



EUROPEAN PARLIAMENT

Economic and Monetary Affairs Committee

Joint press release by Ms. Pervenche Berès (MEP - Chairwoman of the Economic and Monetary Affairs Committee - PSE) and Mr. Alexander Radwan (MEP - EPP) Rapporteur for the upcoming report on the IASB

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International Financial Reporting Standards and US GAAP

On 20 June the US Securities & Exchange Commission (SEC) started considering accepting financial statements - prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB) - without requiring foreign issuers to reconcile their financial statements to US accounting standards (US GAAP).

Ms. Berès and Mr. Radwan consider that the way the SEC envisages accepting IFRS undermines the role that European legislators and supervisors (CESR - Committee of European Securities Regulators) play in international accounting standard setting. Ms. Berès and Mr. Radwan request that Commissioner McCreevy step in to ensure that the role legislators play in international accounting standard setting is not undermined. They also request the Commissioner to ensure that conditions for recognition of US GAAP and IFRS in both jurisdictions without reconciliation - as agreed at the last EU - US summit - are created.

Ms. Berès and Mr. Radwan recall that it was the EU decision to make IFRS mandatory for listed EU companies that gave IFRS global prominence. Other jurisdictions, e.g. New Zealand, Australia, Hong Kong, followed the EU in requiring some or all of their companies to use IFRS. Other jurisdictions use IFRS as a benchmark for their own accounting standards or permit the use of IFRS.

Even if many jurisdictions and standard-setters world wide are concerned the IASB pays disproportionate attention to the Financial Accounting Standards Board (FASB). These two Boards have agreed a programme for convergence of the principle-based IFRS and the rules-based US accounting standards. Successive SEC-chairmen and Commissioner McCreevy have backed the convergence programme.

Using this programme for convergence as cover the IASB has already imported certain parts of US GAAP, without considering either the implications for the quality of IFRS or the implications for the jurisdictions which require companies to apply IFRS. With its plans to import more American accounting standards the IASB could undermine its own success by moving away from principle-based IFRS, a move that will lead to a rules-based regulation creeping into the EU. Ms. Berès and Mr. Radwan consider that this is in no ones interest.

The international accounting standard-setter must be reformed and must focus on the needs of companies, investors, users and preparers in the jurisdictions requiring IFRS - the main customers of the IASB. Moreover, the oversight of the IASB must be improved and made more accountable to the public in order to ensure that the international accounting standard-setter actually works in the public interest - as it claims to do as one of its primary goals.

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