

Evento celebrativo del decennale OIC
Il ruolo del National Standard Setter

Intervento del Presidente dell'EFRAG
Ms Françoise FLORES

16 dicembre 2011

Mr Chairman, Ladies and Gentlemen, good morning.

It is a big pleasure to be here today, coming to the festive celebration of the OIC Anniversary. Sharing such a happy moment with friends is always an excellent and very positive experience. I am very happy to be here. Thank you for inviting me. It is also a great honour to be present and be asked to speak at this event.

I would really like to start by congratulating the OIC on this 10th anniversary. I think this kind of celebration, (we had the EFRAG celebration two months ago), reflects well the success of the organisation. Looking back and going through the history makes that success certainly even more impressive. I was very interested in listening to what your history is and seeing how linked it was to the adoption of IFRSs, just as it was for EFRAG.

So you asked us to comment on the role of national standard setters and I have in fact, a series of good news for the audience. I will not discuss any other subject and you will see, hearing from me after the speeches of Angelo Casò, Jeroen Hooijer and Philippe Danjou, that there is a lot of common ground, many common views and alignments. I think that this is great news as we have to work together, and seeing life in the same fashion certainly sheds a lot of very positive prospects. The other good news is that because these views are so aligned I will be able to be shorter in my speech than I had anticipated.

I will not comment on the very important role of a national standard setter which is to set national standards but turn directly to the role of EFRAG which is to be responsible, and to exercise influence, on the development of IFRSs, from a European perspective. National standard setters have a similar responsibility, but obviously from a national perspective. This includes bringing together skills and knowledge that are needed in standard setting. I am not referring to technical knowledge only, but also and very importantly to knowledge of the context in which the standards have to be implemented. Exercising influence on the development of IFRS is the day to day job of EFRAG and EFRAG carries out its job all the better that it can cooperate closely with national standard setters in Europe. I say this as someone who has the privilege but also the responsibility of being the chair of EFRAG. Our influence and close coordination must be all the greater that others outside of Europe do intend to have their voices heard also. EFRAG is there to be a leading force in the global financial reporting debate, for the benefit of all European Constituents.

So, when we describe EFRAG, we are happy to say that it is indeed the very first regional group, created 10 years ago. Today, I believe, thanks to the partners we have, EFRAG is a fully developed model of how to exercise influence on the

development of IFRSs. If we look throughout the development of EFRAG, one of its main features is the strong partnership with national standard setters. It has been developing from one reform, one enhancement to the next. Finally, when discussing EFRAG, I am happy to say that its success has inspired the creation of other regional groups.

When I say strong partnership with national standard setters, I mean that we have to pool together our skills and resources, and benefit from the enrichment of our internal diversity. We have to join forces in order to increase European influence. The aim is not to bring together technical bodies to discuss technical issues but to join forces to stimulate as lively debates as possible among European Constituents so as to facilitate the emergence of European views on the issues considered. It is also to bring a common platform of communication with the IASB so as to develop cohesive messages and recommendations that make Europe in a capacity of being heard and listened to. Importantly, Angelo has mentioned the diversity in the way national standard setters are structured, and that verifies in Europe. Together we can enhance our due processes and transparency as needed to best serve the public interest.

The point I really want to make is that the stronger the partners of EFRAG are, the stronger EFRAG is (and beyond EFRAG because EFRAG in itself is not that important), the stronger the influence of Europe is in the development of IFRS.

The history of OIC and EFRAG coincide in many ways. Throughout the past 10 years the OIC has continuously increased its implication, involvement in, and support for, the activities of EFRAG. I would like to say that I am very, very grateful for this continuous and growing support.

Angelo has mentioned the discussion paper on accounting for business combination under common control, which we are proud to have issued together. The way this paper has been endorsed by other national standard setters in Europe shows our strength. When we work together, we win all together.

Sometimes, I hear national standard setters fear that working too closely with EFRAG would result in a loss of identity. Would the influence and role of that standard setter remain visible? The example of OIC is, I think, an extremely good example of how working with EFRAG has contributed making the OIC stronger, more visible and more active on the international scene.

So, working within EFRAG is not a loss of identity but it is support for being even stronger. If we look at OIC today, it is well recognised, active on the international scene in this group of national standard setters that meet regularly. Hosting the meeting of the International group of standard setters in September 2010 was a sign of being established as an important player. Philippe Danjou in his address today has described very well the fully developed relationship between the OIC and the IASB.

EFRAG is not a screen. It is a catalyst. It provides more strength for everyone involved, for the benefit of Europe, all together, and not for the benefit of EFRAG. EFRAG is a means, it is not an end in itself.

We have heard that there has been development in the way in which the influence is exercised on the development of IFRSs worldwide. A few years ago you could identify two important players basically, the FASB who was tied with the IASB in its convergence program and EFRAG. In the last three years other groups have emerged. I already mentioned the fact that EFRAG's success had inspired the creation of groups in Asia-Oceania, in Latin America and also in some way, in Africa.

