How America's Participation in International Financial Reporting Standards Was Lost

by

Chris Cox

President, Bingham Consulting LLC
Partner, Bingham McCutchen LLP

Keynote Address to the 33rd Annual
SEC and Financial Reporting Institute Conference
The Langham Huntington Hotel
Pasadena, California
Thursday, June 5, 2014

Good afternoon and thank you, Roger [Molvar], for your kind introduction. In turn, I want to thank Roger for his exceptional leadership as Chairman of the SEC and Financial Reporting Institute Advisory Council, where it is my privilege to serve with him. I believe this event is one of the finest anywhere on current financial reporting topics, and that is in large part because of the outstanding people, like Roger, who dedicate their time and talent to it. For that same reason this conference owes a lot to the USC Marshall School of Business and the USC Leventhal School of Accounting, and in particular, Randy Beatty, the Director of the Institute; Dean Bill Holder; and Professor Lori Smith.

There is another contribution that USC can make to your appreciation of accounting, in the form of a wonderful new book I can recommend for your summer reading. Its title is *The Reckoning: Financial Accountability and the Rise and Fall of Nations*. It's a panoramic history of financial accounting from ancient Mesopotamia to the financial crisis, and it will convince you that without your vocation, there could be no civilization. It's a great read. I enjoyed it so much I asked the author, Jacob Soll – who is a USC Professor of History and Accounting – to autograph a copy of it for my daughter.

It is good to be back here in Pasadena for yet another year in our accustomed meeting place, at this beautiful hotel. Since so many of you have been here before, year in and year out, you know that this year's meeting is an historic milestone for the Huntington. There was a hotel here as early as 1907, but the buildings as we now know them were constructed by Henry Huntington and opened to the public in 1914, exactly 100 years ago. So, we can wish ourselves a happy Huntington centennial.

And even a century is only a fraction of the remarkable history of this place. Just a short distance north of here you can get on the Gabrielino Trail. It's a beautiful hike that runs along the Arroyo Seco past the Rose

Bowl and for many miles beyond. But more importantly, it is the oldest transportation route still in existence in this part of California. And when I say old, I mean really old. This trail – which you can hike while you're here – was used for thousands of years by the ancient civilization of the Tongva. These people inhabited the Los Angeles basin more than 3,000 years ago.

If you're involved in the real estate industry, you won't be surprised that the first southern Californians were big home builders. At the peak of their prosperity, around 500 A.D., when they had already been here for 2,000 years, the Tongvan dwellings lined the canyons all the way from this spot to what today is Los Angeles. They were a commercial civilization, and they traded extensively with neighboring peoples. But that eventually became their undoing. Over time, as their communities became increasingly far flung, the Tongvans began to pick up traces of their neighbors' languages, and in the process their own language started to deteriorate.

By the time the Spanish conquistadors arrived in the 1500s, the Tongvan language had morphed into five different dialects. There were three different languages here on the mainland of California, and two more in the Channel Islands. The Tongvans fought fiercely against Spanish rule, but their inability to communicate among themselves contributed to their undoing. And what their failure to communicate didn't accomplish, their exposure to Old World diseases did.

As a footnote to this local history, I should tell you that while the Tongvan language became extinct, in the 20th century, scholars reconstructed it. Today, once again, it's being spoken right here in California. So to all of you, a very hearty *nachochan.* (That means greetings.)

I have an ulterior motive, beyond just sharing a little local color, in relating this story of the Tongvan civilization and how their universal language broke down into many different languages, ultimately destroying their enterprise. It is to make a point about the importance of striving for a universal language of accounting.

The modern quest for an Esperanto of business has been underway for nearly half a century. And though it was initiated by the United States, after 48 years, it has yet to gain our full support. That is unfortunate, because the promise of a global standard is truly dazzling.

An international language of disclosure and transparency would significantly improve investor confidence in global capital markets. Investors could more easily compare issuers' disclosures, regardless of what country they came from. They could more easily weigh investment opportunities in their own countries against competing opportunities in other markets. And a single set of high-quality standards would be a great boon to emerging markets, because investors could have greater confidence in the transparency of financial reporting.

We all remember the story of the Tower of Babel. The name Babel comes from the Hebrew verb *balal*, "to confuse or confound." The Tower of Babel is an archetypal symbol of how the world becomes hopelessly confused because of the lack of a common language of mutual understanding. In the Biblical story, the confusion of many languages was a punishment. It was deliberately designed to make everyone worse off.

