

International Update

Patchwork Financial Regulation a \$780 Billion Drag on the Economy

According to a survey released by IFAC at OECD (BIAC) fragmentation in global financial regulation costs more than USD \$780 billion annually.

The survey, *Regulatory Divergence: Costs, Risks, Impacts: An International Financial Sector Study*, examined the cost of regulatory divergence by taking the pulse of more than 250 regulatory and compliance leaders from major global financial institutions. The results quantify the massive impact of fragmented regulation: material economic costs, financial system risk, and barriers to economic growth.

Regulatory divergence, which refers to inconsistencies in regulation between different jurisdictions, costs financial institutions between 5 to 10% of annual revenue turnover, according to the survey findings.

Business at OECD (BIAC) and IFAC recommend enhancing international cooperation among regulators, increasing overall alignment in regulation, and ensuring transparency in international rule-setting to mend the fractures caused by regulatory fragmentation.

International Accounting Education Standards Board Seeks New Volunteer Chair

The International Accounting Education Standards Board (IAESB) seeks its next volunteer chair for a renewable three-year term beginning January 1, 2019.

The IAESB Chair leads a board of volunteer members in setting international standards for accounting education. These high-quality standards and related guidance set forth the principles that strengthen the professional competence, skills, and values for accountants' initial and continuing professional development. The Chair also facilitates IAESB initiatives to enhance accounting education in today's rapidly changing environment.

The *Call for Applications* details the requirements for this key volunteer leadership position. More information about the role and instructions on how to apply is available in the *Call for Applications* on the IAESB website. Applications are due May 8.

Global Ethics Board Releases Revamped Code of Ethics for Professional Accountants

The International Ethics Standards Board for Accountants has released a completely rewritten Code of Ethics for Professional Accountants that is easier to navigate, use and enforce.

While the fundamental principles of ethics have not changed, major revisions have been made to the unifying conceptual framework—the approach used by all professional accountants to identify, evaluate and address threats to compliance with the fundamental principles and, where applicable, independence. New Code highlights include:

- Revised “safeguards” provisions better aligned to threats to compliance with the fundamental principles;
- Stronger independence provisions regarding long association of personnel with audit clients;
- New and revised sections dedicated to professional accountants in business (PAIBs);
- Clear guidance for accountants in public practice that relevant PAIB provisions are applicable to them;
- New guidance to emphasise the importance of understanding facts and circumstances when exercising professional judgment; and
- New guidance to explain how compliance with the fundamental principles supports the exercise of professional skepticism in an audit or other assurance engagements.

Renamed the *International Code of Ethics for Professional Accountants (including International Independence Standards)*, the new Code becomes effective in June 2019. Stakeholders can access the new Code on the IESBA's website, where implementation resources and other supporting materials will be released throughout the period leading up to the effective date.

Influential Leader Sought for IAASB Chair

The global search is underway for an exceptional individual to lead the International Auditing and Assurance Standards Board (IAASB) into its next era.

The Chair leads IAASB's strategic direction and development of high-quality international audit standards, as well as facilitates the consultative processes that underpin the board's credibility and activities. The Chair develops and maintains effective relationships with international oversight authorities and regulatory bodies, national standard setters, investor and preparer communities, the audit practitioner community and other key stakeholders. The next IAASB Chair is also required to guide the board through any transitional period and change implementation arising from the IAASB reforms.

The IAASB Chair is appointed for a renewable three-year term, commencing January 1, 2019. A complete job description, along with application instructions, is available on the IAASB website. Applications are due May 20.