

SUMMARY RECORD

<p>MEETING OF</p> <p>THE ACCOUNTING REGULATORY COMMITTEE AND CONTACT COMMITTEE</p> <p>OF 6 JUNE 2007</p>
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Mr Delsaux, Director for the Free Movement of Capital, Company Law and Corporate Governance Directorate, DG Internal Market and Services and Mr Piotr Madziar, Head of the Accounting Unit, DG Internal Market and Services, chaired the twenty-sixth meeting of the Accounting Regulatory Committee and the third meeting of the Contact Committee in 2007.

DISCUSSION AT THE MEETING

I. APPROVAL OF MINUTES OF THE MEETING OF 16 MARCH 2007

The Minutes were approved with a minor correction concerning one Member State.

II. IFRIC 12 SERVICE CONCESSION ARRANGEMENTS

The Chair briefly introduced the subject of IFRIC 12 Service Concession Arrangements stating that there have been no major developments since the March ARC meeting in this sensitive issue. The chair recapitulated that Member States had been required to provide their views in writing and as yet the views of Member States which did so are quite heterogeneous. The opinion of EFRAG recommending endorsement stays firm.

Views from Member States

One Member State asked the other Member States to consider further carefully its proposal for a "transitional solution" consisting in amending IFRIC 12 and adding a "carve-in" to allow, under the intangible asset model, the use of the percentage of completion method as established in IAS 18. This Member State advocated for such a solution stating that it would fill the "vacuum" before a proper solution in the form of a new standard is reached.

The Chair concluded by inviting Member States to think further on this issue and indicated that the Commission is working to find a possible consensual solution. The issue could be again discussed during the July ARC meeting but no endorsement vote is expected before the ARC meeting in October 2007.

III. EQUIVALENCE: REPORT ON CONVERGENCE BETWEEN IFRS AND THIRD COUNTRY GAAPs – UPDATE ON ONGOING WORK

The Chair introduced the subject stating that there are two major elements on the agenda for the moment:

- First Report to the European Securities Committee and to the European Parliament on Convergence between IFRS and third country national GAAPs (Convergence Report);
- determination of the equivalence mechanism.

The Chair informed that the Convergence report is not yet available, but will be in the near future. Since the last ARC meeting there has been key developments in relation to the US and these will also be highlighted in the Convergence report. In April the SEC announced that during this summer it will be inviting public comments on changes to allow IFRS based financial statements to be filed without any reconciliation requirement. Furthermore the SEC is contemplating giving US companies the option of using IFRS instead of US GAAP. Comments on both of these proposals will be due in the autumn and the final position of the SEC will be known early next year.

Furthermore, on 30 April, in the framework of the yearly EU-US Summit the President of the USA, the President of the European Council and the President of the Commission signed a document containing a statement in relation to financial reporting that both sides will "promote and seek to ensure conditions for the U.S. GAAP and IFRS to be recognized in both jurisdictions without the need for reconciliation by 2009 or possibly sooner".

The Commission Services also briefly updated Member States on the situation as regards Japan, Canada, China, India and Russia.

As regards the determination of the equivalence mechanism, CESR's technical advice on a mechanism for determining the equivalence of the GAAPs of third countries (2nd advice, approved by CESR on 25 May) has been sent to Member States.

The Chair recalled the tight timetable to adopt the legal measures on the equivalence mechanism, which has to be set up by the end of this year at the latest (this date is decisive since the implementing powers of the Commission under the Prospectus directive will expire at the end of this year) and therefore the formal procedure for the adoption of a legal instrument on the equivalence mechanism has to start this month.

