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## **Accounting Standards: EU Commissioner McCreevy and SEC Chairman Cox affirm commitment to elimination of the need for reconciliation requirements**

***On the occasion of the visit of EU Internal Market Commissioner Charlie McCreevy to Washington DC, Commissioner McCreevy and Securities and Exchange Commission (SEC) Chairman Christopher Cox took stock of progress on and affirmed their commitment to eliminating the need for reconciliation between International Financial Reporting Standards (IFRS) and US Generally Accepted Accounting Principles (GAAP).***

In April last year Commissioner McCreevy and then SEC Chairman Donaldson discussed the "roadmap" developed by SEC staff which sets out steps required to eliminate the need for companies using IFRS to reconcile to US GAAP possibly as soon as 2007, but no later than 2009.

Commissioner McCreevy, noting that he would expect that IFRS ultimately will be deemed acceptable in the US without the reconciliation, commented: *"I very much welcome the fact that Chairman Cox has confirmed the SEC's commitment to work towards global accounting convergence. It is equally helpful that he clarified that a specific level of convergence is not a condition to be met before the SEC is willing to eliminate the reconciliation requirement into US GAAP. What is important is that IFRS are high quality standards and that investors in the United States can understand and use financial statements prepared under IFRS."*

Recognising the ongoing work involved Commissioner McCreevy explained: *"Achieving the goal of eliminating the reconciliation requirement will also require a new degree of exchange of information, and cooperation among regulators about the application of IFRS. The work plan recently announced by the SEC and the Committee of European Securities Regulators (CESR), which includes dialogue about the implementation of IFRS, takes on a new urgency, as it will help regulators avoid conflicting conclusions in relation to European companies applying IFRS and filing in the US."*

In particular, Commissioner McCreevy noted that the approval of the financial statements by the regulatory authority in the home jurisdiction should be included in any decisions taken by the regulatory authorities in other markets. Commissioner McCreevy added that inside the European Union, work to ensure that the recently adopted IFRS are applied and interpreted faithfully and consistently is well underway. CESR has created several working groups in order to coordinate enforcement decisions in the different jurisdictions and coordination has been stepped up at the EU level.

CESR's important step of establishing a database of enforcement decisions on IFRS in the European Union will be complemented by a Roundtable involving representatives of the relevant stakeholders which will identify emerging and potentially problematic accounting issues at an early stage.

Commissioner McCreedy also mentioned his intention to propose to Member States and the European Parliament to postpone the decision on the possible equivalence of US GAAP with IFRS for two years.

"Such a postponement, which I believe is important, would align the two timetables for equivalence and would give both of us the possibility to monitor closely developments in the other jurisdiction."

In this context, Commissioner McCreedy stressed the need to deepen the co-operation between the European Commission and the SEC:

"As the pace of developments accelerates, it is of crucial importance that there are regular meetings between Commission and SEC officials to establish staging posts and take stock of developments."

Commissioner McCreedy and Chairman Cox agree that mutual efforts should focus on creating the conditions that facilitate use of US GAAP and IFRS in each other's jurisdiction. They are expected to meet later this year to review progress.