

September 10, 2010

Svein Andresen
Secretary General
Financial Stability Board
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Electronically via fsb@bis.org

FSB Thematic Peer Review on Risk Disclosures

Dear Mr. Andresen,

The International Auditing and Assurance Standards Board (IAASB) shares the view that market confidence in the reliability of valuations and robustness of disclosures is of primary importance to the effective operation of the world's capital markets. More broadly, it is essential to financial stability. The Financial Stability Board's (FSB) review of the implementation of its April 2008 recommendations that financial institutions should strengthen their risks disclosures is therefore an important and commendable initiative. It is also both timely and relevant in light of calls for continued improvement in the practices and processes surrounding valuation measures and adequacy of disclosures.

The IAASB also shares the view that meaningful assessment of standards and practice and the identification of effective solutions require constructive dialogue amongst all participants – investors, financial institutions and other preparers of financial information, audit firms, standard setters and regulators. Such dialogue is, of course, multi-faceted. Each of the participants in the financial reporting supply chain contributes to improvement in practice in different but equally important ways. The IAASB therefore also supports the FSB's initiative to obtain feedback and suggestions for possible future approaches to enhance that dialogue.

The IAASB has embarked on a number of initiatives that have direct import to such discussions. Amongst others activities, the IAASB is beginning its work to examine the issue of auditors' responsibilities and practices regarding disclosures. Recognizing the debates already underway in various fora and the broad range of perspectives on the topic, the IAASB will be asked at its upcoming meeting to consider a proposal for the development of a discussion paper that helps to articulate the issues from an audit perspective. It is envisioned that paper could provide a helpful platform on which future discussions and international debate about the future of the audit of financial reporting disclosures might occur.

Closely related, the IAASB is also progressing revision of the International Standard on Auditing that deals with the auditor's responsibilities relating to information, including disclosures, outside the audited financial statements but within documents containing those

statements and the auditor's report thereon. This project is of particular importance as the boundaries of the financial statements relative to disclosures pertinent to users' information needs become increasingly blurred.

In addition, the IAASB has commenced discussion of key messages concerning user perceptions of the auditor's report identified from analysis of relevant information on that subject. This work has helped to confirm the demand for further consideration about the scope of the audit, the form and content of the auditor's report and auditor communications more widely, and the types of additional information users desire and how such information would be used. Related, the IAASB will continue its discussions on the topic of audit quality more generally, recognizing that audit quality and auditor communications are closely linked.

The IAASB will also consider this month the exposure of a document providing practical guidance for auditing complex financial instruments, including related disclosures. Feedback on this proposal should help further inform the understanding of how practice is changing and areas that are proving to be of particular challenge.

Finally, the IAASB continues its on-going liaison with the International Accounting Standards Board regarding the auditability of the IASB's proposals.

We believe the work of the FSB will provide a further important source of information. Equally, we believe the results of our efforts will benefit the deliberations of the FSB. However, effective and complementary solutions need thoughtful collaboration and exchanges of views. We would be pleased to discuss how best we could participate with the FSB in fora that stimulate this essential dialogue.

Please do not hesitate to contact me should you wish to discuss these topics further.

Yours sincerely,



Prof. Arnold Schilder
Chairman, IAASB

CC: Gerald A. Edwards, Jr., Senior Advisor on Accounting and Auditing Policy, Financial Stability Board

Jim Sylph, Executive Director, Professional Standards, International Federation of Accountants

Diana Hillier, Deputy Chair, IAASB

James Gunn, Technical Director, IAASB