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September 17, 2009

The Honorable Timothy F. Geithner
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Mr. Geithner:

We're writing in advance of the Pittsburgh meeting of the G-20 to encourage further progress on several issues that we believe are in the public interest. Like our clients, who operate in more than 80 countries, we've been sobered by the unprecedented scope of the financial crisis. The human pain and business dislocation have been significant for legions of executives, entrepreneurs, employees, and their families on just about every continent. We see this crisis as a unique opportunity to reform the world's systems of financial market regulation and governance, and we urge you to continue to pursue this opportunity with vigor.

As an accounting firm with several thousand clients, we've limited our recommendations to matters within our experience and expertise. Some of our recommendations are already included in the G-20's Declaration on Further Steps to Strengthen the Financial System. Others are not. We respectfully offer these further recommendations for your consideration.

Our first recommendation is that the G-20 encourage all governments to adopt common global standards and best practices for corporate governance, financial reporting, auditing, and auditor independence.

To improve the ability of capital markets to work globally and to reduce risks and uncertainties in those markets, the G-20 should urge the early implementation of International Financial Reporting Standards (IFRS), International Standards on Auditing (ISAs), and the auditor independence requirements in the Code of Ethics for Professional Accountants. This will strengthen transparency and accountability and help create a level playing field when it comes to the interpretation and exchange of financial information. Consistent financial information around the world can also do much to facilitate cross-border activity and financial stability.

The G-20's support of IFRS and ISAs would be consistent with that of other international organizations with mandates in the global financial sector, such as the Financial Stability Board, the International Organization for Security Exchange Commissions, and the European Commission.

Our second recommendation is that the G-20 support the adoption and implementation of International Public Sector Accounting Standards (IPSASs) in all nations.



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The G-20 is in a unique position to take action that would greatly improve the transparency and accountability of public-sector finance, and we believe this will be a necessity as we survey the post-crisis landscape. The financial crisis has forced many governments to intervene in a decisive way through unprecedented takeovers, lending, guarantees, and bailouts of major market institutions, banks, and companies. These actions are likely to have long-term economic implications and result in liabilities and contingent liabilities being assumed by governments.

When the dust settles, electorates will demand improved accountability for governmental financial management. IPSASs—which enable assessment of the impact of fiscal and monetary policy decisions; assist external reporting by governments to electorates, taxpayers, and investors; and assist in internal management decisions in resource allocation (planning and budgeting), monitoring, and accountability—will be key to restoring and bolstering public trust the world over.

The International Monetary Fund and the World Bank have a history of supporting the development of IPSASs, and we believe the G-20 must get behind this as well.

Our third recommendation is for measures to enhance corporate governance. Specifically, we suggest that the G-20:

- Adopt and implement (in letter and spirit) the Organization for Economic Cooperation and Development's (OECD) *Principles of Corporate Governance* as the standard framework for corporate governance in all countries. At the same time, the G-20 should request that the OECD reconsider what constitutes appropriate governance in relation to remuneration systems. Systems of remuneration should provide incentives consistent with long-term growth and corporate performance.
- Set out competency requirements for those preparing financial statements. We believe these requirements should apply equally to those preparing listed-company and governmental financial reports.
- Establish fundamental ethical principles applicable to boards of directors. These principles should include integrity, objectivity, competence, confidentiality, and professional behavior.
- Stipulate that the role of an effective director, and particularly a non-executive director, requires an investment of time commensurate with the size and complexity of the company.
- Support an increased role for audit and compensation committees by ensuring that they have appropriate expertise, strengthening their authority, increasing their responsibilities, and improving their monitoring role.
- Mandate that CEOs, CFOs, and finance directors act as formal signatories to interim and annual financial statements.

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Our final recommendation is that the G-20 should explicitly address the needs and realities of small and medium-size enterprises in the formulation and implementation of policies and reforms. These companies are the innovative and job-producing engines of the global economy, and they've been hit especially hard by the credit crisis. We should not place unreasonable obstacles in their way, and their regulatory burdens must make sense. There's a need for standardized financial reporting here as well.

The partners and staff of our firm are part of a global community that, for the most part, will rise or fall together. The reforms contemplated by the G-20 are an important building block in constructing more stable and transparent financial markets. We're committed to not letting this opportunity pass without doing our part and participating in the debate.

Thank you for your consideration of our thoughts.

Yours very truly,



Rick J. Anderson
Chairman and CEO



Robert L. Bunting
Chair of the International Services Group

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