Tasks for regional and national accounting standard groups accompany the standard setting process of the IASB. Starting from the agenda, being able to recommend agenda proposals and also to undertake proactive activities, being an active participant in the IASB due process, and supporting a consistent application of IFRS... Whether you look at EFRAG's activities, or at the strategy the Asia-Oceania Standard Setter Group has set for itself, or at the way the SEC staff has described the role the FASB could have in a framework for the adoption of IFRS in the US, you find the same tasks, the same objectives, the same responsibilities. Sometimes I hear people say that EFRAG and standard setters would not have the same objectives, or the same things to do. I do not share that view. To the contrary. We have exactly the same responsibilities. If we want to exercise those responsibilities in the best way, in the most efficient way for Europe, we have to integrate our efforts.

Others consider the emergence of regional groups in the past few years and fail to see that the European model has inspired other regional groups. Instead they pretend discovering a new model and ask: Wouldn't that be a good idea for Europe? I think the reverse has happened. Europe has been copied. Europe has been the leader.

Europe has been able to invent the model because, in comparison to others, it has distinctive features. I would start by saying that one of the distinctive features of Europe is that it exists as a jurisdiction. Asia-Oceania is not a jurisdiction. At the European level, there are representatives of users, of businesses, of accountants that play a role and who are also partners to the debate. In other regions, these representations exist at national level and not at the level of the region. IFRS are adopted in Europe, not in each Member State. In other regions, the adoption of IFRS is a national matter. In the other regional groups, national standard setters participate only if they have the means of joining. The regional group therefore does not cover the entire geographical area. What Europe does and needs to continue doing, is to give access to all Europeans to that debate. It should not be left only to those who can participate. It must be open to all European constituents.

EFRAG brings to Europe the credibility of an independent public interest entity and, very importantly, the ability for every national standard setter, every constituency to participate to the extent of their means.

Obviously, a very significant standard setter like the OIC has the possibility to participate very extensively to the work EFRAG does. The maximum extent must be reached in that participation because in that way we are stronger and more efficient.

What EFRAG provides is a possibility of coordination, facilitation, and more efficiency. I am very convinced of that. For example we have mentioned post implementation reviews, field tests and outreach activities. These are really performed at a local level, and I fully agree with those who have said so.

EFRAG provides two very important things.

Firstly, preparing with its partners so that they can all be more involved, in the ways in which those field tests or post implementation reviews should be conducted. There is only one process defined for everybody, which can be applied very consistently. Therefore, the input that the IASB finally receives from Europe is indeed an input that comes from a local level but which is very consistent from a European perspective. This is the facilitation, the efficiency, also when the tools to do so are prepared, once and for all. It is also easier for the standard setter and easier to apply.

Secondly, there is something which is taking place within EFRAG, in the way EFRAG conducts its work. EFRAG allows for a consensus to emerge naturally. It is a reasonable consensus though never unanimous, which emerges, often with significantly different points of view at the starting point. This is preferable to seeing bad or low quality compromises emerge or just a list of views.

I was referring earlier to standard setters' groups. They often have no other possibility than to provide the IASB with a list of different views. EFRAG provides, most of the time at least, the image of reasonable cohesiveness.

This reminds me of times, now in the almost old days, when David Tweedie sarcastically asked the question: "What does Europe want?". Very sarcastically because, basically, what he was getting was everyone with strong views, coming from all directions and going into very different directions. That was just not helping anybody. It was not helping the IASB either. It was not helping Europe altogether. More recently the example of whether Europe should make use of the IFRS for SMEs showed that no consistent view can be reached if the process is no more than a collection of national views.

So, I have insisted on the strong partnership between EFRAG and National Standard Setters. I also recall Angelo saying that there is room for improvement. I hope that we are going to indeed sit together and bring those improvements. I could see a big improvement already in agreeing, and more importantly applying, common rules of conduct so that we can indeed act as a cohesive group. I also see room for setting up

more cohesive processes with all these partners who work together, so that there is no longer the feeling that there is one of them heading in its particular direction, ignoring the views of others.

All this has already been mentioned. This new organisation of EFRAG in 2008 was brought about to make Europe stronger in proactive activities and also to serve the public interest better. The governance review to come in 2012 will be the opportunity to assess the overall set-up and respond to the following questions: Is the strong partnership between EFRAG and National Standard Setters as positive as we want it to be? Also are the present governance arrangements appropriate? Angelo has covered this also.

So I would like to conclude by showing you this little picture (slide 19) of Europe featured by cars heading in all sorts of different directions, everyone in their driving seat. If EFRAG and national standard setters have to express together your opinions, I think they will opt for a much more sustainable way of transportation, bringing the European view together.

Thank you very much for your attention.