

**FSB**

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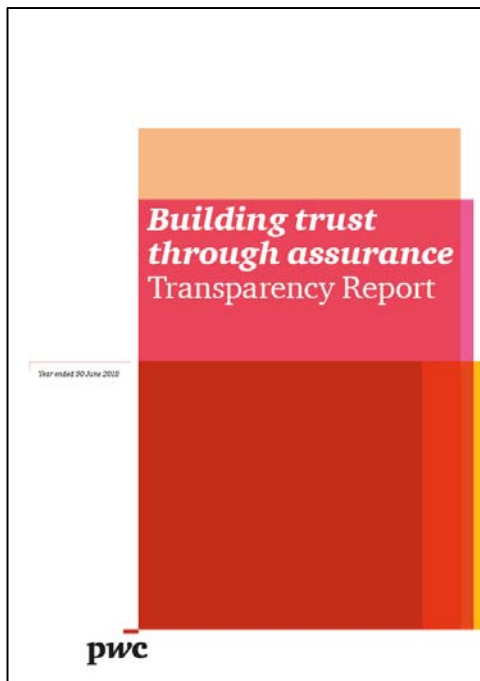
# Auditing and Accounting Quality, Discipline and Financial Stability

Pablo Pérez, FSB Secretariat

Regional Conference on Banking, Accounting and Finance (CEMLA / FLAR)  
Santiago de Chile, 4-5 April 2019

The views expressed here do not necessarily reflect those of the Financial Stability Board

## The *expectations gap*...



**PwC – “*Our purpose is to build trust in society and solve important problems*”**

**KPMG – “*At KPMG, we inspire confidence and empower change in all we do*”**



... amplifies the impact of adverse shocks...



**Incurred loss**

$$LLP_t = BV_t - \sum_{i=t}^n \frac{ECF_i}{(1+ie)^{i-t}}$$

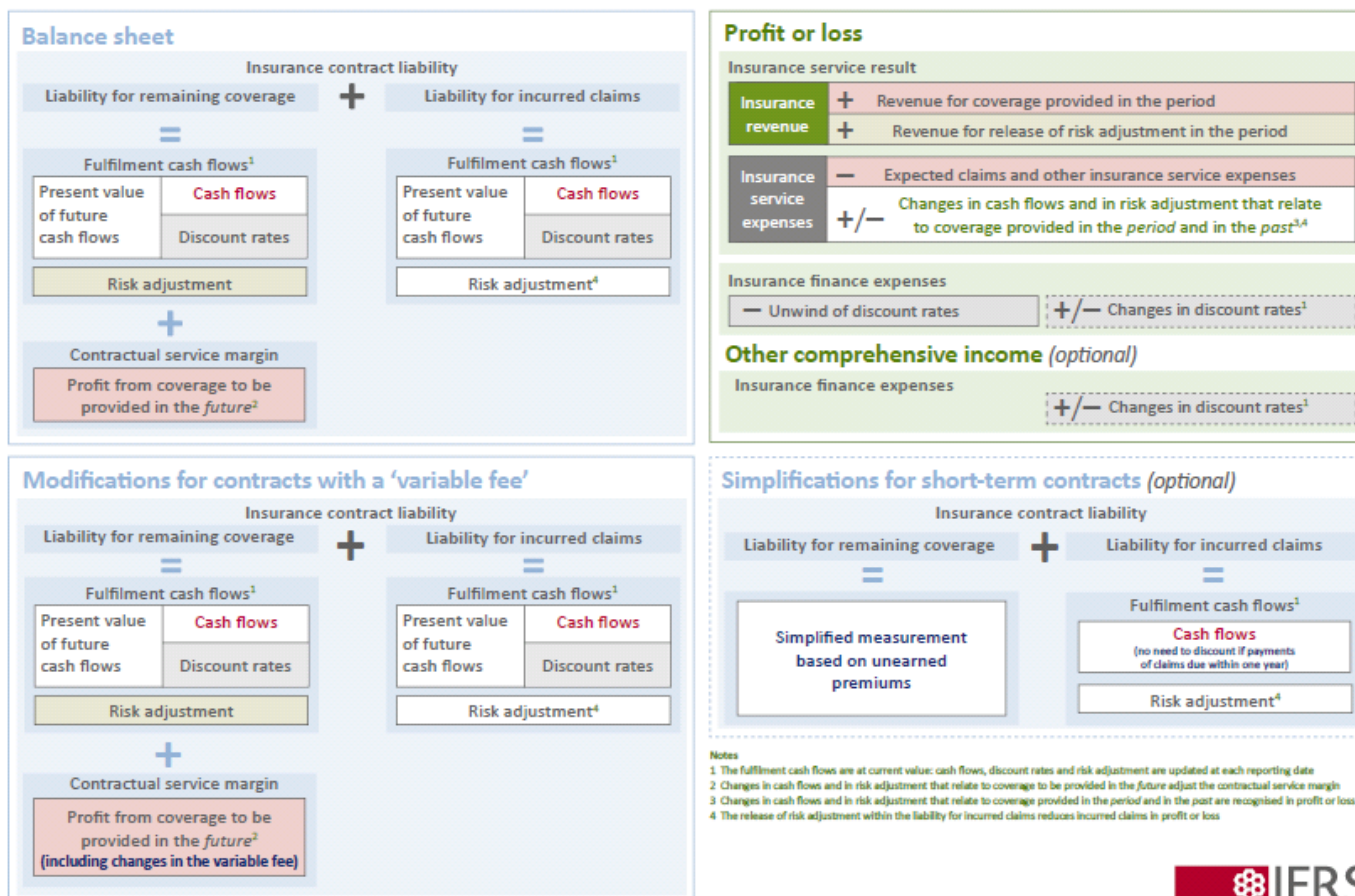
Source: Pérez et al., "Banca y Seguros. Capital y Contabilidad", 2018