Margaret Mead found that among the two million aborigines in New Guinea, there were 750 different languages in 750 villages. Not coincidentally, each of the villages was in a state of permanent war with all the others.

We all know from our own experience that a common language reduces friction and promotes understanding. That is true in our personal lives, as we relate to people from other cultures, and it is true in cross-border business, as well.

Markets thrive on information. And markets are really just aggregations of people, all of whom communicate better if they speak the same language. One of the great contributions that global commerce has made to world peace and understanding is that it has constantly worked to establish smoother and faster means of communication across cultures and national boundaries.

Breaking down barriers between nations and among social classes, which commerce does, has advanced the cause of civilization. That has always been the idea behind the SEC's cooperative initiatives with the International Accounting Standards Board, and with the authorities in over one hundred nations that today are using International Financial Reporting Standards.

But today there is a real risk that the continuing increase in global trading and investing has gotten far ahead of the accounting standards that are necessary to make it all work. That is why, when I was SEC Chairman, I worked to ensure that the United States was doing everything necessary to make financial information from companies in different countries both comparable and reliable.

But that was several years ago. And a great deal has changed since then. Today, I come to bury IFRS, not to praise them.

The fact is, far too much time has gone by with no meaningful progress. I think we have to fairly conclude that the moment has passed. Full-scale adoption of IFRS in the United States might once have been possible, but it is no longer. This is not a prognosis. It's just a statement of fact.

Organizing the entire planet behind an idea as big as a universal language of financial reporting takes enormous effort, and constant commitment. Endless reasons can easily be marshalled for why it can't be done, and they are always relentlessly tugging away at the enterprise.

A half dozen years ago, the stars were aligned to make it not impossible that the United States could actually join and perhaps even lead this global effort. In 2007, experts on Bloomberg BNA's Accounting Policy & Practice Advisory Board saw it as "virtually inevitable**"** that the United States would adopt IFRS for domestic public companies. They said that "2008 will see the beginning of a new world of financial reporting for publicly traded U.S. corporations." Following the SEC's decision in November 2007 to allow foreign private issuers to use IFRS without reconciliation to U.S. GAAP, these experts believed that at least permission for U.S. filers to use International Financial Reporting Standards, if not a mandate, was a foregone conclusion.

In January 2008, participants in a FASB roundtable predicted it would take about five years to *complete* America's shift from U.S. GAAP to IFRS.

Well, almost seven years have passed since then. Rather obviously, the high tide of American enthusiasm for IFRS has receded.

The SEC still says that IFRS is a priority, and there is good reason for that – after all, most of the rest of the world uses it, not to mention more than 400 foreign private issuers right here in U.S. markets. But moving the United States toward IFRS is clearly not a priority.

This doesn't mean that the SEC isn't executing on its priorities. Rather, it means that public companies and investors aren't saying clearly that they want it. That's why today there is not even a plan for expanding the voluntary use of IFRS, in the way that, for example, Japan has done.

For those of you who remember Monty Python, I think Michael Palin, in speaking about John Cleese's parrot, said it best: This parrot is no more. It's not simply resting, or momentarily stunned. The prospect of full scale IFRS in our lifetimes has ceased to be. It is bereft of life. It rests in peace.

I consider this point sufficiently self-evident that the topic of my talk this afternoon is not, "Is America's participation lost to the global initiative for a single set of high quality accounting standards?" The answer to that question is absolutely, yes. But rather, my focus today is on the only remaining unanswered question: Exactly how, and why, did it happen?

To answer that question, one must start at the beginning**.**

The mission to establish a single set of high quality accounting standards that could be used anywhere on earth is almost as old as I am – and I was born when Harry Truman was president. I was in high school when the first concrete steps were taken right here in the United States, in England, and in Canada. The idea from the very first was to establish a credible international body that would write accounting standards for the entire world to use. And in the beginning, there was almost instant translation of thought into action.

By the time the Beatles released their *Sgt. Pepper* album, which is how we measured time back then, these three countries, the U.S., England, and Canada, had formed the Accountants International Study Group. Throughout 1967, this international body published papers on important accounting topics, and it built the case for international financial reporting standards. By 1973, when I was in graduate school, the number of nations in this project had grown to nine. Together they formed a new, bigger, and better international body, the International Accounting Standards Committee – the IASC.

