

# INTERNATIONAL FINANCIAL REPORTING STANDARDS

## 6<sup>th</sup> REGIONAL POLICY FORUM

KUALA LUMPUR, MALAYSIA 26-27 MARCH 2012

### **Communiqué**

The Malaysian Accounting Standards Board (“MASB”) hosted the 6<sup>th</sup> IFRS Regional Policy Forum (“Forum”) in Kuala Lumpur, Malaysia from the 26 to 27 March 2012. This Forum is one of the key platforms in the Asian Oceanian region for stakeholders including regulators, to discuss IFRS related policy issues.

The Forum was attended by about 140 participants from 22 jurisdictions and 10 international organisations. The participants included senior representatives of international, regional and national accounting standard setting bodies and their oversight bodies, securities exchanges, central banks, financial market regulators, tax authorities, governments, audit practitioners, audit regulators, professional bodies, users and academia.

The 22 jurisdictions attending were Australia, Brazil, Brunei Darussalam, Canada, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Korea, Macao, Malaysia, Nepal, New Zealand, Pakistan, Singapore, South Africa, Syria, Thailand and Vietnam.

Mr. Hans Hoogervorst, Chairman and Mr. Ian Mackintosh, Vice Chairman of the International Accounting Standards Board (“IASB”), Mr. Jeffrey Lucy, Trustee IFRS Foundation and Mr. Charles Macek, IFRS Advisory Vice Chairman and 3 other IASB Board members also attended the Forum.

The theme for this year’s Forum was “*Convergence and Beyond, Navigating Change*”. To date many of the jurisdictions in Asian Oceanian have either adopted or are converging with IFRS or have set near term target dates for convergence. Globally more than 100 countries, including two thirds of G20 members have adopted IFRSs in full and without modification. The move towards global accounting standards has been acknowledged as an essential part of the global financial reform agenda. It provides the transparency needed to build a better, more resilient global financial infrastructure. It has, however, also recognised that full global and regional adoption will take time, especially as stakeholders try to cope with a rapid pace of change in IFRS.

The keynote address delivered by Tan Sri Zarinah Anwar, Chairman, Securities Commission Malaysia set the tone for the Forum. The key messages were that a single reporting framework and high quality financial reporting is fundamental to the fairness, efficiency and transparency of any financial market. The availability of resources is a key implementation challenge and requires regional and international cooperation to make available experts, financial assistance, build capacity and enhance education. The establishment of the Asian-Oceanian Standard-Setters Group (AOSSG) has been pivotal in facilitating such closer regional collaboration. It is now also appropriate for IASB to bring Islamic finance into its agenda and ensure the development and implementation of IFRS accommodate the needs of this sector.

## **Forum sessions**

The Forum panel discussions can be broadly categorised into three focus areas:-

- Future of financial reporting standards

The session discussed the strategic direction of IASB and how its governance structure and work plan will affect the stakeholders in the future. Through its agenda consultation process, the IASB is conducting a thorough and comprehensive consultation on its future agenda and will continue to gather feedback from its constituents to identify common themes that will help drive its future work plan.

- Transition to IFRS

The forum discussed how market and banking regulators can work together with IASB to deal with changes in IFRSs vis-à-vis their rules and regulations. As IFRS is a principle based accounting framework which requires the use of judgment, any inconsistent application of IFRS could undermine its value as a single set of global common standards. In this regard the Forum discussed the IASB's outreach efforts and an expanded approach to interpretation. Educational initiatives and the sharing of experience by preparers, academia and analysts were also seen as a necessary part of a strong foundation in the understanding of the IFRSs.

- Framework for standard setters, regulators and auditors

At a more macro level, the Forum shared views on the framework for standard setters and the auditing profession. Here the Forum discussed the quality control methodologies and the implication of IFRS development on the professional frameworks. In the session of

Reporting Tiers, the Forum discussed the need to establish an effective and efficient financial reporting framework for Small and Medium Enterprises (“SMEs”) giving due consideration to the benefits and costs of compliance. We also had a sharing session on the use of XBRL.

## **Outcomes**

- The participants reaffirmed their commitment to adoption of IFRS recognizing that for some jurisdictions this is achieved via a process of converging.
- Participants expressed their appreciation to IASB for its efforts in conducting a thorough and comprehensive consultation on its future agenda. The output from the agenda consultation process is crucial in formulating the strategic direction of IASB and its post convergence work program.
- Participants agreed that in working towards a set of globally accepted accounting standards, regulators have to work together not only with IASB but also with their national standard setters and regional standard setting bodies to better align local policies with these international standards and to integrate the requirements of the standards into the domestic legal framework. The key to concluding the G20 mandate for a single set of globally acceptable accounting standards is enhancing communication and collaboration between stakeholders.
- It was also acknowledged that for IFRS to be accepted globally, the standards have to be endorsed, implemented, audited and enforced on a consistent basis. This Forum provided the avenue for standard setters, policy makers, regulators and the audit profession to share practices and challenges faced in their respective jurisdictions and ways to reduce inconsistencies.
- Participants agreed that the next IFRS Regional Policy Forum will be hosted in Hong Kong in 2013.