**Expected loss**

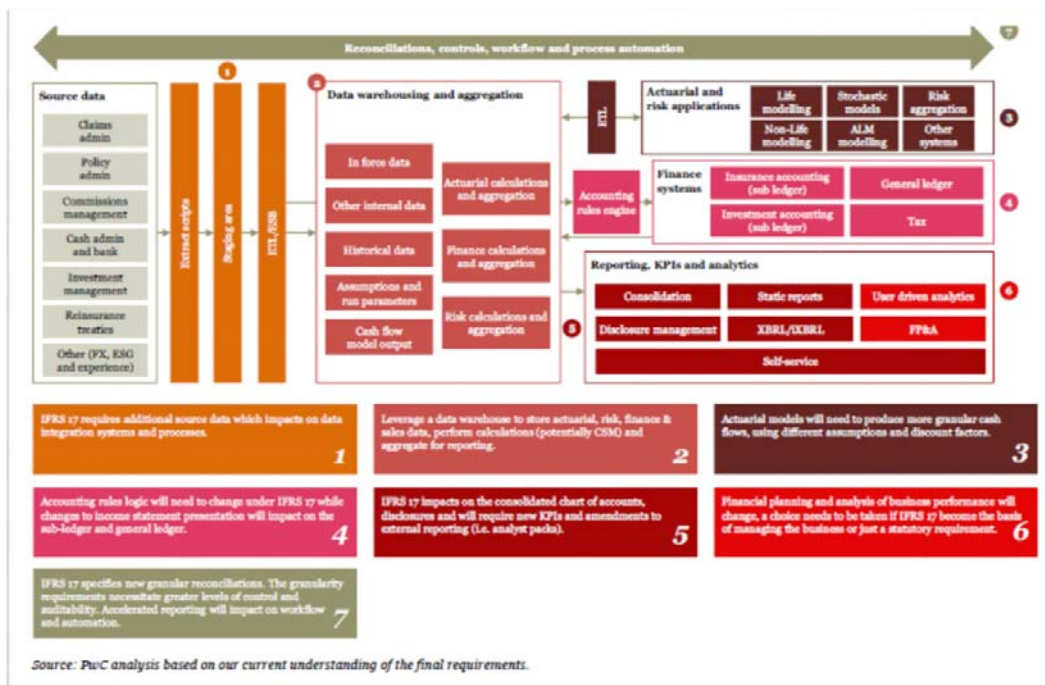
$$LLP_t = BV_t - \left[ \frac{\sum_{s=1}^n PD_s \times ECF_s^{t+1}}{(1+ie)} + \frac{\sum_{s=1}^n PD_s \times ECF_s^{t+2}}{(1+ie)^2} + \dots + \frac{\sum_{s=1}^n PD_s \times ECF_s^{t+z}}{(1+ie)^z} \right]$$