The Commission Services informed Member States about the outcome of the discussion regarding key elements of the equivalence mechanism at the European Securities Committee (ESC) on 22 May. Firstly, most of the ESC members agreed with the definition of equivalence as proposed by CESR. Secondly, most ESC members considered that the existence of a true convergence process with timely and effective implementation of the convergence programme should be taken into account when assessing equivalence; in such a case an additional transitional period should be granted which should not exceed three to four years. As regards the audit requirements most ESC members believe that auditing aspects should be taken into account although some Member States would rather keep the equivalence decision separate from any other requirements. Also discussed was the issue of which body should provide the analysis of the differences between the respective GAAP and IFRS, and propose the

remedies if necessary. On this issue the opinions varied a bit more. Many ESC members considered that the burden should be shared between a public authority of the third country in question and CESR. According to some other Member States it should be CESR who provides this information, whilst others gave support to a model where the issuers could provide such an analysis as well. The Commission Services consider it to be difficult to urge regulators from a third country to submit substantive evidence of equivalence of its GAAP with IFRS.

The Commission Services clarified further that after the equivalence mechanism has been adopted the determination of equivalence for each third country GAAP will be decided under the comitology procedure.

As regards the issue of who should take the first initiative for the equivalence assessment and provide detailed background information on the respective third country GAAP, CESR strongly expressed the view that this should be the task of the local national standard setter. CESR ruled out the possibility that an individual issuer could take such an initiative. Having received such an analysis CESR will use this information to assess the differences between the local GAAP and national IFRS. This tentative conclusion would be sent for public consultation with market participants before CESR finalises its advice and sends it to the Commission. Furthermore CESR wants to include "filters" - audit requirements envisaged by the 8th Company Law Directive in the mechanism. As regards the convergence programmes, CESR would only take them into account if they envisage to be completed by 2012.

Views from Member States

Recent development in U.S.

One Member State welcomed the development in U.S however raised the issue how to deal with the existing significant differences between IFRS and U.S. GAAP. This Member State furthermore asked what does the U.S. approach mean in practise and especially which IFRS standards the U.S. are going to accept – "full" IFRS or IFRS as endorsed by EU.

This concern was shared by another Member State which added that the EU actually knows that the U.S. envisage to consider "full" IFRS for the purpose of equivalence and that the EU should discuss and clarify this issue with the U.S. as soon as possible. This Member State also suggested that the EU has to develop a special solution on equivalence vis-à-vis U.S. as it is not possible to issue a "blank check" on future acceptance of U.S. GAAP.

Also another Member State considered the development in U.S to be excellent but agreed with others that there are still substantial open questions, e.g. as regards enforcement. This Member State stressed furthermore that the U.S. are not going to recognise IFRS as being equivalent but "only" to abolish the reconciliation requirement.

Definition of equivalence

Two Member States considered the proposed definition of equivalence to be too broad and vague. One of these Member States proposed to use the notion of "equivalent information" as a basis of the definition as well as including the issue of reciprocity.

Another Member State partly shared these concerns and questioned the clarity of using the notion of investors' similar decisions.

According to CESR the outcome-based definition ensures protection for investors. The definition has to be broad enough to enable to conduct an appropriate judgement, because IFRS can also allow more than one way of providing the respective information. CESR added that the suggested definition had been subject to extensive consultation in 2005 and received support.

Convergence programme

One Member State strongly opposed the idea of postponing the equivalence decision on the basis of the existence of a convergence programme; according to the legal rules in place, the EU has to decide by 1 January 2009 whether relevant GAAPs are equivalent or not. Another approach would be irresponsible vis-à-vis investors. This Member State also did not support the idea of rectifying identified differences by non-complex additional disclosures and, in general, considered it to be necessary to discuss this issue further at higher levels.

According to another Member State, postponing the decision on equivalence until approx. 2012 is very far-reaching and this Member State expressed its general objections; it also called for further debate on the issue.

One Member State suggested that there should be intermediary reviews of the convergence progress.

The Commission Services pointed out that the chosen approach cannot be only technical. Also, for example as regards Japan, it is desirable to take into account the existence of an ambitious convergence programme as well as their acceptance of IFRS for foreign companies.

