

4 April 2009 Prague

**Statement by the Informal Ecofin
Prague, 4 April 2009**

"Ministers discussed financial market developments and accounting standards. They welcome the agreement reached in the G20 on the key actions to be undertaken by standard setters by the end of 2009. They welcome, in particular, that the G20 has just agreed that the accounting standard setters should improve standards for the valuation of financial instruments, based on their liquidity and investors' holding horizons, while reaffirming the framework of fair value accounting. They also welcome the G20 call on accounting standard setters to work urgently with supervisors to achieve clarity and consistency in the application of valuation standards internationally.

They noted that while financial reporting rules are vital for investor confidence, they could unduly intensify procyclicality, which should be avoided. Ministers endorsed the G20 agreement to implement a range of actions to mitigate procyclicality, including a requirement for banks to build buffers of resources in good times. They also consider that it is urgent to address the issue of valuation of assets in distressed and inactive markets, where market prices cannot be considered as a reliable reference.

The US standard setting authority is in the process of adopting new accounting guidance, with the aim of accurate valuation of assets in illiquid markets which are not functioning properly, which could provide their financial institutions with much more flexibility to move away from using distressed prices in these circumstances. They also propose amendments to current US GAAP impairment rules. These changes could result in a significant divergence of international accounting practice for financial instruments.

Ministers therefore call on the IASB to cooperate closely with the FASB in order to immediately address these issues, with the aim of achieving equivalent treatment and

application of parallel standards in the IFRS and US GAAP systems, in order to avoid risks of competitive distortions emerging.

Ministers recall the critical importance of converging accounting standards at global level as well as the fact that ensuring adequate transparency of banks' financial situation is key to restore confidence in financial markets.”

The Presidency invites the Commission to review the functioning of the 2002 regulation on international accounting standards.