It was in fact the professional accountancy bodies in each of these countries, including the United States, which created the IASC. Its charter was to actually promulgate international accounting standards. And that is exactly what it did.

Over the next quarter century, the IASC issued 41 major accounting standards, from inventories, to agriculture, and much in between. Their rapid progress flowed from a sense of urgency created by the rapid globalization that was even then underway.

The IASC's stated mission was to "formulate and publish, in the public interest, basic standards to be observed in the presentation of audited accounts and financial statements." But most important of all, every one of the nine countries, acting through their professional accounting bodies, pledged in writing to use their best efforts to get International Accounting Standards adopted in their home countries. And even more than that, they promised to "promote their worldwide acceptance."

In the United States, the response to the work of the IASC was positive. During the Clinton administration, Congress passed and the President signed the National Securities Markets Improvement Act. That law directed the SEC to respond to the growing globalization of securities markets by giving "vigorous support" to the development of "high-quality international accounting standards … as soon as practicable." And it demanded that the SEC report back on its "progress in the development of the standards" and "the outlook for successful completion."

That was 1996 – 30 years after the project began. By that time, I'd been a partner in a major law firm, a teacher at Harvard Business School, a lawyer in the White House and a Member of Congress. That's how long three decades is. And yet this brings us only to a point in our story nearly two decades ago.

That same year, 1996, the SEC announced that it would now consider accepting international accounting standards as the basis for the financial reports of foreign private issuers in the United States. And the next year, the agency issued its report to Congress that was required under the 1996 legislation on the progress it had made toward international accounting standards. The SEC pronounced the project on track, and said it had the full support of the Commission.

For its part, the IASC had been busy writing global accounting standards for 28 years when, at the end of the 20th century, it was restructured into what today we know as the International Accounting Standards Board. On behalf of the United States, both the SEC and the FASB directly participated in these efforts to create the IASB.

Then, less than a year later, we had Enron, and a veritable wave of accounting scandals that shattered investor confidence. Enron's seeming technical compliance with the rules of U.S. GAAP, even while the company was grossly misleading investors, caused policy makers to question America's exclusive reliance on an intensely rule-based approach.

In 2002, Congress responded by adding more urgency to the consideration of the principles-based IFRS. Section 108(d) of the Sarbanes-Oxley Act directed the SEC to immediately begin an examination of the "adoption … by the United States … of a principles-based accounting system." Not only that, but SOX expressly required the SEC to tell Congress how long it would take to change from a rules-based system to a principles-based one.

In plain English, what the Congress was saying was, "get the show on the road."

And so, with the backing of both the Congress and the SEC, the Financial Accounting Standards Board and the International Accounting Standards Board really put the shoulder to the wheel as they began to work for short-term convergence between their respective systems. That produced the Norwalk Agreement that the two boards struck in September 2002. In that agreement they pledged to work toward making their two sets of financial reporting standards fully compatible "as soon as is practicable." Not coincidentally, that was the same wording the Congress had used in the National Securities Market Improvement Act.

Across the Atlantic, that very year, the European Parliament and the Council of the European Union decided that all listed European Union companies would be required to use IFRS for their consolidated financial reports, beginning in 2005.

As you know, that's exactly what then happened. On the heels of Europe's Big Bang, the IASB and FASB signed a Memorandum of Understanding. It established as their "strategic priority" not just a convergence process, but a "common set of high quality global standards."

In late 2007, as John White [former Director, SEC Division of Corporation Finance], Jim Kroeker [former SEC Chief Accountant] and Zoe Vanna Palmrose [former SEC Deputy Chief Accountant, all in attendance at the Conference] well remember, the SEC decided that foreign private issuers could henceforth file their financial statements in the United States using IRFS – and without having to reconcile them to U.S. GAAP. That was roughly a decade after the SEC first announced it would consider doing so, and it was, as I mentioned, viewed as a milestone in the progress of getting the United States to become truly committed to IFRS.

And finally, in late 2008, by way of a formal rulemaking, the SEC proposed a roadmap for U.S. adoption of IFRS. If that proposed rule had become final, it would have given American companies the option to use IFRS instead of U.S. GAAP, beginning in 2010 – provided that IFRS were already used in their industry by most of their competitors. This foretold a voluntary approach that would be totally unlike Europe's Big Bang. And it would only have been allowed in limited circumstances where comparability of financial statements would be enhanced, so that investors would be sure to benefit.

