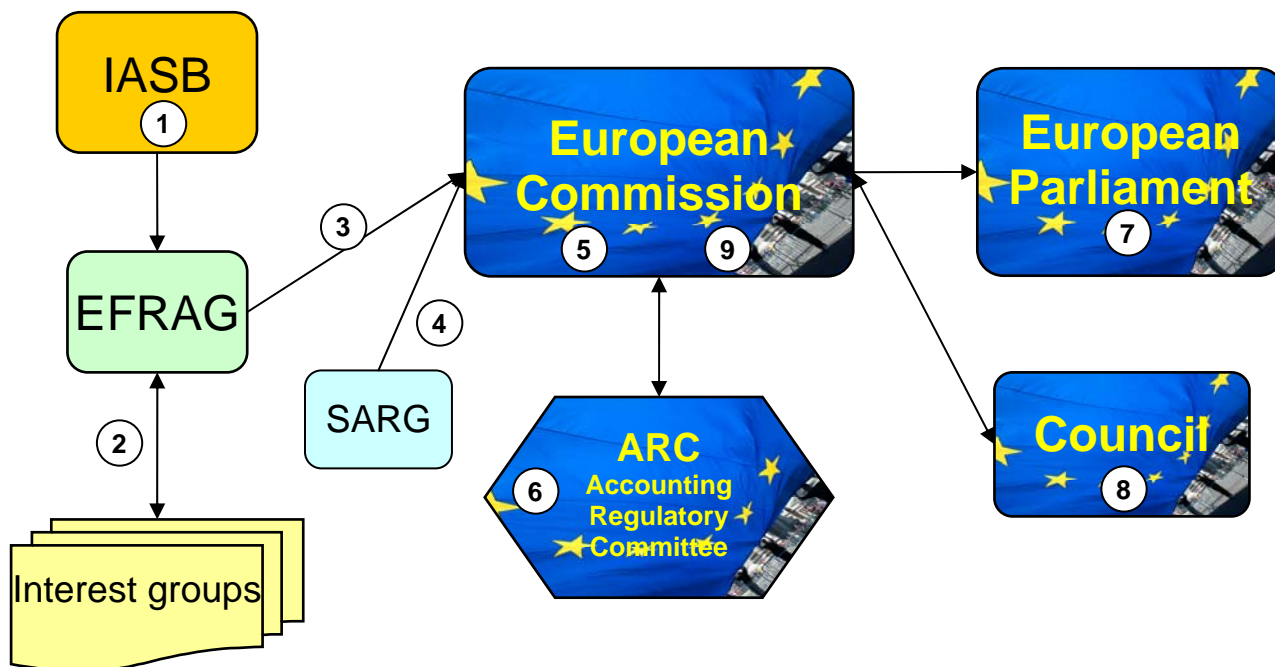


International Accounting Standards and Interpretations endorsement process in the EU.

The endorsement mechanism is a process run according to the IAS Regulation (Regulation (EC) No. 1606/2002)¹.

