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Mr Charlie McCreevy
Commissioner
European Commission
Rue de la Loi 200
B – 1049 Bruxelles
Belgien

Düsseldorf 5 November 2008
415/352

Dear Commissioner McCreevy

IFRS Application in the EU

The enclosed article from the Financial Times newspaper dated November 3, 2008 infers that the French Government intends, given the current crisis experienced in financial markets, to propose that the application of International Financial Reporting Standards in the European Union be debated at the forthcoming EU summit on November 7, 2008. We have not been able to establish the accuracy of this reported information. However, we have heard, from more than one source, of rumours that the French government may be intending to seek a partial or even full suspension of specific requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (IAS Regulation). Such a move would mean that companies listed on the European stock markets would no longer be required to fully apply IFRS.

We would like to request you to ensure that the EU Commission resists any attempts to introduce such measures, were they to be put forward. The original aim of the IAS Regulation, to require financial reporting by companies listed on capital markets in Europe to be transparent and to be internationally accepted, as a measure to ensure the competitiveness of the capital markets in Europe remains just as valid today. The complexity of the interrelationships between capital markets globally means that it is essential that capital market participants receive consistent information, to facilitate meaningful comparison, and thus it is essential that unified financial reporting principles be applied.

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Klaus-Peter Feld, WP StB CPA;
Manfred Hamannt, RA

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The financial market crisis undoubtedly raises questions as to whether IFRSs are, in fact, suitable for ensuring appropriate accounting valuations in every case in the current situation faced on the capital markets. In seeking to address these questions, a total or partial suspension of the application of IFRS in certain regions should not, in our opinion, provide the right answers. Rather the current requirements need to be interpreted appropriately; and to the extent necessary, it should be for the IASB, as the standard setter, to amend the relevant standards. Solutions need to be discussed and developed swiftly, however, with careful consideration of their consequences.

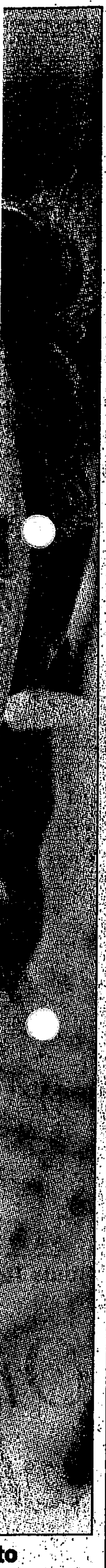
We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours sincerely

Prof. Dr. Naumann
Chief Executive Officer

Enclosure

FT 3 November 2008



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AP

Sarkozy and Brown seek system shake-up

Leaders want a 'new Bretton Woods'

Differences remain over regulation

By Ben Hall in Paris and Jean Eaglesham in London

Nicolas Sarkozy and Gordon Brown have struck up an unlikely partnership before next week's summit in Washington aimed at overhauling the global financial system.

But there are still big differences between Paris and London about the lessons to draw from the crisis. There is also a fear in the Elysée that Mr Brown, the UK prime minister, is still committed to preserving a light-touch regulatory regime for the City of London.

French officials said the strongest message that should come out of the Washington meeting on November 15 would be a broad commitment from the US, the UK and other European countries to abandon competition between regulatory systems in favour of convergence. But they acknowledged that this was unlikely.

Officials on both sides of the English Channel said the two leaders have put their differences about the need for harmonisation of rules to one side so they can both claim success at the summit.

Mr Brown and Mr Sarkozy, the French president, want agreement from the leaders of the G20 group of advanced and emerging economies for a "new Bretton Woods", a redesign of the post-war global financial architecture.

Mr Brown and Mr Sarkozy will seek European Union backing for their proposals at a special summit in Brussels on Friday.

The British do not expect the Washington summit to resolve all, or even most, of the issues but to send out a signal of a commitment to act that will start to restore confidence in battered markets.

French officials said the meeting has two objectives. The first is to take executive decisions on issues that have been discussed intensively by regulators and supervisors for the past year.

These include supervision of rating agencies, injecting flexibility into "fair value" accounting norms for illiquid assets and taking into account banks' pay and bonus structures when evaluating their riskiness. "It's time to wrap up this discussion," said an official in Paris.

The second objective is to agree principles underpinning reforms to be discussed at future summits. France would like to hold a second meeting in Paris in February to be attended by the new US president.

One of the main themes will be changes to the international financial architecture. Britain and France both want a better resourced International Monetary Fund to carry out an early warning function for the global financial system. But by focusing on the broad outlines of a reformed global financial system and on issues such as tax havens, officials believe Mr Brown will be able to skirt round trickier questions about the standard of regulation in the City. Mr Brown's vision of a reformed global regulatory system does not correspond with Mr Sarkozy's enthusiasm for a more harmonised EU regulatory regime.

"I hear leaders taking a very different stance to the one they took six months ago," said a senior French official alluding to Mr Brown. "But have they really changed?

"If we could have an agreement that regulatory convergence was more important than the individual interests of different market places, that would be great. But I'm not sure we are going to get that."

The crisis has made it politically unwise for UK politicians to stand up for the City. The previous British political mantra of "light touch" regulation has now become a defence of "effective" regulation.

But both main political parties in Britain believe the UK's eschewal of heavy-handed statutory controls on the financial sector has given London a clear advantage over its main rival, New York.

This is not an advantage that Mr Brown would sacrifice lightly.

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