

PRESS RELEASE



UNICE

THE VOICE OF BUSINESS IN EUROPE

20 March 2001

For immediate release

PRIVATE SECTOR ORGANISES ITSELF FOR THE ADOPTION OF IAS BY 2005 IN EUROPE: EFRAG

The Commission has recently launched its proposal for a Regulation on the application of international accounting standards, including a requirement for listed companies to use IAS by 2005. Preparers, including SMEs, users and the accountancy profession, in close cooperation with the national standard setters, launch plans for the Accounting Technical Committee, the expert level of the endorsement mechanism as proposed by the European Commission in its Proposal for a Regulation: European Financial Reporting Advisory Group – EFRAG. The aim is to have one single set of accounting standards for the European capital market that cannot only be used in Europe but worldwide: IAS.

Europe can only support IAS if it has sufficient input and influence in the development of IAS. It needs to be ensured that issues identified in Europe are fully understood and properly debated in the IASB. Therefore it is time for Europe to coordinate its views and to share its resources so as to provide input to IASB at an early stage. The proactive contribution to the work of IASB would be the main function of EFRAG. Another function of EFRAG is technical assessment of IAS and SIC Interpretations ("the actual endorsement as such" as referred to in the proposed Regulation).

FEE President, Göran Tidström, welcomes the proposed adoption of IAS within the EU but nevertheless believes that a European endorsement mechanism is important if Europe is to influence the shape of the international regime: "the main purpose of EFRAG will be to make sure that a European view is defined and fed into the IASB's initiatives at the earliest

possible stage. EFRAG will enable Europe to make contributions over time that will be ex aequo comparable to the contributions made by the US.

The Chairman of the Accounting Harmonisation Working Group of UNICE, Jean den Hoed, stressed the importance of the involvement of the relevant European Organisations: "EFRAG should become the natural contact for the IASB in Europe and be an important player since some 7000 European listed companies will have to apply IAS from 2005 onwards. As it is expected that governments will introduce IAS for a wider range of enterprises in the following years, SMEs need also to be informed of this new process from the start".

The nomination of candidates of the Technical Expert Group and staff of EFRAG will take place during April with appointments following soon thereafter. EFRAG should be operational during summer.

The joint proposals are supported by the following European Organisations:

Preparers: UNICE, EBF, ESBG, GEBC, and CEA

SMEs: UEAPME and EFAA

Users: FESE and EFFAS

Accountancy profession: FEE

These organisations will form the founding fathers of EFRAG.

In short:

- European organisations welcome the adoption of IAS in Europe
- European organisations of preparers, including SMEs, users and the accountancy profession announce the launch of EFRAG.
- EFRAG is not only the expert level of the endorsement mechanism but it is more.
- EFRAG most importantly has a proactive role: European input and influence in the development of IAS.
- EFRAG is established in close cooperation with the standard setters. Standard setting experience is important for membership of the Technical Expert Group of EFRAG.

Notes to Editors

1. On 13 February, the European Commission has presented a proposal for a Regulation that would require all EU companies listed on a regulated market, including banks and insurance companies, to prepare consolidated accounts in accordance with International Accounting Standards (IAS). This requirement would enter into force at the latest in 2005. Member States would have the option to extend this requirement to unlisted companies and to the production of individual accounts. The Regulation would help eliminate barriers to cross-border trading in securities by ensuring that company accounts throughout the EU are more transparent and can be more easily compared.

The proposals would also establish a new EU mechanism to assess International Accounting Standards adopted by the International Accounting Standards Committee, the

international accounting standard-setting organisation based in London to give them legal endorsement for use within the EU. Under this mechanism, there would be an Accounting Regulatory Committee that would operate at political level under established EU rules for decision-making by regulatory committees.

An accounting technical committee will be set up as a private-sector initiative, named EFRAG "European Financial Reporting Advisory Group", by the main actors interested in financial reporting (including users, preparers, the accounting profession and national standard setters). The accounting technical committee would provide technical expertise concerning the use of IAS within the European legal environment. It would participate actively in the international accounting standard setting process and organise the coordination within the EU of views concerning international accounting standards. This committee should be in place in the course of the second quarter of 2001, i.e. soon after the new IASC Board becomes operative (from 1 April 2001 onwards). The Commission would be represented in this committee in an observer capacity (out of Commission Press Release of 13 February 2001).

