



FEE Conference on Audit Regulation

Auditorium of the National Bank of Belgium, Brussels

Tuesday 9 December 2008

SUMMARY OF THE KEYNOTE CLOSING SPEECH OF RENE RICOL, AUTHOR OF THE REPORT TO THE PRESIDENT OF THE FRENCH REPUBLIC ON THE FINANCIAL CRISIS AND PAST PRESIDENT OF THE INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC)

FEE President Jacques Potdevin announced the Keynote Opening Speech by introducing René Ricol.

Mr. Ricol explained that the aim of his presentation is not to summarise his report on the financial crisis but to focus on the purpose of the FEE Conference on Audit Regulation and Convergence.

In 2001 and 2002, due to the Enron and Worldcom crisis, there was a move away from self-regulation to other or more market-driven regulation as both the profession and the market were partly responsible for the crisis.

Currently, there is another financial crisis for which the markets themselves are fully responsible as they did not function properly due to lack of confidence. Financial markets were no longer a financial activity serving the real industry and economy but became an industry in itself.

Regulation and supervisors are not to be blamed for the crisis, but they should speak more strongly about it as there is a need for quick solutions, sometimes held up by lengthy due processes. However, the combination of accounting standards and financial rules, sometimes at odds with each other, appear to be responsible for the current crisis due to their procyclicality.

Convergence in financial reporting, auditing and independence is needed for a strong accountancy profession. Therefore, although it takes time, global cooperation between regulators, supervisors and the profession is imperative as the job of an accountant is basically the same all over the world.

Now that the financial crisis is turning into an economic crisis, intermediation is becoming increasingly difficult because of the mounting tensions between industry needing more financing while financial institutions become more risk averse, which could well provoke a strong social reaction .

However, there is now a common responsibility for both public and private organisations to push financial institutions to be part of the market again and to be in control again with better management, better regulation and better supervision and oversight for the benefit of the economy at large.

Standard setters should be accountable and do more than their job by finding new processes to manage their standard setting activities. The audit profession should anticipate issues and risks at their clients and help companies accordingly while preserving their independence.



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During the subsequent discussion and in responding to questions of the audience, several issues were addressed including differing opinions related to regulation on money supply and the importance of independence, ethics, integrity and competence of board members of financial institutions.

FEE President Jacques Potdevin concluded the discussion and thanked René Ricol and the audience for their participation.