

**Subcommittee on Securities, Insurance and Investment**  
**“International Accounting Standards: Opportunities,**  
**Challenges, and Global Convergence Issues”**  
**Senator Charles E. Schumer, NY**  
**October 24, 2007**

Good afternoon, Chairman Reed and Ranking Member Allard. Thank you for holding today’s hearing on the convergence of international accounting standards. We live in an era that has been defined by the increasing globalization of capital markets—a trend that was well documented in a report issued earlier this year by New York City Mayor Bloomberg and myself.

Our report made a number of recommendations to help the U.S. maintain its historical role as the global leader in financial markets, but one of the most important of these was the accelerated convergence of US Generally Accepted Accounting Principles—GAAP—with International Financial Reporting Standards—IFRS.

In today’s world, where a typical investment often consists of a Russian investor purchasing shares in a Japanese company listed on an American stock exchange, it simply makes no sense to have different auditing standards for different countries. As the trend of globalization continues to accelerate, it is critical that we establish one common language for reporting financial results to investors.

The fact is that IFRS is well on the way to becoming the global language which the rest of the world uses. More than 100 countries throughout the world, including all of the major financial centers outside of the U.S., already use IFRS. Furthermore, as all of you today acknowledge, IFRS standards are robust and high quality accounting principles that serve investor interests well. Therefore, the U.S. requirement that non-US companies must reconcile their financial results to GAAP is a very costly, and in my view, unnecessary one, and is a deterrent for many foreign companies that might otherwise choose to list in the United States.

The requirement that foreign companies reconcile their accounting results to GAAP is, in my opinion, a key factor in the decline of the preeminence of US capital markets, which have seen their market share decline from 57% of global IPO proceeds in 1999 to just 18% last year. Last year, only 3 of the top 25 IPOs chose to list in the U.S. We must reverse this trend, and recognizing IFRS is absolutely critical to doing this. **When it comes to the way companies balance their books, Wall Street and the rest of the world should be on the same page.**

**IFRS will be the language of worldwide business for future generations and we must start allowing it to be spoken in the U.S. And eventually, U.S. businesses**

**must be allowed to speak this language themselves, which is why I am glad to see FASB and IASB working together towards the convergence of their accounting standards. We must ensure that American entrepreneurs and investors can communicate freely and openly on the international stage.**

But we must also be judicious in how we proceed with the convergence of accounting standards. This should not be a race to the bottom, nor should the historical role of FASB be ignored. I am pleased to hear that FASB and the IASB are working together to try to come up with a “best of breed” approach to converging GAAP and IFRS. It is imperative that the United States, which has been the nexus of the world’s financial markets, continue to act as a leader in establishing the future of capital markets.

I think it is also quite critical that in considering how future accounting standards will be set, we make sure that individual national political considerations do not poison the well. In this country, we have fortunately had a historical tradition of having an independent accounting board—FASB—which politicians have been loath to try to influence for short-term political gain. It is absolutely necessary for any accounting system that hopes to serve the best interests of investors to be similarly independent from the political considerations of individual nations.

And so I would ask FASB, IASB, and the SEC to consider measures to strengthen the independence of IASB from the political considerations of member nations as this debate goes forward.

I would like to thank all of the witnesses appearing today. This is a project that many of you have been working tirelessly upon for quite a long time, and I look forward to hearing your thoughts on the convergence issue. I am also quite eager to hear from the SEC in particular, to learn more about the status of this convergence proposal in the United States.

I thank you Mr. Chairman and I also thank the witnesses for all their hard work on this obviously complicated and important subject.