

The future of IFRS: European or Global Accounting Standards?

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IFRS, International Financial Reporting Standards, are a new frontier for global accounting standards and global finance. In the contest of financial crisis, the notion of having a global framework has acquired crucial importance. A general discussion on where the IFRS debate is, both in the EU and at global level, and whether the perspective of having a global standard is realistic or utopian has taken place.

Nicolas Véron, Senior Fellow at Bruegel and Visiting Fellow at the Peterson Institute for International Economics, opened the event pointing out which are the main issues related with the spread of IFRS. The actual situation witnesses that the spread of IFRS has increased extremely fast in a decade. The EU started to be a big user of IFR but in the next years it will be a minority since the situation is becoming more globally balanced with the IFRS adoption by many American, Latin American and Canadian countries.

After a brief overview over the global framework and the institutional structure characterizing IFRS system, the problem of endorsement has been highlighted. The legal value of IFRS depends on legal legislations of each country; it means that IFRS enter in value after their approval and transposition in the local legislation. In addition, in most of the countries the adoption of IFRS is varied: it can be identical or not identical to pure IFRS issued by IASB, in English or translated in local languages, with the final result of differences among countries. This ends up with divergences in practices among countries and creation of "IFRS-dialects", close but slightly different from pure IFRS, and "IFRS-accents", same of IFRS but with local level specificities in the selection of the options. Thus, the system should include incentives that force jurisdictions to converge gradually to pure IFRS as elaborated by IASB.

In terms of mandate and governance, the IASB Foundation appears to be a perfect example of trade-off between the state-less and the state-based governance model. The increasing funding gap over these years saw the intervention of the Big Four audit network in closing it. The IASB Foundation is trying to move from a model of voluntary contribution by issuers toward a model in which the voluntary contribution is up to jurisdictions. Another crucial point is the role of the Monitoring Board, whose label is misleading since it is the body which the trustees are submitted to. In additions, another question is which sort of public interest the foundation should follow. In particular, the purpose of creating global accounting standards is providing good and clear information for the economic decisions of investors. Thus, IASB Foundation has to embody and represent their interests rather than making decisions in the light of the public interest in broad sense. The proposal is to achieve a governance composition that embodies investors' interests and that accounts for a geographical reallocation of the chairs.

According to **Alain Teixeira**, Senior Director of Technical Activities at the IASB, the dialogue about IFRS and their endorsement is characterized by two main issues. On one hand, there are no doubts about the need for global accounting standards and international formality. On the other hand, a question whether IASB is the right organization to be the global standards issuer arises. It is necessary that countries commit to global accounting standards, giving up their sovereignty towards standards and adopting them without further adaptations. Having robust, high quality and comparable standards across jurisdictions is crucial. The IASB is the right institution for these purposes. However, the renovation of IASB toward a more global, rather than international or simply European, sphere is crucial and it has to be seen as answer to the growing size of the organization and as tool for the creation of a credible international team. The required changes are in terms of higher percentage of non-European nationalities in the composition of the board of IASB Foundation, recruitment approach and broader composition of the general governance.

Jeroen Hooijer, Head of Accounting Unit, European Commission, DG MARKT, stressed the fact that accounting discussion has become a political issue. From the European Union Member States' view, it seems impossible to agree for the adoption of IFRS. In addition, even if EU has still an important role in IASB, the Europe's relative weight shrinks since they are facing countries such China, Brazil, US.

In the light of the financial crisis and of the need to rebuild trust in financial markets, transparency is a key issue and IFRS trying to do it. Four elements whose importance is crucial have been stressed. First, the convergence issue must be postponed to the issue of adoption of IFRS. So the aim of IASB must be the widespread adoption of accounting standards. Second, the governance structure of IASB should be dependent on the users of IFRS, namely each country that participates and uses IFRS must play a role. Third, it does not make sense to speak about governance structure if there is no acceptance of the standards issued by the IASB. Higher the governance involvement of each country, higher acceptance of IFRS is. But what is needed is coherency and consistent application in national jurisdictions. Four, simplification is fundamental: radical simplification has been done for non listed companies. The aim of simplification should be perceived also by IASB for listed companies.

The discussion following the presentations was centred on other related issues. The debate on the fair value principle stresses that this methodology is not against financial stability as argued in the past rather it is useful in terms of transparency. The discussion over the duality of banking vs. accounting standards highlights that there is no need of identity between the two. The question on the best way to build the incentive part of governance model suggests the need for practical changes rather than for the perfect structure. The debate stressed also several open issues related with the convergence problem, the funding mechanism as well as the importance of protecting the independency of IASB and the future of IASB.