many of these differences as quickly as possible. Throughout this process, we will be working with preparers, the IASB, FASB, and other regulators to gather information on the experience and knowledge of those adopting IFRS for their 2005 filings.

Convergence is a two-way street, and I strongly support the IASB and FASB working closely together. Said another way, convergence does not mean just choosing U.S. standards. I expect that the FASB will look to IFRS where appropriate. I view the convergence project as an opportunity to make improvements for the benefit of investors. In converging standards, the standard-setters should always choose the better model. Convergence to the lesser accounting model, what has been referred to as "lowest-common-denominator convergence" or a "rush to the bottom," is not acceptable, and in fact, has not occurred. This is also a great opportunity for the IASB and the FASB to leverage off of each others resources to improve accounting standards on a continuous basis.

Conclusion

For many of you, this may be one of the toughest year ends you will ever have. There are many new requirements such as the internal control requirements and, certainly, the level of scrutiny remains high. In this environment, it's important that you be free to exercise good judgment, without an unreasonable fear of being second guessed. I know you're up to the challenge, and I know we're up to the challenge. For this first time around, we realize that some requirements are new. We will not be unreasonable and expect perfection, but I do expect a total commitment by preparers and auditors to the process, and I would be disappointed if you did not embrace these changes.

As you can gather from my comments and the comments that you will be hearing from my three Deputies and from other members of the SEC staff, we remain in a time of change. And that's likely to continue. Part of my role as Chief Accountant is to help identify and set priorities. In that role, my objective will be to improve the quality, timeliness and usefulness of information provided to investors. I believe we have improved and that we can still do better. Financial reports remain complex and are oftentimes opaque. The quality of the audit can still be enhanced. We have to improve standard setting. Disclosures can be more transparent. We have to more broadly embrace technology. We have to adopt a global view. And, most importantly, we have to recommit to putting the interests of investors first. Improvement is not perfection so, as we continue down this path, I don't want us to get bogged down. Let's make good, lasting changes that demonstrate the pride we have in our profession and that justify the trust placed in us by the millions of people who invest in our markets.

Before I turn the podium over to Julie Erhardt, I would like to thank you one more time for caring about the future of our profession. What you do matters greatly.

http://www.sec.gov/news/speech/spch120604dtn.htm

Home | Previous Page Modified: 12/6/2004