

## **Toward Convergence**

### **Historic First Meeting between the Financial Accounting Foundation and the International Accounting Standards Committee Foundation**

The Board of Trustees of the Financial Accounting Foundation (FAF) met with the members of the International Accounting Standards Committee Foundation (IASCF) for the first time on June 4, 2004, in New York City. The meeting covered a variety of topics. FAF Chairman Bob Denham and IASCF Chairman Paul Volcker each made opening remarks welcoming all to this historic meeting and expressed support for the importance of convergence and the need to protect the independence of the standard setters.

The meeting began with a presentation by FASB Chairman Bob Herz and IASB Chairman Sir David Tweedie on the convergence efforts of the two standard-setting bodies. The chairmen explained the goal of their convergence efforts—a single set of high-quality accounting standards that can be used both domestically and internationally—and the progress made to date. As described in this and prior issues of *The FASB Report*, the FASB and the IASB have a number of joint or common projects on their respective agendas and have agreed to a plan for future alignment of their technical agendas. Both the FASB and the IASB have issued a number of Exposure Drafts related to their short-term convergence efforts and the IASB has issued several final Statements that bring International Financial Reporting Standards (IFRS) closer to U.S. GAAP. The chairmen explained their respective strategies for reaching their common convergence goal and discussed the challenges they face together and separately in meeting that goal. Members of both Trustee bodies asked a number of questions and a lively discussion followed the presentation. Messrs. Denham and Volcker both expressed their satisfaction with the level of cooperation between both Boards in working toward convergence and expressed their appreciation.

The second topic on the agenda was a discussion of the Trustees' role in protecting the independence of the standard setters and effective oversight of the standard-setting process. Mr. Volcker began the discussion by providing an update on the IASCF's constitutional review. The first of four hearings related to that review was held in New York City the day before the joint meeting. Among the issues discussed were the role of the Trustees in the technical agenda of the standard-setting body; that is, whether their role should lean more toward providing counsel or controlling the agenda. Other issues that were discussed briefly by the group included the voting requirements, size, and composition of the standard-setting body, and the needs of small and medium-sized entities.

The last topic addressed by the group was the funding for standard-setting activities. The recent change to mandated funding for the FASB as the result of the Sarbanes-Oxley Act of 2002 was explained to the IASCF Trustees. There was also some discussion of the current funding model of the IASCF that relies mostly on contributions and to a lesser extent on publications.

In their closing remarks, Messrs. Denham and Volcker stated that the meeting was mutually beneficial and they looked forward to continuing the dialogue.