Audit requirements according to the 8th Company Law Directive

One Member State expressed the opinion that the equivalence mechanism should not provide too high requirements as regards the audit regime.

Another Member State repeated its position arguing for separation of the two processes – equivalence of respective GAAP and equivalence of the respective audit environment.

The Commission concluded that it will submit a first formal draft of a legal measure on the equivalence mechanism for discussion to the ESC on 11 July. The same text will be discussed in the next ARC on 16 July.

IV. IFRS 8 – CURRENT STATE OF PLAY

The Commission Services presented the note (document ARC/15/2007) describing the current status of the process of adopting IFRS 8 for use in the EU. After the positive vote in the February 2007 ARC meeting the issue was discussed with the ECON

Committee of the European Parliament which expressed some concerns and the Commission agreed to carry out a brief analysis of envisaged impact of IFRS 8. As part of this exercise the Commission Services sent out a questionnaire on 30 May. Due to this development the earliest possible date for adoption of IFRS 8 will be in October after the results of the analysis of impact are known.

Views from Member States

One Member State expressed dissatisfaction about the delay of the adoption process. The Member State regarded the questionnaire as a general sounding and recommended to further take into consideration practical experience and existing research studies about the impacts. The Commission Services agreed and will do this for the final report.

One Member State criticised the process. The Member State argued that according to the interpretation of the comitology procedure as it was agreed in 1999, after a positive vote by ARC the process should be finished and the Commission should adopt the agreed measures. This Member State questioned therefore the legality of the current delay and suggested it to be clarified with the Commission Legal Service. The second concern expressed by this Member State was the practical consequence of the delay. Many companies were prepared to adopt IFRS 8 as of January 2007. If it will not be possible for companies to use IFRS 8 at least for the financial year 2007 this would be unsatisfactory. The Commission should investigate any solution.

The Commission Services responded that the interpretation of the comitology rules allows the actions currently taken by the Commission. However the Commission Services admitted that it is not a standard approach and the decision to opt for it came only after consideration of the overall situation. Regarding the practical implications the Commission Services clarified that IFRS 8 cannot be used as long as IAS 14 is in place.

Two Member States argued that the current development as regards IFRS 8 raises concerns regarding both the timing and the overall conception of the endorsement process. It should be made clear that there is support for full IFRS rather than an EU version of IFRS.

Some Member States criticised the lack of communication between the Commission and the ARC. It is not acceptable that the Commission has concluded an “agreement” (such is the term in the COM-document) with the European Parliament on Comitology issues without consultation of the Member States and that the ARC is informed about the development at such a late stage.

One Member State asked the Commission for the arguments raised by the European Parliament.

One Member State expressed its understanding for the role of the European Parliament. However it questioned the fact of carrying out an analysis of impact after a vote by ARC. If an assessment of impact is done, then it should be conducted by IASB and before a vote by ARC. The Member State asked for further explanations regarding the dialogue between the Commission and the European Parliament. It is important to find out what the real difficulties are in order to find a solution.

EFRAG clarified that its due process rules are very clear and do not include assessments of impact. The Commission Services informed that they are pushing the IASB to carry out assessments a priori as well as a posteriori. The initial reactions from IASB were positive.

The issue of IFRS 8 and its developments will be re-discussed at the ARC meeting on 16 July.

V. STANDARDS ADVICE REVIEW GROUP

The Commission Services explained that after the first meeting of the Standard Advice Review Group (Group) on 2 March 2007 its members met for the second time on 12 April. During this second meeting the members of the Group concluded administrative issues: adopting of the rules of procedure of the Group and the election of Chairman of the Group - Mr Geoffrey Mitchell and Vice-Chairman of the Group - Mr Carlos Soria.

The substantive issue of this meeting was the discussion on EFRAG's opinion on IFRIC 12 and the delivery of the Group's advice on this opinion. After presentation and extensive discussion with the Chairman of EFRAG TEG, the members of the Group reached unanimously a decision that EFRAG's endorsement advice on IFRIC 12 is well-balanced and objective.

