

## Closing Remarks FEE President David Devlin

### Political importance

First of all I think it is entirely clear, despite what you might think, that today is not just a technical discussion. What we are discussing are questions of political importance with social implications. The day was opened by an important politician Commissioner McCreevy. Ethiopis Tafara of SEC referred to the need to justify the SEC's actions in the area of mutual recognition before the US Congress, and the day finished with an important politician Ms. Berès, also drawing our attention to the need to make sure that in a democratic society our representatives know what is going on. The Parliament will want to know how implementation is going, what is the experience of companies as preparers and of users. What is the IASB doing towards new projects and its plans to improve accounting standards accordingly and move them forward, including IFRIC's performance. I welcome the idea of a political rendez-vous to review it all, that seems to me entirely reasonable in an environment where standards are turned into statute law in this part of the world. It should not be forgotten that it is not only CESR involved in enforcement, or SEC planning to review the performance of European preparers applying IFRS, we should really be careful to look to the Parliament and to make sure that Parliament hears from us, the community, in a proper and structured way, decided by ECON.

### Support for Global Standards

The second thing I took a lot of encouragement from is that there is nevertheless strong support for global standards and a clear recognition of their benefits. Jon Symonds pointed to some of those and so did Christian Dreyer as well. It is quite clear that the success of IFRS does depend on consistent application. We have a lot to do to make a success of this challenge.

### Stable platform

It is important to emphasise that there is a strong consensus in Europe that adjustments to existing IFRS in the immediate future should be very well justified and that providing a stable platform for IFRS is the immediate priority. This was clear from a discussion which FEE and a number of others had with some of the Trustees yesterday, it was clear from the dinner with speakers last night, in my belief, and it is entirely clear from today's proceedings. I do not think that stops work continuing on standards in the manner that David Tweedie described. It does not mean that we should stop thinking about the route to better standards but it is all about how soon do they bite, or is there to be a river of new proposals arriving at Ms. Berès's door? We do not want accounting to fall behind economic developments and practical challenges.

## IFRIC

We should give great attention to the performance of IFRIC. I hope that it is now adequately staffed to deal with whatever comes before it. A lot hangs on it. We should also recall that its due process takes a long time: IFRIC is a hot telephone line. It takes many months, over a year, to reach a decision. It certainly has a critical function and must perform well. If accounting firms or preparers cannot agree on a certain issue we should hope that not only the EC's suggested informal round table but also firms can refer issues to IFRIC with a prospect of early answers.

## SEC clarification on roadmap

We should also note that the speech which Mr. Tafara gave was in many ways remarkable. We should give a warm welcome to the SEC commitment to the roadmap for removing the IFRS reconciliation requirement and to the more explicit confirmation than ever that the SEC does not expect complete or even a particular degree of convergence before eliminating the reconciliation requirement. The question for me is first to make sure that their views of the conditions that are required to be in place for this move are clearly well understood and are fully acceptable on this side of the Atlantic. The message I take from this is that we should take our own precautions by way of stepping up the contacts with the SEC, the dialogue with them from all parts of this audience and also to do what we can to engage with US Congress.

The important elements mentioned by Mr. Tafara include a continuing commitment to convergence. We must have in place a robust process which is perhaps better understood than it has been so far. I took a great deal of comfort from what David Tweedie had to say but I think we need some move. One of the things that is clearly a consequence from the SEC point of view of their lessening the pressure on the convergence process as an immediate priority is much greater pressure on us in Europe to perform on the consistency question. We particularly have to emphasise in our discussions with the SEC how they will address the questions of reviewing reconciliations between IFRS and US GAAP because, it needs to be clarified how that will work. We should not be too tolerant of exporting a particular point of view on IFRS if it is not well accepted here. What is good enough in Europe, should certainly be good enough in the US. Nevertheless we should welcome what was said. It brings together for the first time in one place, the entire gamut of SEC views on conditions for withdrawing the reconciliation statement. Their presentation can be seen as a significant step forward towards a level playing field also alluded to by Ms. Berès.

## Convergence programme

What did we get from this morning's standard setters Michael Crooch and David Tweedie: useful clarification on the convergence programme. But there is clearly a strong desire for continuing and better dialogue, and to continue to debate in particular the short-term priorities. That would require some more publication of discussion documents at an appropriate point but the question is do you press ahead with the particular present thinking of do you pause while you do some consultation? I see no objection to progressing the work but I do not think having a "fait accompli" from political authorities without consultation is a substitute for proper consultation. After what we have heard to day we hope to be happy in this part of the world that we see a balanced arrangement for converging standards; and that we have the milestones well established.

## Conceptual Framework

Within all that it needs to be added that there is some appetite to revisit the Conceptual Framework, not to make it a five-year study, but to get some sense of what the rules of the game are. What is the limit for example of fair value? We may not know at the moment and indeed the standard setters may not know but I think we here need to have a relatively carefully commitment to some limit on it. If we

come to some of the major short-term issues that need to be addressed such as business combinations, or perhaps pensions, we particularly need to see the due process applied with even greater care.

“Due Process to be reflected in the outcome”

The more difficult the subject, the greater the precautions that must be taken to be seen to apply the due process, especially where proposals are controversial. Yesterday Stig Enevoldsen made a remark, which I wrote down, that “due process was to be reflected in the outcome”. The way he put that was not to tell Mr. Crooch that if he gets 14.000 letters on subject X, share options say, and only two the other way, that those scales must go this way. But rather that if he decides to ignore the 14.000 letters that he should perhaps make a feedback statement in a model that CESR has done which would explain what happened to the points made. There does seem to be a need to step up the communication on the part of all of us with the standard setters and we need to work on that.

Consistent application

Finally a word on this afternoon’s panel discussion. It was a remarkably rich discussion on consistency and I would like to thank the panellists and Pierre Delsaux who chaired the panel. There is a shared understanding of consistency as meaning acceptable within the boundaries of IFRS standards and IFRIC interpretations. It is established that time is needed to retain fully our ambition to have consistent application despite the major investments we have made as preparers, as auditors, as regulators in endeavouring to do our best to get there in one move. In other words not all of us might achieve that. I am pleased that there is to be no interpretation at European level. That has been fairly widely debated and from the Commissioner onwards has been made clear during today. On the other hand we do seem to need a filter of some type to share experience and to create some agenda items for IFRIC. The final point to take from that is that IFRIC must be resourced to perform efficiently even if its due process does take some time.

Call on you

So what to urge you to do? We should all keep working for success. Implementing IFRS is an ambitious goal. We should keep the contacts we have established today for a very active contact programme, ahead of the first fruits of this experience in the Spring. We should work at it between now and then. We should not allow the facts to surprise us in say March or April. That means we need to keep talking to the Trustees, to the IASB itself, to CESR, to the Commission, to users and to others channels including the SEC and the European Parliament.

I would like to thank you all. A warm word of thanks to the speakers.

I would like to thank ING for making the splendid auditorium available. I would like to thank the staff of FEE for making the seminar a success.

Have a safe trip home!

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