

Brussels, 29<sup>th</sup> October 2002

## Financial reporting: Commission welcomes IASB/FASB convergence agreement

***The European Commission has welcomed today's joint announcement by the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) of their commitment to achieving real convergence between their respective accounting standards by 2005, when listed EU companies will be required to apply IAS. The announcement is a major step towards a global system of accounting standards and will in particular help the US Securities and Exchange Commission (SEC) to accept financial statements prepared by EU companies in accordance with IAS, without reconciliation to US GAAP, for the purposes of listing on US markets.***

Frits Bolkestein, European Commissioner for the Internal Market, said "The recent scandals have shown how important top quality accounting standards are for the health of all financial markets. Today's announcement is a very positive move towards a single worldwide set of high-quality, best of breed, principles-based financial reporting standards, which would dramatically improve the efficiency of global capital markets: costs would decrease, comparability would improve and corporate governance would be enhanced. We must ensure convergence is achieved without diluting the quality of the standards. I am confident that the IASB and FASB will rise to that challenge."

The IASB and the FASB announcement is based on a Memorandum of understanding on convergence of their respective standards. The Memorandum formalises the commitment of the two bodies to convergence based on high quality solutions and, once convergence is achieved, to its maintenance through co-ordination of future work.

In June 2002, the EU adopted the IAS Regulation requiring EU companies listed on a regulated market to prepare their consolidated accounts in accordance with endorsed IAS from 2005 onwards (see [IP/02/827](#)). Member States may extend this requirement to unlisted companies and to annual accounts.

Mr Bolkestein discussed the issues of convergence of accounting standards and of recognition by the SEC of accounts prepared in accordance with IAS with the Chairman of the US Securities and Exchange Commission (SEC), Harvey L. Pitt, during the latter's visit to Brussels on 9 October (see [MEMO/02/210](#))

The full text of the IASB/FASB announcement can be found at :

<http://www.iasc.org.uk/cmt/0001.asp>.