The Commission then invited the Chairman of the Group – Mr Geoffrey Mitchell - to give a short presentation of the starting-up of the work of the Group, in particular with reference to EFRAG's endorsement advice on IFRIC 12.

Mr Geoffrey Mitchell explained that the Group, when considering EFRAG's opinions, is working on the basis of the following documents: EFRAG's endorsement advice, summary of the comment letters received by EFRAG, comment letters as such and minutes from the TEG meetings, provided by EFRAG. The function of the Group is not to duplicate the technical work of EFRAG, but to conclude whether or not the opinion of EFRAG on endorsement is well-balanced and objective. The members of the Group will therefore scrutinise the decision-making process of the EFRAG and ascertain whether EFRAG took into account all arguments and comments received by stakeholders. The Chairman of the Group further explained that the members of the Group vote on a majority voting basis with a possibility to vote in favour or against the opinion of EFRAG (i.e. abstentions are not allowed).

Views from Member States

One Member State asked what happens in case where the Group perceives that EFRAG's opinion on endorsement is not well-balanced and objective. The Commission Services answered that in such a case the Chairman of the Group should enter into dialogue with the Chairman of EFRAG TEG with a view to resolve the matter.

One Member State asked what criteria are taken into account when evaluating EFRAG's opinion on endorsement. This Member State further expressed the opinion that there should be a standard format for all decisions of the Group and that the evaluation of EFRAG's opinion should be done on the basis of objective and verifiable

criteria. The Group should also provide a summary of interests at stake. This Member State further asked whether the Group would scrutinize also the opinion of EFRAG on the endorsement of IFRS 8.

The Chairman of the Group responded that the members of the Group review all steps made by EFRAG from the moment EFRAG receives a standard or an interpretation, including analysing all the above mentioned documents; they would also participate at some of EFRAG's meetings in person. Minutes of the meetings of the Group are public so that all ARC members can see what were the steps taken by reaching the conclusion. If the members of the Group were to deliver, in the future, a negative advice on EFRAG's opinion on endorsement it would entail a substantial reasoning. In case of a positive opinion the minutes of the meeting of the Group should be sufficient to explain the process.

As concerns IFRS 8, the Chairman of the Group noted that this standard has already gone through the endorsement process as the ARC voted unanimously in its favour. Therefore the Group will not review EFRAG's opinion on endorsement of IFRS 8. Mr Geoffrey Mitchell further added that after reviewing EFRAG's work on IFRIC 12, members of the Group were impressed by high level of objectivity and neutrality of EFRAG and its high quality output. The Commission Services confirmed that the Group will not be asked to analyse EFRAG's opinion on IFRS 8.

VI. RELATIONSHIP BETWEEN THE IAS REGULATION AND THE 4TH AND 7TH COMPANY LAW DIRECTIVE

The Commission Services presented note (document ARC/16/2007) describing the Commission's opinion on how to determine whether or not an issuer needs to prepare consolidated financial statements. After consultation within the Commission, including its Legal Service, the conclusion of this note confirmed the opinion previously presented to the ARC on 24 November 2006.

The Commission Services consider that the general requirement to prepare consolidated financial statements is set out by Article 1(1) of the 7th Company Law Directive for those companies which are not subject to explicit exemptions as mentioned in Articles 4(2), 5, 6, 7 to 11 of the 7th Directive. Article 13 of the 7th Directive does not provide an exemption to the general requirement to prepare consolidated financial statements. EU companies whose securities are admitted to trading on a regulated EU market and which are subject to the general requirement to prepare consolidated financial statements have to apply the provisions of EU endorsed IFRS when preparing their consolidated financial statements. This preparation work includes the determination of the scope of consolidation which should be established in accordance with EU endorsed IFRS (in particular IAS 27) instead of provisions set out in the 7th Directive, in particular by its Article 13. For those companies, interpretations and conclusions in relation to the determination of the scope of consolidation should derive only from provisions of EU endorsed IFRS.