This was the high water mark of International Financial Reporting Standards in the United States. The FASB and IASB back then were on the same page. And up until that point, the trend of the past four decades had been more or less a straight arrow.

But since then, the United States has drifted away from IFRS. And the reasons go well beyond the cooling of the SEC's interest.

As America moved closer to the reality of being part of a global system, and the actual details of what it would mean came more clearly into focus, the experience proved troubling.

What American stakeholders want from their accounting standard setter is relatively straightforward, and they began to see they couldn't get this from the IASB. It really boils down to five things.

First, they want to know that the standards they'll have to live by are being developed in their interests. Users of financial statements, investors, preparers and public companies all expect to be viewed as legitimate stakeholders.

Second, they want a standard setting process that is transparent. Transparency is essential to maintain confidence that the standards really are being developed with stakeholder interests in mind. And it is necessary to ensure the integrity and quality of the standards.

Third, they want the standard setter to be independent. That doesn't mean aloof or non-responsive, but rather independent from national or regional biases – an area of particular difficulty for the IASB.

Fourth, the standard setter has to be accountable. This is the flip side of independence. And it is the greatest challenge for a global standard setter, because being accountable to everyone may ultimately mean being accountable to no one.

That leads to the fifth and final point: all of the stakeholders themselves have to be able to participate in the standard setting process. Moreover, their participation can't be just pro forma – it has to be meaningful and consequential.

Over the past six years, while the SEC was remaining agnostic, the two Boards in London and Norwalk were doing the heavy lifting of actually attempting to make convergence work. But that process wasn't just a proving ground for the standard setters. It was also a chance for American users of financial statements, investors, preparers, and public companies to get up close and personal with how this was going to work. And what they saw, they mostly didn't like. These stakeholders began to realize that each of the five main things they wanted out of the standard setting process was being degraded by virtue of making the system global.

Unlike many of the countries that today use IFRS, for whom the switch to global standards was definitely an upgrade, the United States already has a mature, high-quality set of standards that is tailor made for the American market. And we are accustomed to a high level of due process that is uniquely sensitive to American concerns. So the bar is set very high when it comes to convincing U.S. stakeholders to switch. This is particularly true when it comes to the expected level of due process.

Of course, both the IASB and the FASB have a due process model. In fact, the IASB process is based on the FASB's, because it was originally designed with U.S. guidance. But while the forms are similar, the execution has not been. American stakeholders haven't had much access to IASB members and staff. And as might be expected when you have to listen to complaints not just from one country but the whole world, the IASB hasn't shown much sensitivity to American criticisms of its proposals.

On the few occasions when IASB members did appear at U.S. roundtables and meetings, they seemed aloof. They simply weren't accustomed to the more relaxed and supple interactions that FASB has been able to have with stakeholders over the years. But American investors, companies, preparers, and user groups noticed something else. In its efforts to be more accommodating to their international counterparts, the FASB itself was becoming more like the IASB.

Perhaps this should not have been unexpected. After all, it would be difficult for the FASB to try to meet halfway with an international standard setter that isn't listening to American stakeholders, without having those same American stakeholders feel as if the FASB was not listening to them.

And so, with the exception of revenue recognition, the joint standard-setting projects haven't gone smoothly. The FASB seemingly hasn't known whether to assert its independence from the IASB, or to go the extra mile by comprising the U.S. view. Frequently, one Board member will come down on the side of convergence, and another on the side of a different American approach he or she considers superior. That has tended to make the process, and the proposed standards themselves, more confusing – somewhat like the old saw about a camel being a horse designed by a committee.

At times, the tension arising from the need to mate two different approaches has produced discord in the joint standard setting meetings of the two boards. As one commentator delicately put it, "At some moments diplomacy presented a challenge."

An unstated but very real element of this discord is the IASB's passive-aggressive response to the seeming U.S. indifference to the prospect of domestic use of IFRS. This arises from the IASB's sense that it will be impossible to have a truly global set of standards without the United States, combined with their full appreciation of the likelihood that America will never actually join.

My friend Hans Hoogervorst, in his role as IASB Chairman, has sometimes sounded confident about the prospects of the SEC allowing at least large multi-national issuers the option to adopt IFRS. Not long ago he was quoted as saying: "The U.S. ultimately will come on board. Quite simply, they need us and we need them." I know he believes this; he has told me so himself. But after the SEC released its Work Plan for the Consideration of International Financial Reporting Standards for US Issuers – that was in 2012 – the IASB could no longer maintain the myth that United States participation was coming along, slowly but surely. You will recall the Work Plan essentially stated that the SEC had not made any policy decision on whether to allow International Financial Reporting Standards to be used in the United States. Nor had it developed any plan on how this would occur if such a decision were ever to be made.