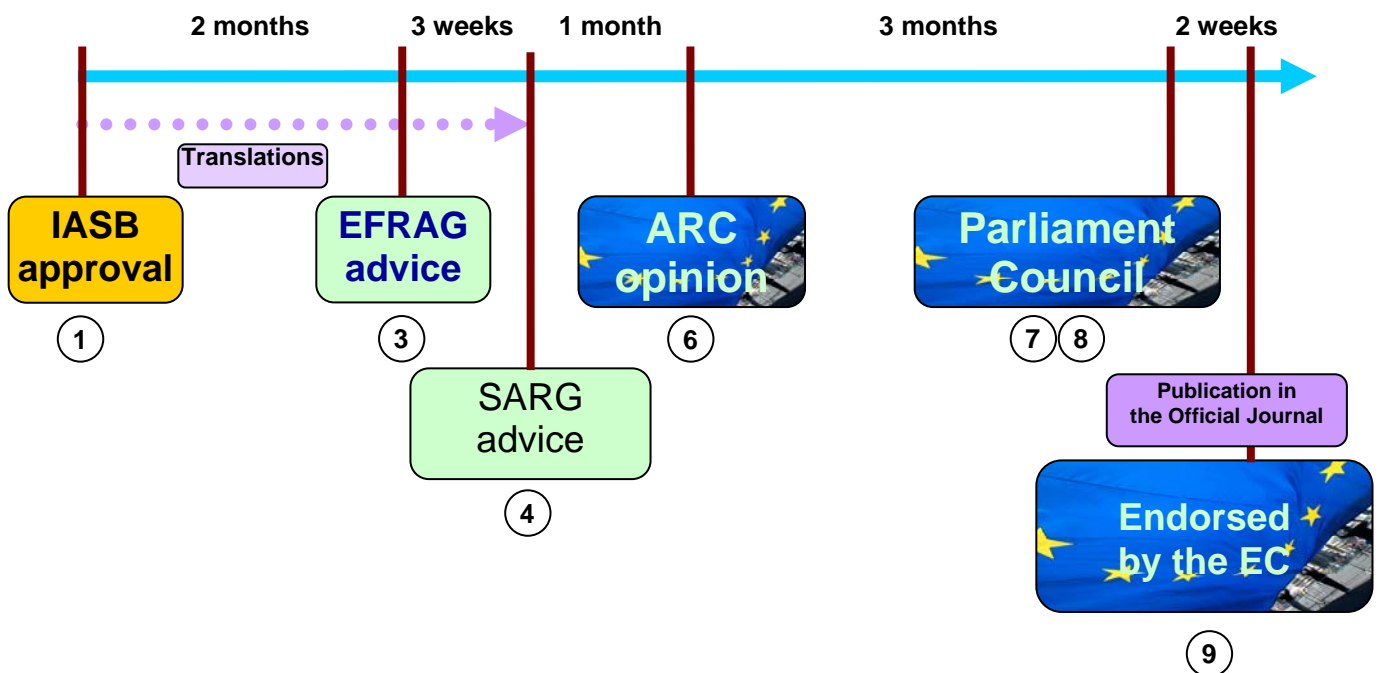
The concrete steps of the endorsement process can be described as follows:



- ① The [IASB](#) (The International Accounting Standards Board) issues a standard.
- ② [EFRAG](#) (the European Financial Reporting Advisory Group) holds consultations with interest groups
- ③ EFRAG delivers its advice to the Commission whether the standard meets the criteria of endorsement. The criteria examined are set forth in Article 3(2) in the IAS Regulation (not contrary to the true and fair view principle set out in the 4th and 7th Company Law Directives², conducive to the European public good, understandability, relevance, reliability and comparability). EFRAG also prepares in cooperation with the Commission an effect study about the potential economic effects of the given standard's application in the EU. EFRAG is mentioned in recital (10) of the IAS Regulation.
- ④ [SARG](#) (the Standards Advice Review Group) issues its opinion whether EFRAG's endorsement advice is well-balanced and objective. The legal basis of this body and its opinion is Commission Decision No. 2006/505/EC³.
- ⑤ Based on the advice of EFRAG and the opinion of SARG, the Commission prepares a draft endorsement Regulation. The adoption of the Regulation follows a regulatory comitology procedure with scrutiny, in accordance with Articles 5a and 8 of the Council Decision 1999/468. This means in practice that:

- ⑥ [ARC](#) (Accounting Regulatory Committee), set up in accordance with Article 6 of the IAS Regulation votes on the Commission proposal. The qualified majority rule applies. If the vote is favourable (which is the case for the vast majority of the standards to be endorsed),
- ⑦ The [European Parliament](#) and
- ⑧ The [Council of the European Union](#) have 3 months to oppose the adoption of the draft Regulation by the Commission.
- ⑨ If the European Parliament and the Council give their favourable opinion on the adoption or the 3 months elapsed without opposition from their side, the Commission adopts the draft Regulation. After adoption, it is published in the [Official Journal](#) and enters into force on the day laid down in the Regulation itself.

The estimated timing of each step is as follows:



¹ Regulation (EC) No. [1606/2002](#) of the European Parliament and of the Council of 19 July 2002, Official Journal L 243, 11 September 2002

² 78/660/EEC Fourth Directive on the annual accounts of certain types of companies and 83/349/EEC Seventh Directive on consolidated accounts, respectively

³ [2006/505/EC](#) Commission Decision of 14 July 2006 setting up a Standards Advice Review Group to advise the Commission on the objectivity and neutrality of the European Financial Reporting Advisory Group's (EFRAG's) opinions