

Brussels, 12 December 2008

Accounting: European Commission grants equivalence in relation to third country GAAPs

European Internal Market and Services Commissioner Charlie McCreevy has warmly welcomed the adoption by the Commission of the measures granting equivalence to the Generally Accepted Accounting Principles (GAAPs) of certain third countries as from January of next year. It follows the positive opinions given by the Council, Parliament and Member States in the European Securities Committee last month.

Commissioner McCreevy commented: *"Today's adoption by the Commission is a momentous step. It marks the culmination of important work spanning several years. I would like to express my warmest appreciation to Member States and Parliament for their support in this crucial assignment over all this time."*

The EU supports, along with other key trading partners, the principle of a common set of worldwide accounting standards for listed companies. For the short term, a key part of this strategy has been to eliminate existing costly and burdensome reconciliation requirements between the EU and its key trading partners. Last year, the US waived the requirement to reconcile to US GAAP for foreign issuers using International Financial Reporting Standards (IFRS), including EU issuers.

The measures adopted today, which fall under the Prospectus Directive¹ and Transparency Directive², determine that the GAAPs of US, Japan, China, Canada, South Korea and India are found to be equivalent to International Financial Reporting Standards (IFRS) as adopted by the EU. The Commission will review the situation of some of these countries (China, Canada, South Korea, India) by 2011 at the latest. The Commission will also regularly monitor the ongoing status of equivalence and report to Member States and Parliament where necessary.

Today's measures will mean that foreign companies listed on EU markets will continue to be able to file their financial statements prepared in accordance with those GAAPs (the transitional provisions allowing the use of these GAAPs in the EU would otherwise have expired at the end of 2008).

Background

The EU was the first major jurisdiction to make since 2005 IFRS mandatory for its listed companies, thus setting the foundation for the current success of these standards, and it remains by far the largest jurisdiction applying IFRS.

¹ Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council

² Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004

Progress towards the equivalence of accounting standards has been in parallel with the convergence work between IFRS and US GAAP. As early as September 2002, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) committed (a) to make their existing financial reporting standards fully compatible as soon as is practicable and (b) to co-ordinate their future work programmes to ensure that once achieved, compatibility is maintained. This commitment was formalised in a bilateral Memorandum of Understanding.³

³ <http://www.iasb.org/NR/rdonlyres/874B63FB-56DB-4B78-B7AF-49BBA18C98D9/0/MoU.pdf>