

Brussels, 7 November 2007

## **Statement of the European Commission, the Financial Services Agency of Japan, the International Organization of Securities Commissions (IOSCO) and the US Securities and Exchange Commission on work to enhance the governance of the IASC Foundation**

### **AUTHORITIES RESPONSIBLE FOR CAPITAL MARKET REGULATION WORK TO ENHANCE THE GOVERNANCE OF THE IASC FOUNDATION**

**Combined statement of the European Commission, the Financial Services Agency of Japan, the International Organization of Securities Commissions (IOSCO) and the US Securities and Exchange Commission proposing changes to strengthen the institutional framework of the International Accounting Standards Committee (IASC) Foundation and encourage the Foundation's related efforts, while emphasizing the continued importance of an independent standard-setting process.**

European Internal Market and Services Commissioner Charlie McCreevy, Financial Services Agency of Japan Commissioner Takafumi Sato, IOSCO Executive Committee Chairperson Jane Diplock and US Securities and Exchange Commission Chairman Christopher Cox explained:

*"International Financial Reporting Standards (IFRS) are becoming more widely used throughout the world. We have a common interest of ensuring continuing user confidence in the institutions responsible for the development of global accounting standards. A natural step in the institutional development of the IASB and the IASC Foundation would be to establish a means of accountability to those governmental authorities charged with protecting investors and regulating capital markets. We will work together to achieve these objectives."*

This positive development is a reflection of both the work accomplished to date by the Trustees and the International Accounting Standards Board (IASB), the body responsible for promulgating IFRS, and the desirability of the creation of a single, high-quality set of accounting standards for international use. At the same time, the increased use of IFRS has raised interest in establishing formal ties between important securities regulatory stakeholders and the IASC Foundation.

The IASB, which is overseen by the IASC Foundation Trustees, is an independent standard setter committed to developing, in the public interest, a single set of high quality, understandable, and enforceable global accounting standards. The IASC Foundation Trustees have scheduled a review of the Foundation's Constitution to begin in 2008. The authorities responsible for capital market regulation propose to utilize the opportunity of the Constitution Review to put forward, in collaboration with the IASC Foundation, certain changes to strengthen the Foundation's governance framework, while emphasizing the continued importance of an independent standard-setting process.

Central to this effort is the establishment of a new monitoring body within the governance structure of the IASC Foundation to reinforce the existing public interest oversight function of the IASC Foundation Trustees. The creation of such a monitoring body would serve to complement the Trustees in its representation of the interest of the global investor community, thereby enhancing public confidence in IFRS.

One key objective is to have the monitoring body meet regularly with IASC Foundation Trustees to discuss, review and comment on the IASB's work program. We expect the IASC Foundation and IASB Chairmen will also engage with relevant public authorities. The monitoring body would, together with the IASC Foundation Trustees and in consultation with the trustee appointments advisory group, participate in the selection of Trustees. The monitoring body would also be responsible for the final approval of Trustee nominees and would have the opportunity to review the Trustees' procedures for overseeing the standard-setting process and ensuring the IASB's proper funding.

We also welcome procedural reform and oversight enhancements underway since the completion of the last IASC Foundation Constitution Review in 2005. The IASB has committed to continued development of a framework for impact assessments/cost benefit analyses and feedback statements on new accounting standards. The monitoring body will work with the Trustees to strengthen these efforts, including identifying resources, for the purpose of continued improvement of impact assessments/cost benefit analyses, and with a view to developing objective procedures for assessing their impact.