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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels,
COM(2004)

Draft

COMMISSION REGULATION (EC) No .../..

of [...]

**amending Regulation (EC) No 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as regards IFRIC 2
(Text with EEA relevance)**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community.

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards¹, and in particular Article 3 (1) thereof,

Whereas:

- (1) By Commission Regulation (EC) No 1725/2003² certain international standards and interpretations that were extant at 1 September were adopted.
- (2) On 17 December 2003 the International Accounting Standard Board (IASB) published revised International Accounting Standard (IAS) 32 *Financial Instruments: Disclosure and Presentation*. IAS 32 establishes basic principles for the classification of instruments as liabilities or equity and was adopted by the European Commission by Commission Regulation (EC) No 2237/2004³ as of 29 December 2004.

¹ OJ L 243, 11.09.2003, p.1

² OJ L 261, 13.10.2003, p.1. Regulation as amended by Regulation (EC) No 707/2004 OJ L 111, 17.4.2004, p.3)

³ OJ L 393, 31.12.2004, p.1

- (3) Following bilateral discussions with representatives of the cooperative world and due to a request by the Commission, the IASB invited its International Financial Reporting Interpretation Committee (IFRIC), to develop an interpretation to facilitate the application of the revised IAS 32.
- (4) IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instrument* was published on 25 November 2004. The Interpretation clarifies that the classification of members' shares as financial liabilities or as equity depends upon the characteristics of such shares, especially the redemption features. The effective date of application of this interpretation is the same as that for IAS 32, as already indicated in Recital (3) of Commission Regulation (EC) No 2237/2004 as of 29 December 2004 adopting IAS 32.
- (5) The consultation with technical experts in the field support that IFRIC Interpretation 2 *Members' Shares in Cooperative Entities and Similar Instrument* meet the technical criteria for adoption set out in Article 3 (2) of Regulation (EC) No 1606/2002.
- (6) Regulation (EC) No 1725/2003 should therefore be amended accordingly.
- (7) This amendment should exceptionally take effect for company's financial year starting on or after 1 January 2005, i.e. from a point in time before the publication of this regulation. The retrospective application is exceptionally justified as to enable co-operatives the preparation of accounts in accordance with IAS 32, as construed by IFRIC 2, and as the companies concerned could legitimately expect such application already at the point of the adoption of IAS 32.
- (8) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee.

HAS ADOPTED THIS REGULATION:

Article 1

Annex to regulation (EC) No 1725/2003 is amended as follows:

The text of the Interpretation IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instrument* set out in the Annex to this Regulation, is inserted.

Article 2

This Regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Union.

It shall apply to each financial year of a company starting on or after 1 January 2005 at the latest.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, [...]

For the Commission
Charlie McCREEVY
Member of the Commission

ANNEX

INTERNATIONAL FINANCIAL REPORTING STANDARDS	
IFRIC 2	<i>Members' Shares in Cooperative Entities and Similar Instrument</i>

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