

Brussels, 8th July 2005

Financial reporting: EU Accounting Regulatory Committee supports Commission proposal to endorse “IAS 39 Fair Value Option”

At its meeting on 8 July 2005, the Accounting Regulatory Committee (ARC), which advises the European Commission on the endorsement of individual International Financial Reporting Standards (IFRSs) for use in the European Union, agreed unanimously to recommend endorsement of an amended version of IAS 39 relating to the Fair Value Option (FVO) previously carved out. Unless the European Parliament raises objections, the Commission will therefore adopt the amended standard as soon as possible. Adoption will be retroactive to 1st January 2005, so that companies will be able to apply the amended standard for their 2005 financial statements.

Internal Market and Services Commissioner Charlie McCreevy said: “I welcome the positive decision taken today by Member States in the Accounting Regulatory Committee. The Fair Value Option carve-out was always intended to be exceptional and temporary. The Commission recognises companies need to have the amended standard in force quickly. Therefore, unless Parliament objects, the Commission will formally adopt the improved IAS 39 standard as soon as possible. We also look forward to rapidly receiving the amended standard for the other IAS 39 carve-out on hedge accounting so that the EU endorsed accounting standards are fully in line with the IASB standards. This will bring the current exceptional situation to a close”.

Adoption of IAS 39 and the two carve-outs

On November 19th 2004, the European Commission adopted a Regulation (see [IP/04/1385](#)) endorsing International Accounting Standard (IAS) N° 39 on Financial Instruments: Recognition and Measurement, with the exception of two “carve-outs”. The first carve-out related to certain provisions on the use of the Full Fair Value Option; the second to certain provisions on hedge accounting. As the Commission stressed at the time, these carve-outs were exceptional and intended to be temporary, pending the publication by the International Accounting Standards Board (IASB) of the necessary improvements to the original IAS 39 standard.

Improved standard published by the IASB

After extensive consultation with third parties, on June 16th the IASB published an amended version of IAS 39: Recognition and Measurement – the Fair Value Option (FVO) which improves the existing standard. The amended standard benefits from wide support, both from the financial services industry as well as from the European Central Bank and the Basle Committee of banking supervisors.

Commission intention to adopt rapidly amended standard for IAS 39 Fair Value Option

Given the importance of rapid endorsement of the amended standard, the Commission has prepared a draft Commission Regulation which was unanimously approved by Member States at the Accounting Regulatory Committee on 8 July 2005. The Commission has consulted the European Parliament on the draft Regulation and, provided Parliament raises no objections, it is the Commission's intention to adopt the amended standard by end September 2005. Adoption will be retroactive to 1st January 2005, so that companies can apply the amended standard for their 2005 final statements.

For further details see:

http://europa.eu.int/comm/internal_market/accounting/ias_en.htm