



International Accounting Standards Board®

# Press Release

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## **IASB CHAIRMAN WELCOMES THE EU'S DECISION TO ADOPT INTERNATIONAL ACCOUNTING STANDARDS**

Sir David Tweedie, Chairman of the International Accounting Standards Board (IASB), welcomed today's decision of the European Union (EU) to adopt international accounting standards for the purpose of financial reporting for publicly traded companies. Today's approval by the Council of Ministers of the EU adopts the Regulation proposed by the European Commission.

The Regulation will require the use of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) by 1 January 2005, after a formal EU endorsement process. There will be a temporary exception for companies that are currently traded in the United States *and* use US generally accepted accounting principles (GAAP) and for companies that have issued debt instruments but not equity instruments. Those companies will be required to comply with international standards by 1 January 2007.

Sir David heralded the approval of the EU Regulation as a "watershed" event in the IASB's effort to reach a single set of globally accepted and enforced standards. He commented, "Having the support of the European Union is a significant step forward in the movement towards the development and acceptance of a single set of high quality international accounting standards. The IASB has just recently completed its first proposals aimed at improving existing standards. In the coming weeks and months we shall be focusing our attention on continued improvements, easing implementation of the standards, and worldwide convergence."

For more information on the Regulation, refer to the European Commission's Website:  
<http://europa.eu.int>

### **For Press Inquiries:**

**Tom Seidenstein**, Telephone: +44 (020) 7246-6450; email: [tseidenstein@iasb.org.uk](mailto:tseidenstein@iasb.org.uk)

## ***NOTES TO EDITORS***

- 1 The International Accounting Standards Board (IASB), based in London, began operations in 2001. It is funded by contributions from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 Board members (12 of whom are full-time) reside in nine countries and have a variety of functional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB cooperates with national accounting standard-setters to achieve convergence in accounting standards around the world.
- 2 The Regulation requires listed companies, including banks and insurance companies, to prepare their consolidated accounts in accordance with International Accounting Standards (IAS) from 2005 onwards. The Regulation was proposed by the Commission in February 2001 and is a key measure in the Financial Services Action Plan. Unlike Directives, EU Regulations have the force of law without requiring transposition into national legislation. Member States have the option of extending the requirements of this Regulation to unlisted companies and to the production of individual accounts.
- 3 In March 2002, by a vote of 492 for and 5 against, with 29 abstentions, the European Parliament broadly endorsed the Commission's proposal that all EU companies listed on a regulated market should, from 2005 onwards at the latest, prepare and publish their consolidated accounts in accordance with International Accounting Standards.
- 4 The Regulation will directly concern around 7,000 listed EU companies, which will have to prepare their consolidated accounts in accordance with IAS by 2005. Currently, about 275 listed EU companies use IASs for their financial reporting. At present, seven Member States (Austria, Belgium, Finland, France, Germany, Italy and Luxembourg) specifically allow listed companies to prepare their consolidated financial statements in accordance with IASs.
- 5 The Regulation also establishes an EU mechanism to assess international standards adopted by the IASB to give them legal endorsement for use within the EU. The Accounting Regulatory Committee chaired by the Commission and composed of representatives of the Member States, will decide whether to endorse IAS on the basis of Commission proposals. In its task, the Commission will be helped by the European Financial Reporting Advisory Group (EFRAG) a group established in June 2001 and composed of accounting experts from the private sector in several Member States.