The Commission Services noted that this opinion of the Commission is not legally binding and invited Member States which are not content with the situation to propose revisions to the 7th Directive that could be taken up alongside the simplification exercise.

Views from Member States

Certain Member States supported the opinion of the Commission, considering that the legal analysis of the Commission was correct. One Member State highlighted the necessity to ensure a high degree of protection to the investors. Another Member State rejected changes in the 7th Directive which could impede the transparency objectives.

Many Members States disagreed with the opinion of the Commission. Some of them wondered what should be done if a parent company controls only non-significant entities and considered that the requirement to provide consolidated financial statements in such a case is absurd. Some Member States questioned the legal analysis of the Commission. In particular one Member State considered that the analysis of Article 13 of the 7th Directive is too simplistic. Another Member State envisaged submitting its counter-arguments in writing. One Member State asked the Commission to specify explicitly, when being published, that the Commission's opinion is not approved by Member States and noted that it is contrary to the objective of simplification. Another Member State noticed that it also does not conform to the current practice in many cases. One Member State wondered whether the objective is to make as many companies as possible applying IFRS.

CESR asked the Commission to specify the meaning of the last paragraph of the third part of its note and to explain how to correct existing cases which are not in line with the opinion of the Commission. The Commission Services indicated that the note deals only with consolidated financial statements and is not intended to define accounting treatment of annual accounts. Concerning cases to be corrected the note states that they should be dealt in accordance with national legislation applicable in such cases.

The Commission Services noted further that the Commission does not specifically wish to require parent companies which control only non-significant subsidiaries to provide consolidated financial statements. This is the reason why the Commission Services specifically point to the possibility to amend the 7th Directive as a part of the simplification exercise. The opinion of the Commission is driven by legal considerations on provisions that parent companies should apply, in particular in order to define their consolidation scope. The Commission's conclusion is that for listed companies subject to the general requirement to prepare consolidated financial statements, IFRS provisions should apply to define its scope and to determine any consequence of the resulting situation.

VII. IASB GOVERNANCE AND FUNDING

The Commission Services informed ARC members that at the end of last year the Commission drafted its first Report on governance developments in the IASCF/IASB. This report was presented during the ARC meeting on February. The Commission's report acknowledged a number of actions that the IASCF Foundation and the IASB have taken to address governance concerns. At the same time, the Report identified areas where further progress is needed. IASCF Trustees and the IASB members have addressed these issues in a constructive manner and are discussing measures to be taken in order to address issues raised by the European Commission.

As concerns accountability and oversight of the IASB, the Trustees approved proposals for a more effective interface between them and the IASB when considering the IASB's work program. Members of the Trustees' Procedures' Committee will meet the IASB

members at least twice a year to review the IASB's work and to reflect the views of leading stakeholders. The Committee will then report back during public sessions of the Trustees.

As concerns IASB's due process impact assessments and feedback to comment letters the Trustees are currently working with the IASB members to build a framework that makes it more explicit how cost-benefit considerations are taken into account when the IASB develops new standards. Using field visits and building upon its consultative processes the IASB will seek to explain more clearly the impact of new standards on capital markets. The IASB will also establish feedback statements related to comments received throughout the consultation process enabling respondents and other stakeholders to see how the IASB dealt with comments received.

In order to address the Commission's point on financial stability considerations the Trustees will continue to encourage the IASB to engage banking, insurance and/or securities supervisors and the broader regulatory community in its consultations at the earliest stages possible.

As regards the Commission's points on the International Financial Reporting Interpretations Committee (IFRIC), the Trustees will integrate the IFRIC Agenda Committee into the general IFRIC meetings open to the public in order to improve the transparency of the agenda process; they have also proposed an expansion of IFRIC from 12 to 14 members and allocated additional staff resources to ensure the timeliness of IFRIC interpretations.