2. The joint proposals of the European Organisations for EFRAG envisage a two-tier level: a Technical Expert Group of highly-qualified technical experts drawn from national standard setters, the accountancy profession, preparers and users, limited in size and a Supervisory Board of European Organisations to guarantee representation of the full European interest and to enhance the legitimacy and credibility of EFRAG.

Highly qualified experts with proper knowledge of the European and international financial reporting scene will carry out the technical work in the Technical Expert Group with the help of a wide consultation process, including also a Consultative Forum of all European Standard Setters. Members of the Technical Expert Group should have experience in standard setting (now or in the past) and/or be in close contact with national standard setters and/or the IASC and/or have experience in applying IAS. The majority of the members of the Technical Expert Group may come from the Boards of the national standard setters. Some of the members coming from the Board of national standard setters will continue their work with the national standard setter in addition to their membership of EFRAG. Members of the Technical Expert Group should represent the European point of view rather than the individual organisation they come from. Members of the Technical Expert Group will be accountable to the Supervisory Board and should work in the European interest.

The joint proposals are about to be finalised and will be adopted by the various European organisations involved by the end of March.

3. On 31 July 2000, FEE accepted the Commission invitation to contribute to the development of the accounting technical committee in exploring ways and means to bring about the coordination of the accounting profession, users and preparers in the EU as well as accounting standard setters. FEE organised this dialogue within a Task Force of European Organisations, chaired by FEE President Göran Tidström.

4. Description of the Organisations

Accountancy Profession

FEE – Fédération des Experts Comptables Européens

The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe, currently grouping together the 38

leading institutes in 26 countries, including the 15 Member States, Cyprus, Czech Republic, Hungary, Iceland, Israel, Malta, Monaco, Norway, Romania, Slovenia and Switzerland. Between them these bodies have a combined membership of approximately 400.000 individuals of whom about 45% work in the public practice, providing a wide range of services to clients, whilst the other 55% work in various capacities in industry, commerce, government and education.

FEE commenced operations on 1 January 1987. It took over responsibility for the activities previously carried out separately by the Union Européenne des Experts Comptables, Economiques et Financiers (UEC) and the Groupe d'Etudes des Experts Comptables de la CEE (Group d'Etudes). Both organisations had served the European accountancy profession since 1951 and 1961 respectively.

Further information can be obtained from the FEE Secretariat (rue de la Loi 83, 1040 Brussels – Tel. + 32 (2) 285 40 85, Fax: + 32 (2) 231 11 12) and on its website: www.fee.be.

Preparers

UNICE – Union des Confédérations de l'Industrie et des Employeurs d'Europe

UNICE, the representative of employers in Europe, speaks for all companies – of all sizes and in all sectors of activity – vis-à-vis the institutions of the European Union (Council, Parliament, Commission and Economic and Social Committee). Established in Brussels since 1958, UNICE now brings together 34 industrial and employers' federations from 26 European countries.

EBF – European Banking Federation

The European Banking Federation represents the interests of 3,000 banks in the 15 Member States of the European Union and in Iceland, Norway and Switzerland, with total assets of more than euro 10,000 billion.

ESBG – European Savings Banks Group

The European Savings Banks Group (ESBG) represents 24 members from 24 countries with total assets of 2,505 billion euro, total deposits of 1,600 billion euro, total loans of 1,343 billion euro, 1,045 savings banks, 66.000 branches and more than 750.000 employees.

GEBC – European Association of Cooperative Banks

The European Association of Co-operative Banks was created in 1970. Its foundation was based on the need both to strengthen co-operation between European co-operative banking groups as well as to chart a course of action aimed at defending these institutions' professional interests on a European-wide scale. A membership base of more than 30 organisations comprises co-operative banking groups from not only the 15 European Union Member States, but also those from several Central and Eastern European countries.

