



Date: 31 March 2008

Ref.: CESR/08-214

PRESS RELEASE

CESR publishes its advice to the European Commission on the equivalence of Chinese, Japanese and US GAAPs

CESR published today its advice to the European Commission "*CESR's advice on the equivalence of Chinese, Japanese and US GAAP*" (Ref. CESR/08-179).

The Commission Regulation (EC) No 1569/2007 "*Regulation establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directives 2003/71/EC and 2004/109/EC of the European Parliament*" ("the Regulation on the mechanism") published on 18 December 2007, lays down the conditions under which the GAAP of a third country may be considered equivalent to IFRS adopted pursuant to EC Regulation 1606/2002 in accordance with a definition of equivalence set out in article 2 (see Notes for Editors). The Regulation also sets out in article 4 the conditions for the acceptance of third country accounting standards that are the subject of an appropriate convergence or adoption programme for a limited period expiring no later than 31st December 2011.

On the basis of this new Regulation, CESR received a mandate from the European Commission in December 2007 requesting a technical advice on the equivalence of Chinese, Japanese and US GAAP. In accordance with this mandate, CESR provides, in this advice, details of its work and conclusions concerning the equivalence of these three GAAPs.

CESR's advice was subject to consultation with market participants. CESR has not issued a feedback statement on this consultation but has included comments raised by respondents into the final advice. The responses to the consultation are available on CESR website in the section "Consultation".

CESR's recommendations in the technical advice are the following:

- CESR recommends the Commission find US GAAP equivalent to IFRS for use on EU markets.
- CESR recommends the Commission consider Japanese GAAP equivalent, unless there is no adequate evidence of the Accounting Standards Board of Japan (ASBJ) achieving to timetable the objectives set out in the Tokyo Agreement (see Notes for Editors).
- CESR recommends the Commission postpone a final decision on Chinese GAAP until there is more information on the application of the new Chinese accounting standards by Chinese issuers. CESR points out that the first complete reporting period under the new Chinese standards will only be for 2007 accounting periods. Consequently there is as yet no evidence



available concerning the concrete implementation of the standards by companies and auditors. CESR believes that evidence of adequate implementation is important in the context of an outcome-based definition of equivalence. However, if the Commission were minded to allow Chinese issuers to use Chinese GAAP when accessing EU markets, CESR would recommend the Commission consider accepting Chinese GAAP according to article 4 of the Commission Regulation on the mechanism, until such time as there is adequate evidence to enable a decision to be made under article 2 thereof.

In line with some market responses, CESR intends to undertake additional work to assess whether Chinese GAAP has been properly applied by Chinese issuers and will communicate publicly on the outcome of such work at a time when appropriate evidence can be made available to it by the Chinese authorities.



Notes for Editors:

1. Within CESR, the operational group CESR-Fin chaired by Fernando Restoy, Executive Board Member of the Spanish CNMV, has been charged with the preparation of CESR's advice.
2. The Commission's Regulation on the mechanism only requires (in article 2) for a third country GAAP to be considered as equivalent to IFRS that "*...the financial statements drawn up in accordance with the GAAP of the third country concerned enable investors to make a similar assessment of the assets and liabilities, financial position, profit and losses and prospects of the issuer as financial statements drawn up in accordance with IFRS, with the result that investors are likely to make the same decisions about the acquisition, retention or disposal of securities of an issuer*". It is CESR's view that the approach of the EU legislators, reflected in the Commission's Regulation on the mechanism, potentially requires taking a more holistic outcome-based approach to third country GAAP equivalence, rather than an approach based on an analysis of differences in standards and remedying those differences.
3. Both the Prospectus Regulation and the Transparency Directive stated that third country issuers (non-EU issuers), who have their securities admitted to trading on an EU regulated market, or who wish to make a public offer of their securities in Europe, are required to prepare and present the financial statements that they publish on the basis of EU endorsed IAS/IFRS, or on the basis of a third country's national accounting standards if they have been declared as equivalent to IAS/IFRS. At least six months before 1 January 2009, the Commission shall ensure a determination of the equivalence of the GAAP of third countries, pursuant to a definition of equivalence and an equivalence mechanism that it established in December 2007, on the basis of 2 CESR advices: an advice containing a definition of equivalence (ref. CESR/07-138) submitted to the Commission in March 2007 and an advice on a mechanism for determining the equivalence of the GAAPs of third countries (ref. CESR/07-289) submitted to the Commission in June 2007.
4. The International Accounting Standards Board (IASB) and the Accounting Standards Board of Japan (ASBJ) jointly announced in August 2007 an agreement (known as the "Tokyo Agreement") to accelerate convergence between Japanese GAAP and International Financial Reporting Standards (IFRSs), a process that was started in March 2005.
5. CESR is an independent Committee of European Securities Regulators. The role of the Committee is to:
 - Improve co-ordination among securities regulators;
 - Act as an advisory group to assist the EU Commission, in particular in its preparation of draft implementing measures in the field of securities;
 - Work to ensure more consistent and timely day to day implementation of community legislation in the Member States.
 - The Committee was established under the terms of the European Commission's decision of 6 June 2001 (2001/1501/EC). It is one of the two committees envisaged in the Final Report of the Group of Wise Men on the regulation of European securities markets. Baron Alexandre Lamfalussy chaired this group. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on the CESR website.



6. Each Member State of the European Union has one member in the Committee. The members are nominated by the Member States and are the heads of the national public authorities competent in the field of securities. The European Commission has nominated the Director General of the DG Market, as its representative. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level.
7. For further information please contact:

CESR

Carlo Comporti
Secretary General of CESR

or

Victoria Powell
Director of Communications

Tel: +33 (0)1.58 36 43 21 - Email: secretariat@cesr.eu