

DRAFT SUMMARY MINUTES

MEETING OF THE STANDARDS ADVICE REVIEW GROUP ON 2 MARCH 2007

Mr Delsaux, Director for the Free Movement of Capital, Company Law and Corporate Governance Directorate, DG Internal Market and Services chaired the first meeting of the Standards Advice Review Group.

DISCUSSION AT THE MEETING

I. OPENING OF THE MEETING

The Commission welcomed members of the Standards Advice Review Group at its first meeting and explained the background of the Standards Advice Review Group.

Under the Comitology procedure European Financial Reporting Advisory Group (EFRAG) provides the Commission with a technical advice on whether the standard or interpretation to be endorsed complies with the criteria for endorsement such as understandability, relevance, reliability and comparability as well as true and fair principle.

As EFRAG is a private body, it was important for the Commission to establish appropriate infrastructure ensuring that its endorsement advice is well-balanced and objective. Therefore, the Commission decided to create the Standards Advice Review Group composed of independent experts on financial reporting to advise the Commission, before it takes a decision on endorsement of IFRS or IFRIC, whether EFRAG's opinion on endorsement is well balanced and objective.

The Commission underlined importance of Group keeping this purpose and task of the Standards Advice Review Group in mind, while giving their advice to the Commission and presented his belief that their participation at the endorsement system would raise the level of transparency and overall credibility of the endorsement process in the EU. Furthermore, the Commission emphasised the importance of good cooperation with EFRAG.

II. ADMINISTRATIVE ISSUES

Signing of the statement to act in the public interest and a declaration indicating the absence or existence of any interest, which may undermine independence of the members of the Group

Members of the Group signed an undertaking to act in the public interest and a declaration indicating the absence or existence of any interest which may undermine their independence and objectivity.

The Commission also reminded members of the Group that in the event of a conflict of interest concerning their function of a member of the Standards Advice Review Group, they have a duty to inform the Commission and the Chairman of the Standards Advice Review Group and abstain from discussing the items on the agenda concerned and from any vote on these items.

Selection of the Chairman of the Group

The Commission explained that according to Article 4 of its Decision on setting up of the Standards Advice Review Group, the Group shall select a Chairman for a period of one year. Chairman is elected by a simple majority.

The Commission explained that the main task of Chairman, besides chairing the meetings of the Group, is to act as liaison between the Group and the Commission, ARC and EFRAG , representing the Group during its contacts with EFRAG and ARC. In particular, when the Group identifies a particular concern regarding the opinion of EFRAG on endorsement, Chairman will enter into dialog with EFRAG and try to resolve the matter. Chairman may also be invited to the meeting of the Accounting Regulatory Committee to present Group's advice.

Chairman will also have a role in administration and functioning of the Group. The Commission will consult it on its decision to convene a meeting of the Group and on a draft agenda for this meeting. Chairman will be responsible for the summary minutes of the meeting and other administrative issues concerning the functioning of the Group.

Election of the Chair was postponed to the next meeting. The Commission is acting as the chair until that moment.

Adoption of the rules of procedure

The Commission submitted to the members of the Group draft rules of procedure based on the standard rules of procedure published by the Commission (Annex III of document SEC(2005) 1004) and asked for their opinion.

One member of the Group voiced his opinion that the time limit of five and three days before the meeting for sending documentation to the members of the Group is rather too short.

The Commission explained that it would use this option only in urgent and exceptional cases and that under normal circumstances it will send material to the members of the Group at least 10 days before the date of the meeting.

Members of the Group agreed on this approach.

One member of the Group asked the Commission to clarify in the Rules of procedure of the Group as regards attendance of third parties to the meetings of the Group.

One member of the Group asked whether it is possible to include in the rules of procedure a provision on a designated Chairman of the Group, who may be nominated ad-hoc by the Chairman in case that he is temporarily unavailable to perform certain duties of the Chairman.

The Commission and the members of the Group agreed to add this provision into the rules of procedure. The rules of procedure will be adopted during the next meeting.

Discussion on transparency of the Group's work and publication of documents related to its work

The Commission informed members of the Group that according to its decision on setting up of the Standards Advice Review Group, the final advice of the Group, together with the summary minutes of the Group's meetings, will be published on the Internet website of the Commission. As a general rule the Group's deliberations are confidential. In agreement with the Commission and by simple majority of its members, the Group may decide to open its deliberations to the public.

Members agreed that minutes of the meetings of the Group will not mention the individual position of the members during the Group's deliberations, unless a member of the Group expressly requests his individual position to be included in the minutes. The same approach should be used when drafting the final advice of the Group.