The European Association of Co-operative Banks is one of the main associations of the European credit industry and is officially recognised as the representative body of the European co-operative banking sector by the European Union institutions and the European Central Bank

As full universal banks, co-operative banks offer their members and clients the complete range of modern banking services. With their *38 million members and over 100 million clients*, co-operative banks today rank among the leading players in the European banking sector.

- Hereunder is a summary of key statistics for Full Member Organisations

Total (EU 15)

Regional/local banks	4.529
Banking outlets	50.885
Members	37.822.800
Clients	103.482.512
Staff	527.219
Total Assets	2.155.860 Million Euros
Deposits	1.316.688 Million Euros
Loans	1.204.216 Million Euros
Market Share	(estimate) 17 per cent

Web site : www.gebc.org

CEA – Comité Européen des Assurances

Set up in 1953, the Comité Européen des Assurances is the federation of national insurance company associations in twenty-nine European countries.

Its aims are:

- to represent European insurers:
 - promoting, defending and illustrating their views within international bodies,
 - providing qualified opinions to public or private European and international organizations with an insurance or reinsurance involvement,
- to exchange information and experience between markets (studies in the interest of European insurance companies and in response to their needs),
- and, in a general way, to put forward the views of European insurers in economic and social debates.

SMEs

UEAPME – European Association of Craft, Small and Medium-sized Enterprises]

UEAPME is the employer's organisation representing the interests, at European level, of crafts, trades and SMEs in the European Union and countries applying for accession to the European Union. It is non-profit seeking and non-partisan. Its 69 member organisations, as of September 2000, consist of national cross-sectoral federations, European branch federations and other associate members that support the SME family. Of the 19 million enterprises in the European Union, UEAPME represents more than 7 million that employ over 30 million people. Across the whole of Europe, UEAPME represents over 10 million enterprises with more than 50 million employees.

EFAA – European Federation of Accountants and Auditors for SMEs

EFAA is a European umbrella Association of Accountancy bodies, primarily serving SMEs.

To qualify as an EFAA member, the EFAA member-association's individual members must be qualified to perform statutory audit in accordance with the qualification requirements set forth in the Eight EEC Directive on Company Law, 84/253/EEC by the Council of the European Communities, or have passed a similar level of education in the Accounting field. Furthermore, and not less important is that, the individual members are SMEs themselves, and that they serve primarily SME clients. This precondition is to safeguard that the accountant possesses a first hand knowledge about the SME environment as a whole.

EFAA was founded in 1994 in The Hague, The Netherlands. In 1996 an office was opened in Brussels.

Further information can be obtained at the EFAA office in Brussels and at the website: <http://www.efaa.com>, where you will also find useful links to most of the member associations.

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Users

FESE – Federation of European Securities Exchanges

The Federation of European Securities Exchanges is the trade association of the Stock Exchanges of the European Union countries as well as Switzerland, Iceland and Norway. The market organisations in the Central and Eastern European countries are eligible to Associate Membership and Warsaw, Ljubljana, Cyprus and Budapest already qualified. FESE's Membership is open to Futures and Options Commodities Markets as well as to Clearing Organisations.

FESE's main focus is to represent the Member organisations to the Institutions of the European Union (Commission, Council and European Parliament) to FESCO (the Forum of European Securities Commissions) and to other regulatory authorities if required. The Federation's staff is run by the Secretary General, Mr Paul Arlman, from their office in Brussels (rue du Lombard 41, 1000 Brussels, web site www.fese.be).

EFFAS – European Federation of Financial Analysts Societies

The European Federation of Financial Analysts Societies (EFFAS), which was established in 1963, is a representative organisation for the analysts societies in Europe bringing together professional societies in more than 15 countries. These bodies have a combined membership of approximately 10,000 individuals, working mainly in the areas of financial analysis and fund management, but also in allied occupations. In addition, the Federation maintains contacts with professional societies in the same discipline which are not members of EFFAS, in order to ensure a representation in the various accounting discussions.

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The text of the Joint Proposals can be obtained from April from FEE:

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