In response to the SEC announcement, the spokesman for the EU commissioner responsible for financial services said what everyone at the IASB in London was thinking: "The lack of a clear vision from the United States creates uncertainty and hampers the IFRS from becoming a truly global accounting language." And then came the aggressive part: threatening to kick SEC Chair Mary Schapiro off the IASB Monitoring Board. This might be necessary, he said, because it was "becoming more difficult to justify the representation of jurisdictions not applying International Financial Reporting Standards in the IASB governance framework."

For his part, Chairman Hoogervorst's reaction was more pragmatic. Instead of attempting to threaten or cajole America, he simply accepted the inevitable, and indicated a willingness to move on. He put it quite simply: "The era of convergence is coming to an end." Now was "the time to come on board and participate in shaping the future of global accounting." The implication was clear: it was past due for America to finally decide, and if we chose not to join, the IASB would shape the future of global accounting without us.

These developments of course didn't make the ongoing work on the FASB and IASB convergence projects any easier. Nowhere was this on display more starkly than with the project on leases, which began in 2006 and is now more confused than ever. When the first Exposure Draft was issued in 2010, it was exceedingly deferential to IFRS principles, extending fair value concepts to lease accounting in ways that were dramatic departures from U.S. practice. This was, of course, before everyone realized the bride and groom would never wed.

The leases Exposure Draft, with its heavy perfume of IFRS, was immediately greeted with criticism by U.S. stakeholders. Indeed, of the roughly 800 letters the FASB and IASB received, the vast majority were critical. They pointed out that while existing lease accounting is well understood, the proposed new approach would add unneeded complexity. It would even offer companies new opportunities to "cook the books" by manipulating earnings through the assumptions and judgment they could now apply.

Many commenters urged the two boards to conduct field tests and cost-benefit studies to see how much implementation would really cost. And here is where the reality of what global due process means became understood for the first time. When the Boards issued a second Exposure Draft in 2013, it contained most of the same IFRS elements as the previous draft.

The FASB proved it was listening by trying to work around the unintended consequences of grafting the IFRS concepts onto the U.S. GAAP tradition, which it did by adding the concept of Type A and Type B leases to the IASB's framework of right-of-use assets and estimated fair value liabilities. But despite this accommodation, something felt different to U.S. stakeholders. In the past, the FASB had been highly practical and sensitive to both costs and unwanted economic side effects. Now, that sensitivity seemed to be giving way to the higher imperative of being sensitive to the IASB.

It is true there was a lot of process for stakeholders – roundtables around the world, from Brazil to Singapore, and plenty of time on the calendar to submit comment. But of the 645 total comment letters on the second Exposure Draft, only 102 mostly agree or agree with the proposal. That is to say, only 15% mostly or fully support the proposal. Eight-five percent mostly or fully oppose it.

Perhaps it is to be expected that public companies wouldn't like it, because of the costs and difficulties of implementing such a radically new system. But what about investors, and users of financial statements?

Of the 645 total comment letters, only 80 were from investors and other users of financial statements. That includes banks, asset managers, financial analysts, credit rating agencies, and organizations representing users of corporate reporting. Of these 80 letters from investors and users of financial statements, only 16 mostly approve or fully approve of the proposal in the latest Exposure Draft. Sixty-four of the letters are either critical of the proposal in material respects, or completely oppose it. In other words, only 20% of investors and users of financial statements approve of the leases proposal. Eighty percent don't. And this is the group that standard setters claim to be most concerned with.

Perhaps the most noteworthy of all the comment letters was submitted by the FASB's own Investor Advisory Committee. This is an expert group appointed by the FASB itself, whose role is to advise the Board on investor perspectives. Not only do the members of the Investor Advisory Committee represent their own views, but by their charter they're also responsible for communicating with the broader investor community. One of the very specific roles of the FASB Investor Advisory Committee is to focus on the practical implications of new accounting proposals for users of financial statements.