As concerns the representation of Europe in the IASCF/IASB bodies three new IFRIC members from Europe have been recently appointed and the Trustees are currently in the process of choosing a Chairman of the Trustees, who should be European.

The Commission Services stated that they believe that the IASCF is working in the right direction. A number of improvements have been made by the IASCF/IASB, in particular the notable improvement in the structure and functioning of the IFRIC. Also other considerations taken and answers proposed by Trustees and IASB members to suggestions included in the Commission report such as establishment of a more effective interface between the Trustees and the IASB, impact assessment studies for new standards and promise to provide appropriate feedback to comment letters, are promising.

However, it remains to be seen how the IASCF/IASB will apply these announcements in practice so as to guarantee proper due process and accountability towards stakeholders. The comments from the Roundtable on consistent application of IFRS need to be taken into account in the work of the IASB on standards and interpretations. It is also important that on top of impact assessments of the new standards the IASB should also conduct cost benefit analyses of old standards and interpretations. Transparency of the IASB's work would also be enhanced if members of the Board would appear several times per year before Member States and the European Parliament to present standards which they intend to adopt in the following months.

The second Report on governance developments on the IASCF/IASB will be presented in July. A preparatory discussion will take place at the June Financial Securities Committee.

Views from Member States

One Member State stated that it is not satisfied with the Commission's procedure. This Member State considered that the draft Report on IASCF/IASB governance should be distributed to ARC Members for discussion before it is discussed at FSC or EFC meetings. This would allow ARC to provide advice to these later Committees. The Commission should also send to ARC Members a template listing all governance concerns raised together with information whether IASCF/IASB have addressed these issues.

One Member State supported this position and drew attention to the fact that the title of this ARC agenda item¹ encompasses also funding of the IASB and asked for the Commission's update on this issue.

The Commission Services stated that according to information supplied by the IASCF/IASB the efforts to create a new funding system are proceeding well. The current state of play may be described as follows: IASB funding seems to be secured in Denmark and Germany; businesses in these countries have accepted to contribute for the next years. The Financial Reporting Council (FRC) has taken on responsibility for collecting UK contribution by way of levy for listed companies. In France around 50 companies have committed to financing for the next couple of years raising 500.000 EUR; negotiations in France, however, continue with a view of reaching the financing target of 1 million EUR. There are ongoing discussions as concerns contributions from Italy and the Netherlands. Authorities in these Member States are considering introduction of a possible listing levy. Discussions are still in early stages in Belgium, Greece, Ireland, Spain and the 12 "new" Member States. As concerns other major jurisdictions, in Australia the funding issue is solved and commitments are being collected through FRC Australia. China has confirmed its commitment to reach the target amount; the funding method being indirect arrangements with companies with government support. In Japan the Financial Standards Foundation of Japan has endorsed the target amount in principle. Efforts are continuing in the US; 2,5 million USD was agreed so far from the target amount of 8 million.

One Member State stated that its contributions will be collected through the accounting and oversight board. Another Member State noted that the ECOFIN emphasized the necessity of a more balanced distribution of financing sources together with an improvement of governance. The Commission should provide information on these aspects to ARC Members.

VIII. SIMPLIFICATION OF ACCOUNTING RULES FOR SMALL AND MEDIUM-SIZED ENTERPRISES - POSSIBLE REVISION OF THE 4TH AND 7TH DIRECTIVES

The Commission Services outlined the current status of the SMEs project. The presentation covered three parts:

- Overview of the forthcoming consultative document;
- Brief description of the Ramboll administrative burden measurement work;
- Outline of the DG Enterprise study on administrative burden measurement.

¹ "VII. IASB governance and funding"

Commission consultative document on simplification

An overview was given of the consultative document, covering also company law and auditing, which will come out late June/July and will be out for public consultation until September/October 2007.

The Commission Services have identified the following major measures that could lead to simplification for SMEs:

- Introduction of a category of "micro enterprises" in order to facilitate substantial simplification for the smallest entities;
- Making the practical application of the SME thresholds more advantageous for these companies;
- Relieve small entities from the requirement to publish their accounts.

