

# Striving for balance

The Asian-Oceanian Standard Setters Group formed last year to create a counter-balance to EU and US influence on standard-setting and to strengthen the national bodies in the region. The chair of the Australian standard-setter, Kevin Stevenson, tells *The Accountant* about the group's hopes and frustrations

The Australian Accounting Standards Board (AASB) was one of 21 national standard setters from countries stretching from Turkey in the west to Japan in the east that met last November for the inaugural Asian-Oceanian Standard Setters Group (AOSSG) meeting.

AASB chairman Kevin Stevenson says a key driver behind forming the group was to strengthen the Asia-Oceanian influence on international standard-setting and act as a counter-balance to European and US influences.

The group also wants to strengthen the national standard-setters in countries where they are less developed.

## Impatience

Speaking about the importance of creating a counter-balance, Stevenson says there has been increasing impatience with the seeming pre-occupation of standard setters to bow down European and US pressure.

"We find the politicisation aspects coming out of Europe very frustrating when they don't mean anything to us and seem to impede the development of good standards," Stevenson explains.

"The impairment exposure draft is a classic example. We have five major banks in Australia that are all in the highest category banks in the world. They have not had the level of bad debts, or anywhere near the problems that have been encountered overseas, and yet we seem to get caught up with the reactions to the global financial crisis, which are driven by calamities we haven't witnessed.

"Expressed differently, our banks follow a somewhat similar approach to insurance companies, an incurred but not reported approach to applying the incurred loss model and we probably recognise bad debts and doubtful debts earlier than, say, some American companies, who seem to be constrained by the probability criteria.

"Yet for all of that, [Australia's experiences don't seem to be being considered internationally].

"Instead it is 'do we go to expected loss straight off' because people think that will

get them closer to the Nirvana that they think might exist. We feel frustrated by that type of pressure that is pushing the technical development politically."

Despite the frustrations, Stevenson says it's unlikely countries or regions will carve-out sections of IFRS they are unhappy with.

"I can't speak for all the countries in Asia, because quite a few of them are in the countdown now to adoption, whereas we have been with IFRS since 2005," he adds. "We took the conscious decision in 2005 to change the regime, even though we would have preferred some parts of our own GAAP to IFRS. Having done that, we don't believe in carve-outs.

"Ultimately, if the reputation of IFRS died down around the world then that might become a possibility, but it is certainly not where we want to be."

Stevenson says there have not been any discussions at this stage about what actions might be taken if the IFRS regime was not longer suitable.

## Thinking positive

Stevenson has high hopes that the AOSSG will provide a positive influence internationally because most national standard setters have a relatively independent structure and will approach tasks in a standard-setting manner rather than in a political context.

"We hope the culture we bring to standard-setting and the quality of our arguments will be increasingly important in the [International Accounting Standards Board's - IASB] mind," he says.

"I had [former European Internal Markets and Services Commissioner] Charlie McCreevy come out here last year and he started our discussions by saying 'we in Europe are the major customer of the IASB, we have got 500 million people'.

"I said, 'can I just stop you there because we are at 4.1 billion people if you want to play numbers. Also, I don't think you in Europe are the customers, the users of the financial statements are the customers'. Europe doesn't like that reaction but that is how most standard-setters see it."

Stevenson says it is not so much arrogance

## AOSSG MEMBERSHIP

### The first meeting

The 21 countries represented at the first AOSSG meeting in November 2009 were: Australia, Brunei, Cambodia, China, Hong Kong, Indonesia, India, Japan, Kazakhstan, Korea, Macao, Malaysia, Nepal, New Zealand, Oman, Thailand, Saudi Arabia, Singapore, Sri Lanka, Turkey and Uzbekistan.

Source: *The Accountant*

from European politicians, as vested interests.

"The thing that we don't like is the impact on independence," he adds.

Stevenson says the Asia-Oceania region has not been sufficiently outspoken in the past, with the exception being Japan.

"I don't think the region has done enough to test whether people will listen or not, but there was a number of IASB board people at the initial [AOSSG] meeting in Kuala Lumpur in November and they at least said the right thing about the importance of the AOSSG. They have reiterated those views in subsequent national standard-setting meetings where that issue has come up," Stevenson says.

"My distinct impression is that [IASB chairman] David Tweedie is very welcoming of the AOSSG formation and hopes it will be an important force.

"I suspect it is the beginning of an incipient regionalisation of the world. [The European Financial Reporting Advisory Group - EFRAG] might have been the first stumbling effort that way, but we've heard African standard-setters are looking at AOSSG and saying 'we ought to be doing that too'. Maybe South America might do it and North America is fairly well placed to do it.

"You would ultimately think there is going to be some of that regionalisation going on because otherwise you have got far too many players expressing views to be listened to in any coherent fashion." ■