Here is what the Investor Advisory Committee told the Boards about the latest Exposure Draft for the proposed Leases standard: "[The Investor Advisory Committee] does not support the lease proposal. … It is not an improvement to current US GAAP lease accounting." There is no nuance in that conclusion. They simply don't like it. And as I said, this is by and large the flavor of most of the over 600 letters.

What seems to have changed in the FASB due process as a result of the collaboration with the IASB is that practical concerns for U.S. stakeholders aren't getting resolved as one would expect. In fairness, accounting standard setters aren't responsible for the predicted economic fallout from their rules, but they are supposed to avoid changing normal behavior. And we want them to avoid distorting the actual economics of a transaction, and the genuine legal rights that the figures represent.

In the case of the leases standard, commenters early on raised the prospect that treating all leases as if they were disguised financings would misrepresent the reality of many contracts. They pointed out that traditionally executory contracts have not been classified as assets and liabilities – and that many leases were as a matter of law executory contracts. They cited a handful of studies predicting that the new rules would change behavior. People would avoid leasing where they could, to avoid the cost and complexity; or they would move to shorter lease terms, to at least reduce the cost and complexity. Fewer and shorter leases, in turn, would reduce the value of real estate, with significant negative impacts on the U.S. economy. Still other commenters pointed out that the new rules could trigger widespread violation of existing loan covenants.

It is not clear that each of these criticisms has merit. But normally, American stakeholders would expect the FASB to respond directly to these concerns. In the new world of FASB and IASB joint standard setting, it appears that won't happen. Instead, in the name of moving forward together, the Boards will simply finalize what they've got, later this year. The lack of reconciliation of the proposals to the practical business concerns of U.S. stakeholders, including investors and users of financial statements, has shown us the dark side of global standard setting.

At last year's conference here in Pasadena, SEC Chair Elisse Walters told us that she "look[ed] forward to a day when there is one set of global accounting standards." I'd venture that everyone in this room agrees with that goal. I do too. The high minded objective of making financial statements comparable from company to company not just throughout the United States but around the world is as noble now as it ever was.

Nothing that has happened, or hasn't happened, in the last six years will change that. We can still look hopefully to the future and imagine that someday, despite the world's many languages and the many differences that divide us, the language of accounting will bring us together as one. But for all of us here today, I feel confident in predicting that we will not live to see it.

Great undertakings of global scale are not easily achieved. One reason for this is, as Lyndon Johnson was fond of saying, "Any jackass can kick a barn down, but it takes a good carpenter to build one." Entropy is the constant condition of the so-called international community. And without sufficient incentive or reward for the world's leading economy to abandon what it's got and take over leadership of the effort, the world will be pleased to continue on its disorganized way.

Perhaps I'm wrong. Perhaps a different end can be written to this story, and we'll live to see it. But for that to happen, everyone involved – the IASB, the FASB, the SEC, and the U.S. Congress – will have to decide how they're going to change and what they're willing to do to make the system work.

It's been said that one half of knowing what you want is knowing what you'll have to give up before you get it. The first thing we should give up is the counterproductive fiction that the United States is going to replace U.S. Generally Accepted Accounting Principles with International Financial Reporting Standards. Once we have clarity on that, we can make greater progress on the more realistic goal of harmonizing two deliberately separate sets of standards. That will mean converging them where it makes sense, and in all other areas simply ensuring that they peacefully coexist.

There will be many benefits of a world in which International Financial Reporting Standards and U.S. Generally Accepted Accounting Principles enjoy a prolonged detente. These benefits will include the extended opportunity to learn from an empirical evaluation of how principles-based and rules-based systems compare in practice. Both IFRS and U.S. GAAP will benefit from the other's continuous development of alternative approaches. This will challenge assumptions and keep everyone at the top of their game.

Yet another dividend will be the continued opportunity that the accounting profession and business community in the United States will have to better understand the workings of IFRS. Already, IFRS education has been introduced into American university curriculums. And already, American investors in U.S. capital markets are trading the securities of hundreds of companies with a market capitalization in the trillions, exclusively on the basis of financial reports using IFRS. But we still have a long way to go.

Perhaps most ambitiously, the SEC can still consider the voluntary use of IFRS in the United States, in limited circumstances where this would make sense.

Finally, and most importantly, the FASB can get back to its mission of serving the U.S. market and the interests of U.S. stakeholders.

Our roughly half a decade experiment with the IASB has not been wasted. We have seen what global due process means – and gained a new appreciation for what we once had here at home. And for that, we can all be grateful.

Thank you very much.