Source: Pérez et al., "Banca y Seguros. Capital y Contabilidad", 2018

## IFRS 17 Insurance Contracts—the accounting model in one page

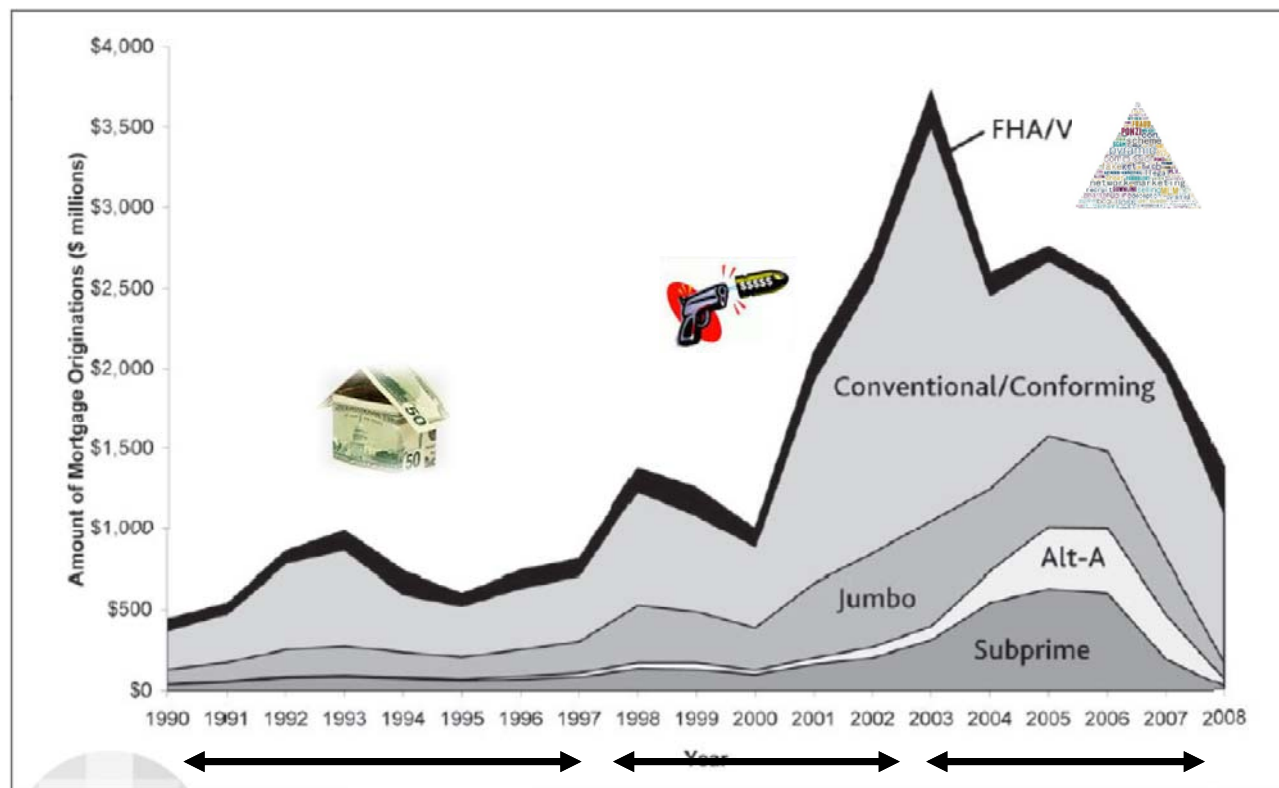


# ... particularly with complex, judgmental standards



# ... and particularly for systemic institutions

US mortgage loans outstanding - 1990-2008



Stevenson, November 2010



# Audit market concentration

Systemic importance



G-SIB	Statutory auditor
JP Morgan Chase	PwC
Citigroup	KPMG
Deutsche Bank	KPMG
HSBC	PwC
Bank of America	PwC
Bank of China	EY
Barclays	KPMG
BNP Paribas	Joint (Deloitte, PwC, Mazars)
Goldman Sachs	PwC
Industrial and Commercial Bank of China	KPMG
Mitsubishi UFJ	Deloitte
Wells Fargo	KPMG
Agricultural Bank of China	PwC
Bank of New York Mellon	KPMG
China Construction Bank	PwC
Credit Suisse	KPMG
Groupe BPCE	Joint (Deloitte, PwC, Mazars)
