

- **EU Accounting Regulatory Committee Opinion on IAS 39**

The EU's Accounting Regulatory Committee (ARC) voted on 1st October, by a qualified majority, to give a favourable opinion on the European Commission's proposal to endorse International Accounting Standard number 39 on financial instruments, minus the provisions on full fair value and portfolio hedging of core deposits. The ARC is chaired by the Commission and comprises representatives of Member States' administrations responsible for accounting issues. In the light of the ARC opinion, the Commission will now proceed to adopt during the next few weeks a Regulation requiring the use of IAS 39, minus the provisions on fair value and portfolio hedging of core deposits, by all listed companies from 1 January 2005. Member States will have the option of requiring the sections of IAS 39 concerning portfolio hedging of core deposits to be applied. In those Member States that do not require the application of these sections on core deposits, companies will have the option of doing so. The IASB has agreed to discuss with the European Banking Federation its proposals on a new hedging method. The Commission hopes that a solution will be found no later than September 2005. However, Member States and companies will not have the option of applying the provisions of IAS 39 concerning the full fair value option. Once the International Accounting Standards Board (IASB) has revised IAS 39 as regards the full fair value option to take account of concerns expressed by inter alia the European Central Bank and the Basel Committee of banking regulators, the Commission will amend the Regulation so as to require the use of the suitably revised provisions on the full fair value option. The Commission hopes these fair value provisions will be revised by the IASB no later than December 2004.