



The Global Market Crisis and Convergence

FSF implementation activities

FEE Conference on Audit Regulation

National Bank of Belgium

Brussels

9 December 2008

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Disclaimer





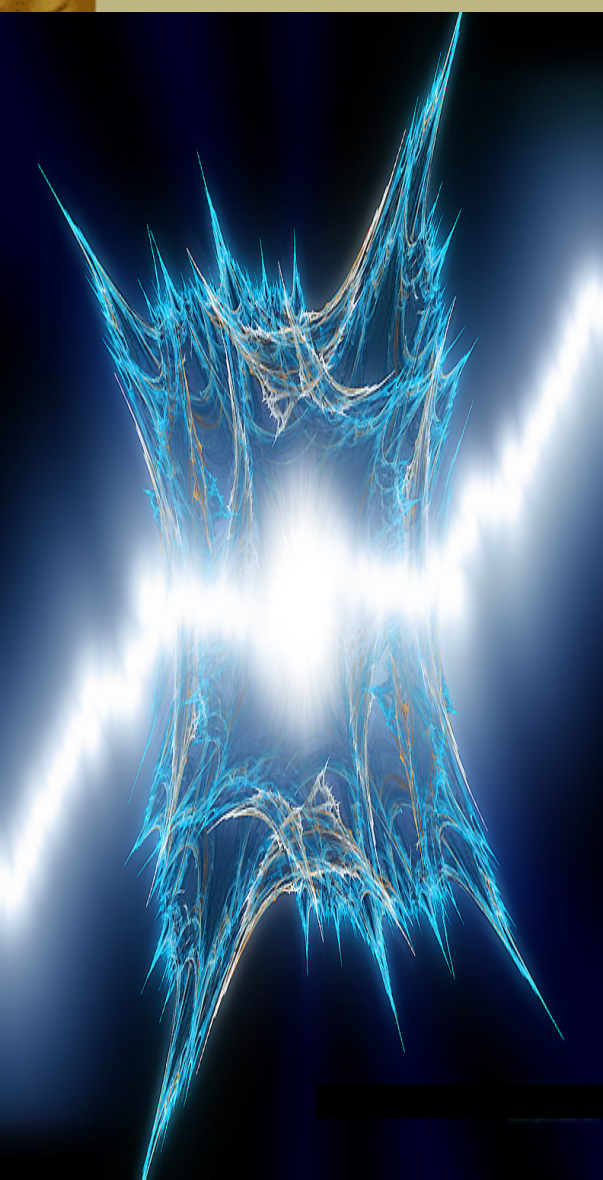
Financial Stability Forum



- **Comprised of:**
 - National & international regulatory authorities (eg, authorities in 12 key centers; BCBS, IOSCO, IAIS)
 - International financial institutions (BIS, IMF, WB, OECD)
 - Key central bank expert groups (CGFS, CPSS)
 - ECB and IASB
- **Seeks to mitigate risks to financial stability**
- **Support for sound international standards & practices, including for accounting & auditing**



G7 Request to the FSF

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- **FSF analysis, recommendations & efforts to address the global market turmoil**
 - **FSF April 2008 report to the G7 presented recommendations in 5 key areas:**
 - Strengthening prudential oversight of capital, liquidity and risk management
 - [Enhancing transparency and valuation](#)
 - Changes in the role and uses of credit ratings
 - Strengthening authorities' responsiveness to risks
 - Robust arrangements for dealing with stress in the financial system
 - [G7 strongly endorsed FSF report](#)
 - **Extensive FSF follow-up efforts & reports**



Actions by the IASB

Valuation, off-balance sheet entities, disclosure



- **Enhanced its guidance on valuing financial instruments when markets are no longer active**
 - Established the IASB Expert Advisory Panel
- **Strengthened standards for disclosures about valuations**
- **Developing enhancements to off-balance sheet treatment & related risk disclosures**
- **Similar actions by the FASB**



Valuations – improved audit guidance

- The IAASB, major national standard setters & relevant regulators should enhance the guidance for audits of valuations of complex or illiquid financial products & related disclosures, *where necessary (GPPC input was recommended)*.
 - The IAASB issued a Staff Audit Practice Alert in October '08 & met with key audit firms.