Groupe Crédit Agricole	Joint (EY, PwC)
ING Bank	KPMG
Mizuho	EY
Morgan Stanley	Deloitte
Royal Bank of Canada	PwC
Santander	PwC
Société Générale	Joint (EY, Deloitte)
Standard Chartered	KPMG
State Street	EY
Sumitomo Mitsui	KPMG
UBS	EY
Unicredit Group	Deloitte

Source: Financial Stability Board, November 2018

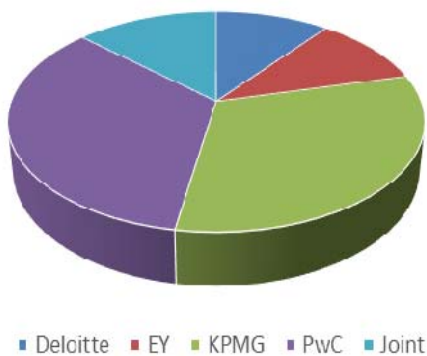
G-SII	Statutory auditor
Aegon	PwC
Allianz SE	KPMG
American International Group	PwC
Aviva	PwC
Axa	Joint (PwC, Mazars)
MetLife	Deloitte
Ping An Insurance Group	PwC
Prudential Financial	PwC
Prudential plc	KPMG

Source: Financial Stability Board, November 2016

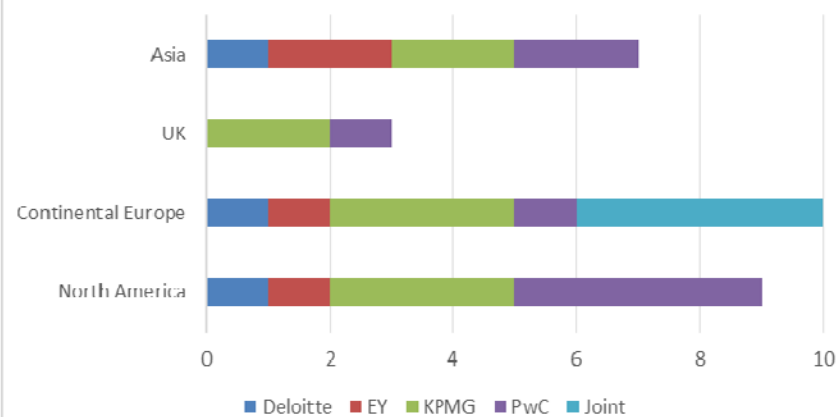


# Audit market concentration

Share of G-SIFI audits



G-SIFI audit share by geography



# Questions / Follow-up

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