

Brussels, 15 November 2005

## Accounting standards: Commission endorses “IAS 39 Fair Value Option”

*The European Commission has adopted a Regulation endorsing the amended International Accounting Standard (IAS) N° 39 on Financial Instruments: Recognition and Measurement, the “Fair Value Option”. This text was unanimously supported by Member States at the Accounting Regulatory Committee and by the European Parliament. Adoption is 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 am very pleased that the Commission has been able to eliminate the ‘Fair Value carve-out’ to IAS 39. The two IAS 39 carve-outs were always intended to be exceptional and temporary. We therefore need to press on with the technical work to find a solution on the second carve out..”

### Adoption of IAS 39 and the two carve-outs

On 19 November 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”; one relating to the Full Fair Value Option, the other to hedge accounting. These carve-outs were exceptional and intended to be temporary. The Commission carved out the provisions relating to the full fair option because of concerns expressed by the European Central Bank and prudential supervisors represented in the Basel Committee of banking supervisors. The IASB recognised these concerns and was working on the preparation of an amended IAS 39 standard with a restricted fair value option.

### Adoption of IAS 39 Fair Value Option

On 16 June 2005 the IASB published an amended version of IAS 39: Recognition and Measurement – the Fair Value Option (FVO) with a restricted fair value option whose application is subject to principles and combined with extensive disclosure requirements. The amended standard benefits from wide support, from the financial services industry as well as from the European Central Bank and the Basel Committee of banking supervisors. The improved standard was unanimously approved by Member States at the Accounting Regulatory Committee on 8 July 2005 (see [IP/05/884](#) and [MEMO/05/246](#)) and also supported by the European Parliament. The amended standard has been adopted by the Commission today and will enter into force legally after publication in the Official Journal.

Adoption is retroactive to 1st January 2005, so that companies can apply the amended standard for their 2005 final statements. The Regulation also carves back in the text that was previously carved out from the original IAS 39 standard, thus eliminating the fair value carve-out. The Commission is examining, in conjunction with Parliament and Member States, whether in the light of the adoption of the amended fair value standard, consequential amendments should also be made to the existing accounting directives.

### **Monitoring and review of effects of IAS 39**

In accordance with the wishes of the European Parliament the Commission will review the implementation of IAS 39 and report on this to Parliament as an integral part of its evaluation of the operation of the IAS Regulation. In the meantime the Commission will monitor implementation.

### **Elimination of the hedge accounting carve-out**

As regards the removal of the carve-out relating to certain hedge accounting provisions, the Commission again emphasises the need for the European Banking Federation and the IASB to find an appropriate technical solution as rapidly as possible. In the interim, those individual companies wishing to apply the 'carved out' hedge accounting provisions may do so because there is no existing EU law on this issue. For such companies the second carve out plays no role.

For further details see:

[http://europa.eu.int/comm/internal\\_market/accounting/ias\\_en.htm](http://europa.eu.int/comm/internal_market/accounting/ias_en.htm)