Following the early discussions, the Commission Services may also propose amendments in further areas (e.g. consolidation rules, accounting for deferred taxes, removal of certain disclosure requirements).

The material proposals in the paper will be subject to a discussion at the next ARC meeting.

Ramboll administrative measurement study

DG MARKT has commissioned a pilot study from a Danish consultant named Ramboll Management. The study covers some company law directives, including the 4th Directive. The methodology consists basically in identifying "activities" required by the Directives and then assessing the time required to carrying them out. Subsequently the corresponding costs are calculated. Ramboll is using a network of accountants as experts helping to conduct the study. The results will be presented late June and we will discuss them at the next ARC meeting.

DG Enterprise study on administrative burden measurement

As part of the ongoing simplification project the DG Enterprise has also commissioned a large study (EUR 20m) with the aim to identifying and quantifying the administrative costs stemming from about 60 Directives. The Fourth Directive is covered by this study. At a later stage the Seventh Directive may also be covered.

The work has been initiated by DG Enterprise in collaboration with national "simplification" co-ordinators appointed by Member States. The scope is wider and the time schedule is longer than those of the Ramboll study. DG MARKT has however asked DG Enterprise to treat the company law directives as a priority in order to keep the time schedule for our proposals for amendments of the directives (i.e. spring 2008). Therefore DG MARKT will facilitate the work of the consultants by providing them with updated lists of national implementation measures concerning the respective Directives. To this end a letter was sent to ARC members on 25 May.

The methodology used in this study is similar to that used in Ramboll study, but the consultant contacts companies directly.

The ARC will be regularly updated on the developments in the project. Results are expected in December 2007.

Views from Member States

One Member State criticised the time allocation at the ARC meeting and argued that instead of discussing other subjects (e.g. translation contract), there should have been more time given to the exchange of views on the simplification initiative. In addition, this Member State would have liked to receive a written status update in advance of the meeting.

Another Member State supported this view and pointed out that the macroeconomic effects of the potential amendments to the accounting directives should not be ignored. This Member State does not particularly support two of the major measures proposed by the Commission (introduction of a category of "micro enterprises and relieve small entities from the requirement to publish their accounts).

The Commission Services clarified that the objective of including the SME issue during this ARC meeting was just to give a quick update. A more substantial discussion is foreseen for the next ARC meeting in July once the consultative document would be published.

IX. UPDATES

– Consolidation and language revision

The Commission Services gave a brief update on the work in this area. DG Translation is about to sign an external translation contract with the IASCF to carry out the translation of IFRSs.

The project for consolidation will be achieved by publication (and endorsement, following the normal due process) of a new Commission Regulation which will supersede the existing Regulations. This will enable constituents to refer to only one Regulation as it will contain all endorsed IFRS. During this project the Commission will also use the opportunity to correct any translation errors.

The Commission is planning to publish – in the beginning of 2008 - the consolidated version of endorsed IFRS in application as at 31 December 2007. Preparations can however start much earlier: the Commission will formally ask Member States to provide comments on the current translations so that they can be taken into account for the new version. The Commission Services pointed out that comments from Member States are very important in order to ensure the quality of the language versions.

Views from Member States

One Member State requested whether the deadline for comments (45 days) can be extended for the sake of preparing of the consolidated version. The Commission Services will investigate whether this would be possible.

Two Member States pointed out that Member States do not have sufficient resources to carry out language revisions of the texts. The ultimate responsibility about the quality is with the Commission. If the Commission would like to rely on Member States as

“quality control” it would have been useful to contact Member States at an earlier stage – and not only after having negotiated the translation contract already.

One Member State commented on the remuneration of the IASCF reviewers and whether the Commission could influence this. The Commission Services commented that this was not the case.

Another Member State asked whether there was an "exit clause" in the contract. The Commission Services answered that there are normal cancellation possibilities if the quality is not sufficient.

