

## TRANSCRIPT

# FEE Seminar

## IFRS Convergence and Consistency

ING Belgium Auditorium, Brussels  
1 December 2005

### Introduction by Conference Chairman

*David Devlin, FEE President*

I should like to thank ING for the use of their wonderful auditorium. It will make a very big difference to our ability to think carefully and well about the subjects we're going to debate and in particular the style of auditorium should assist with questions and answers. I particularly would like to thank our two first speakers, our keynote speakers, Commissioner Charlie McCreevy and also Ethiopis Tafara, the International Director of the SEC, who has come specially to give this speech. Each of our first two speakers will take a few questions immediately after they have made their remarks. The Commissioner must leave around 10.30 and Mr Tafara after his presentation and that's a mark of the effort they have made to find time to talk to us. I would also like to thank Michael Crooch from the FASB, who has made the journey from America to be with us and also, of course, Sir David Tweedie, without whom this would be inconceivable as a conference.

So just a few preliminary remarks. It's fair to say that IFRS is a real revolution in Europe and the critical point for those of us who are preparers, accountants or users, is to make a success of implementing it now and it seems to me that requires a few things. It requires, certainly, a stable platform, not just at a certain moment in time, March 2005, or another date but a stable platform and some sense of stability. It also needs consistent application, consistency being properly understood, something we will look at this afternoon, and that all needs to be backed up by consistent enforcement.

But, I have to say, that I hope that this will not be some sort of predictable or bland conversation today. I want this to be somewhat controversial. I want to deal with difficult questions. I want them brought out, the things that we are all worrying about, I want to see them put on the table and dealt with, and if we can't deal with them today, and perhaps we can't, well, we can take them away and work on them but we must put on our table our apprehensions, the opportunity we see for changing things to make a success, and for identifying those things which each of us must do to guarantee success.

I say that because I think there is a sense of some success of the IFRS project, there's also a sense and it's perhaps misplaced, of a certain pressure and rush for convergence for new solutions that are perhaps a little radical for some people, or perhaps driven by the timetable of the road map and perhaps influenced by the convergence agenda. For example, one could take business combinations, I know that some people think that this illustrates those kinds of theories, the new exposure draft. Are there other important projects which however valid and important they may be, could be seen by some people as radical if they were to be pressed forward in a short time? For myself, I think that while Europe, does strongly support global standards and convergence, the process must be robust. We have to acknowledge that big changes do take time to settle down and any new ideas should be tested and debated thoroughly. That said, market support for standards is also desirable, and, as I say, the immediate challenge is to make a success of it.

Now, given that global standards are the imperative and that anything less would be seen as second best, and that standards nevertheless do need to evolve, they do need to address new difficult issues, you can't ignore things that need fixing, do we need to revisit the ground rules? That is to say, the Conceptual Framework.

A second thing I'd say is that since the Commission and Europe decided in 2002 to go for IFRS, things have changed. Sir David Tweedie has won great support for IFRS from around the world and to some degree it's a less lop-sided debate than it was. IFRS, I think, now stands alongside and co-exists with US GAAP and that raises the question of how much convergence is enough. How far and how fast should convergence go? So on convergence, I hope that we will have, before lunch, a very thorough debate and a lively question and answer session.

Just a brief word on the afternoon. Consistent application is an important issue for us, it does seem to me to mean acceptable accounting treatment of transactions within standards not just as necessarily identical treatment of apparently similar transactions everywhere.

How long will it take for preparers and auditors and regulators to gain substantial knowledge and working experience of IFRS in practice? And that's despite the very big investment, let's say, regulators, like CESR, accounting firms and preparers have made in training people, systems, and so on, to get things right. I just want to make sure that we do not hope too hard for perfection immediately, something which is not always given to humans to achieve, but, as I say, I do look forward on this also to a lively debate because there are many issues to talk about as far as consistency is concerned. So I'd now like to invite Commissioner Charlie McCreevy to speak to us about convergence and consistency and to give us his thoughts on that. Charlie, over to you.