

GLOBAL REGULATORY CONVERGENCE AND THE ACCOUNTANCY PROFESSION

Global regulatory convergence is an essential element of the globalization of capital and debt markets, and is important in promoting the comparability of financial information, minimizing the effects of systemic economic risks, and helping to create a level playing field for international competition. For the accountancy profession, regulatory convergence includes the globally consistent adoption and implementation of high-quality internationally accepted financial reporting, auditing, assurance, and auditor independence standards.

Achieving global regulatory convergence is critical for the evolution of a sound, global financial system; it may assist in providing solutions to problems highlighted by the global financial crisis and contribute to greater economic certainty and financial stability. It requires the support of a broad range of key stakeholders—for example, politicians, governments, regulatory bodies, and professional accounting organizations—at the national and international levels.

The Accountancy Profession

For the accountancy profession, IFAC considers the public interest is best served where there is consistent adoption and implementation of high-quality, internationally accepted financial reporting, auditing, assurance, public sector accounting, accounting education, and ethics standards (including independence requirements for auditors) used in the preparation and presentation of financial information for capital and debt (private and public sector debt) markets.

Global regulatory convergence includes: (i) the development of high-quality, internationally accepted standards, issued by global standard setters using shared private sector/public sector standard-setting arrangements; (ii) the consistent adoption and implementation of such standards by national bodies (e.g., governments, institutions, and regulatory organizations), recognizing that the legal environments in some jurisdictions may necessitate modifications; and (iii) the establishment of regulatory arrangements that are globally consistent, where appropriate, and are based on cooperation and mutual recognition.

Benefits and Challenges

IFAC believes that among many things, global regulatory convergence contributes to: promoting the comparability of financial information; minimizing the effects of systemic economic risks; reducing information costs; decreasing opportunities for regulatory arbitrage; and helping to create a level playing field for international competition.

It recognizes that overcoming the impediments and challenges to global convergence requires: governments and politicians to continue the momentum to seek global outcomes; appropriate arrangements to be established for international regulatory organizations; and that the different stages of development of national economies be recognized.

Implications for IFAC Members and Associates

IFAC's member bodies and associates have important roles to play in advancing global regulatory convergence in the accountancy profession—including, in some cases, when performing the role of national standard setter or regulator. They advance the convergence agenda: by complying with SMOs; through their relationships with governments and regulators; and by assisting members and associates in developing and emerging economies with the adoption and implementation of international standards.