– **Comitology**

The Commission Services updated Member States on the current state of play as regards comitology reform, respectively introduction of the regulatory procedure with scrutiny into the IAS Regulation.

The draft amendment of the IAS Regulation has been discussed twice in the Financial Attachés Working Group of the Council which expressed its broad support to the proposal, including the suggested application of the urgency procedure. The proposal has also been introduced to the European Parliament (ECON). The initial reactions of the ECON was however clearly negative. The European Parliament did not discuss the proposal in substance yet.

On 30 May, Coreper II discussed the "state of play" of the comitology reform. Coreper encouraged the Presidency to continue its formal meetings with the European Parliament and the Commission with the view of reaching an early first-reading agreement on the 26 amendment proposals. Furthermore a letter from German Ambassador, Mr. Schönfelder, will be send to the chairpersons of the respective EP Committees.

The Presidency added that there are still open horizontal issues which need to be resolved at the "Friends of Presidency Group" level to enable further progress.

– **Technical assistance for EU-8 in the area of accounting and auditing**

The Commission Services informed Member States about the current initiative of the World Bank in cooperation with Switzerland concerning accounting and auditing development in 8 "new" Member States.

In February 2006 the EU and Switzerland signed the Memorandum of Understanding according to which Switzerland would offer public funding to new Member States in exchange for the market access it obtains under the current bilateral EU-Swiss agreements (cohesion fund). The World Bank is willing to organise technical assistance in the fields of accounting and auditing currently for 8 of these Member States with the view of the later involvement of all "new" Member States. The World Bank and Swiss State Secretariat for Economic Affairs (SECO) organised to this end a first meeting with the 8 Member States on 29 – 30 May in Warsaw. During this meeting the participants were informed about the objectives of the initiative and discussed possible

activities. The Commission Services encouraged Member States to respond to this initiative and accept actively this offer of assistance.

X. MISCELLANEOUS

Next meeting

The next ARC meeting was planned for 16 July.

Meeting of 6 June 2007

PARTICIPANTS LIST

Austria

Ministry of Justice

FMA – Austrian Financial Market

Belgium

Commission Normes Comptables

Fod Economie

Bulgaria

Ministry of Finance

Cyprus

Permanent Representation

Czech Republic

Ministry of Finance

Denmark

Danish Commerce and Companies Agency

Estonia

Estonian Accounting Standards Board

France

CNC – Conseil National de la Comptabilité

Ministère de l'Economie, des Finances et de l'Industrie (Trésor)

Finland

Ministry of Social Affairs and Health

Germany

Bundesministerium des Justiz

Greece

Greek Accounting and Auditing Oversight Board

Ministry of Economy and Finance

Hungary

Ministry of Finance

Ireland

Department of Enterprise, Trade and Employment

Italy

Ministry of Economy and Finance

CONSOB

Latvia

Ministry of Finance

Lithuania

Ministry of Finance

Luxembourg

Commission de Surveillance du Secteur Financier

Ministry of Justice

Malta

The Netherlands

Ministry of Justice

Poland

Ministry of Finance

Portugal

CMVM

CNC

Romania

Ministry of Public Finance

Slovakia

Ministry of Finance

Slovenia

Spain

Banco de España

ICAC

Permanent Representation

Sweden

United Kingdom

Department of Trade and Industry

OBSERVERS

Iceland

Ministry of Finance

Liechtenstein

Norway

Ministry of Finance

European Institutions/Committees

European Central Bank

Committee of European Securities Regulators (CESR)

European Financial Reporting Advisory Group (EFRAG)

Standard Advice Review Group (SARG)

Commission

Pierre Delsaux, Director: Company Law & Corporate Governance

Piotr Madziar, Head of Unit F3: "Accounting"

Ulf Linder, Deputy Head of Unit F3 "Accounting"

Reinhard Biebel/F3

Philippe Bui/F3

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