

**OPENING STATEMENT OF  
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI  
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,  
AND GOVERNMENT SPONSORED ENTERPRISES  
HEARING ON THE PROMOTION OF INTERNATIONAL CAPITAL FLOW  
THROUGH ACCOUNTING STANDARDS  
THURSDAY, JUNE 7, 2001**

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Mr. Chairman, I commend you for your diligence in convening this important hearing on the promotion of international capital flow through accounting standards. As global capital markets continue to grow, often at explosive rates, and as our national economies become more intertwined, there remains a need for us to develop and gain acceptance of uniform, high-quality international accounting standards. While the newly formed International Accounting Standards Board, or IASB, certainly encourages optimism about eventually realizing the creation and implementation of high-quality worldwide accounting standards, the task ahead will not be easy.

Our country, as you know, has long operated the world's most successful capital markets, and the transparency created by the consistent application of the U.S. Generally Accepted Accounting Principles, or GAAP, has played a primary role in that success. As it works to establish a reliable international accounting system, the IASB should examine the factors that have led to the success of the U.S. accounting system, and we must work in Congress to guarantee that we maintain the vibrancy of our nation's capital markets in the long term. Additionally, SEC experts have previously recommended that efforts to improve the quality of accounting standards and audits globally may be accomplished by developing better standards, by improving the governance and public oversight process, and by enhancing enforcement and discipline. It is my sincere hope that the IASB will heed this advice as it moves ahead.

We can also, in my view, help to ensure success in this pioneering endeavor by encouraging the IASB to examine how we can promote consistent compliance with international accounting standards across borders and how we can achieve genuine comparability of financial accounting information for investors. More specifically, the creation of an international accounting system will not, in and of itself, lead to more efficiency in the world's capital markets. The IASB must, therefore, take steps to ensure that companies will consistently apply these standards when compiling their financial records. Furthermore, an effective international accounting system must ensure the comparability of financial data from one company to another. Comparability in the data used by investors will promote transparency and thus facilitate the flow of capital between nations and across continents. Independent and high-quality financial audits, coupled with an effective enforcement regime, will also help to ensure that we will one day attain the worldwide comparability of financial data.

The development and consistent application of high-quality international accounting standards, coupled with high-quality, reliable auditing and enforcement practices, will, I predict, lead one day to acceptance of an international accounting system by the business community. Such convergence in the world's accounting systems will help individuals to make better decisions about how to invest their money as they will also be able to compare apples to apples

and oranges to oranges. It will additionally help them to discern how to invest their money wisely. On this point, SEC Commissioner Hunt perhaps said it best when he recently noted that “[i]f the numbers in the audited financial statements can’t be trusted to provide relevant and reliable financial information about the company, investors might as well invest their money in lottery tickets.” I agree with his assessments.

In closing, Mr. Chairman, I believe our Committee should explore the issues related to the development and implementation of an international accounting system. It is therefore important that we learn more about the views of the parties testifying before us today, and I yield back the balance of my time.