

## Financial Reporting Council

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### FRC Statement on Development of Accounting Standards

FRC PN 244

24 October 2008

There has been extensive discussion of the role of accounting standards in the current financial crisis. There are a wide range of sincerely held views about the merits of different accounting methods, in particular the use of fair value for certain debt securities and loans. However, judgments have to be made as to which methods best meet the needs of the investor and other constituencies that make economic decisions and assess the effectiveness of stewardship of financial institutions.

The FRC believes that the most appropriate standards are developed when standard setters are able to exercise independent judgment, relying on their skills and experience and supported by effective consultation with market participants and other stakeholders. That has been the position in the UK since 1990, with the establishment of the Accounting Standards Board (ASB), and the FRC believes it is equally appropriate for the development of standards for use globally.

The FRC therefore believes that it is important that the responsibility for the setting of accounting standards remains with the relevant standard-setters. We support the IASB in its role as the standard setter for listed companies in the EU and elsewhere, including financial institutions, many of which raise capital from international investors.

We welcome the recent announcements by the IASB and FASB of their commitment to a global approach to the development of solutions to the accounting challenges posed by the current financial crisis which will command broad support. We welcome the public support recently given by IOSCO to the IASB and FASB.

We also believe that other experienced accounting standard setters, such as the ASB, can contribute to developing high quality solutions. We will continue to work with the IASB to help them draw on the extensive experience of the UK financial reporting community.

#### Notes to Editors

1. The Financial Reporting Council (FRC) is the UK's independent regulator responsible for promoting confidence in corporate reporting and governance.
2. The FRC's functions are exercised principally by its operating bodies (the Accounting Standards Board, the Auditing Practices Board, the Board for Actuarial Standards, the Financial Reporting Review Panel, the Professional Oversight Board and the Accountancy and Actuarial Discipline Board) and by the Board. The Committee on Corporate Governance assists the Board in its work on corporate governance.
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