FSF Implementation Efforts:

Key thinking emerged during the turmoil



- The turmoil highlighted the importance to market confidence of reliable valuations & useful disclosures of the risks associated with structured credit products and off-balance sheet entities.
 - Sound standards & practices
- Convergence also emerged as extremely important during this period - e.g.,
 - Valuation
 - Off-balance sheet treatments
 - Risk disclosure
- Encouragement, but respect for standards setters' independence

G20 Leaders' Summit

15 November 2008, Washington, DC



G20 Summit Action Plan

Reflects many FSF efforts



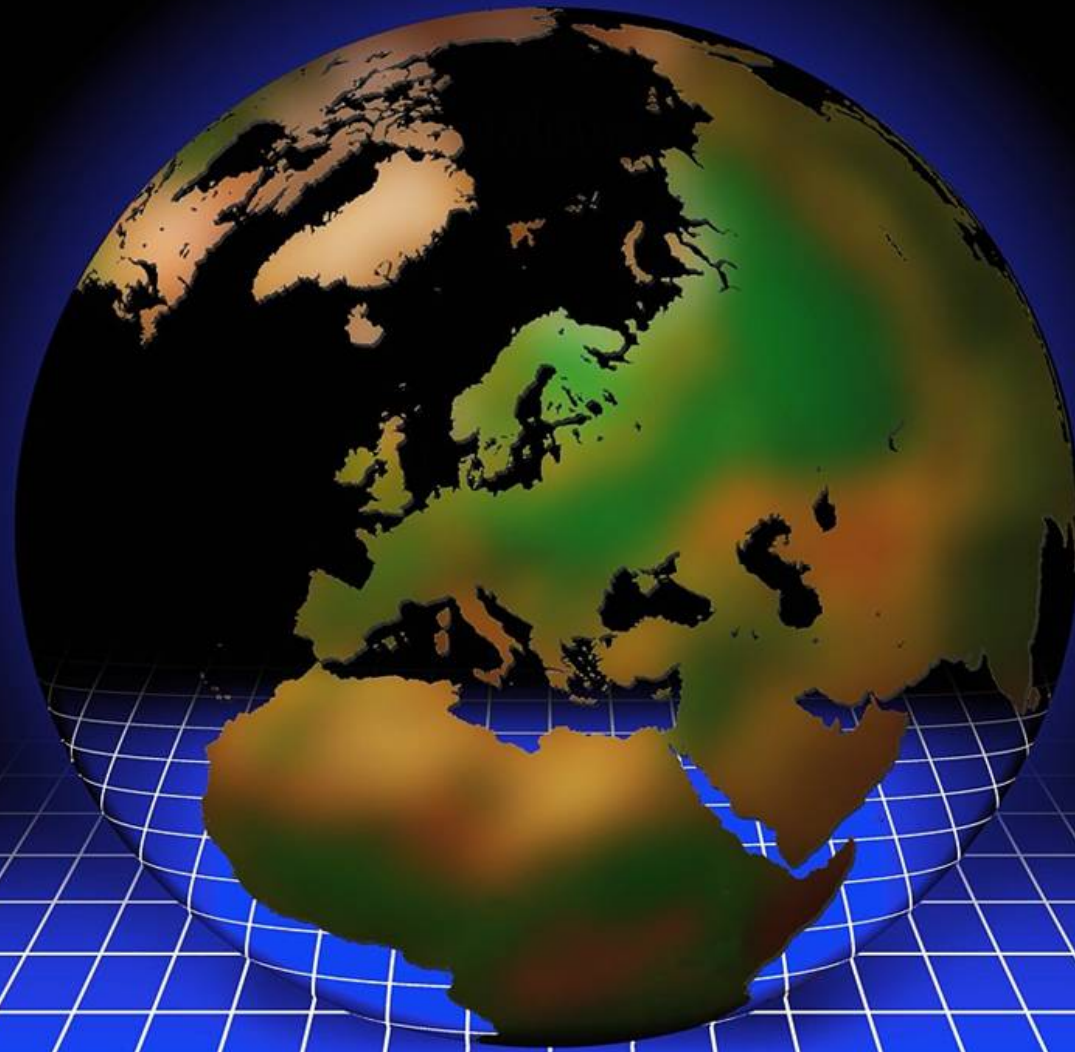


G20 Summit Action Plan

Includes convergence activities

- The key global accounting standards bodies should work intensively toward the objective of creating a single high-quality global standard. *(Page 1)*
- Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards. *(Page 1)*
- Authorities, drawing especially on the work of regulators, should collect information on areas where convergence in regulatory practices such as accounting standards, auditing, and deposit insurance is making progress, is in need of accelerated progress, or where there may be potential for progress. *(Page 4; emphasis added)*

Continued support for high-quality, converged standards and practices





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