The Commission has also explained that all documents produced in relation to work of the Group can be publicly accessed under the conditions laid down in Regulation (EC) No. 1049/2001 (Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents (OJ L 145, 31.5.2002, p. 43)).

III. OVERVIEW OF THE ENDORSEMENT SYSTEM AND INTERACTION WITH EFRAG

The Commission gave an overview of the endorsement process in the EU.

Representatives of EFRAG joined the meeting of the Standards Advice Review Group.

Endorsement process starts as soon as COM receives a new IFRS standard or IFRIC interpretation from the IASB. COM then asks EFRAG for its endorsement opinion and notifies members of the Standards Advice Review Group that the endorsement advice has been requested indicating the approximate time of its delivery. Upon delivery of EFRAG's final opinion on endorsement, Standards Advice Review Group has three weeks to give its advice to the Commission. In exceptional circumstances this may be extended to four weeks. The role of the Group is to assess whether EFRAG's opinion on endorsement is well-balanced and objective.

After COM receives EFRAG's opinion and advice of SARG, it will draft the endorsing Regulation, with standard or interpretation in its Annex. Together with all required documents it will be sent for consultation with other Commission services – so called Inter-service consultation.

COM will also send this Regulation to members of the Accounting Regulatory Committee and schedule a meeting of the Accounting Regulatory Committee to vote on proposal for endorsement. Accounting Regulatory Committee (ARC) is composed of representatives from Member States and is chaired by the Commission.

The role of ARC is to ensure the formal representation of Member States interests in the endorsement process under so-called Comitology procedure. Accounting Regulatory Committee approves implementing measures by qualified majority.

Draft implementing measures should be also sent to the European Parliament two months before the meeting. After the meeting, the EP has another one month to consider whether the Commission has exceeded its implementing powers.

These comitology rules will be modified in the future. IAS Regulation will be amended to include a new "regulatory procedure with scrutiny". Under this new procedure the Commission will, after obtaining Accounting Regulatory Committee's favourable opinion, submit the draft measure for scrutiny by the EP and the Council. The new procedure will extend the time for EP and Council to react to 3 months, unless a fast track procedure will be adopted.

One member of the Group commented that the Group would appreciate if EFRAG could share with them a history of the conception of the standard before IASB adopts it. In particular, the Group is interested in seeing comment letters and other papers produced by EFRAG before the adoption of the standard. This member also asked whether it is possible for EFRAG to provide them with clear table containing information whether IASB has accepted EFRAG's comments.

IV. UPCOMING ENDORSEMENTS

EFRAG presented overview of the upcoming endorsements as well as its work plan and estimate time of delivery of its final endorsement advice. As concerns IFRIC 12 – Service Concession Arrangements, EFRAG will meet and discuss its final endorsement advice on 9 March 2007. It will publish its final endorsement advice in week commencing on 12 March 2007.

As concerns amendment to IFRS 2 - Share-based Payment: Vesting Conditions and Cancellations and amendment to IAS 23 - Borrowing Costs, EFRAG expects to meet and discuss its final endorsement advice on 30 May/1 June 2007 and to publish its final endorsement advice in week of 4 June. EFRAG also explained that these information are subject to change.

One member of the Group asked EFRAG whether it would be possible to send to the members of the Group and to the Commission updated time table with estimate of EFRAG's work plan and delivery of its opinion on endorsement as soon as there is a change.

EFRAG agreed to this proposal.

V. PRELIMINARY DISCUSSION ON SERVICE CONCESSIONS – IFRIC 12

EFRAG representatives commented a document explaining the working process followed by EFRAG since mid-2004 on IFRIC 12 project.

Further to EFRAG's voting procedures, EFRAG representative explained that a positive endorsement advice can be taken at a simple majority of 7 (out of 12), but that a negative advice requires a qualified majority (8 out of 12). Abstention is considered as a vote in favour and TEG members abstaining are fully aware that their vote will be counted as positive. They usually abstain because while they are not against the endorsement as such, they have nevertheless concerns to express.

Representatives of EFRAG left the meeting of the Standards Advice Review Group.

VI. WORKING PLANS OF THE GROUP AND NEXT MEETINGS

The members of the Group discussed the issue of access to documents produced by EFRAG. They proposed to get automatic access to all EFRAG's documents concerning endorsement process, as well as access to all comment letters and a short document summarizing them. There was a general agreement that the Chairman of the Group should raise this issue with the Chairman of EFRAG TEG.

The members of the Group and the Commission scheduled the next meeting of the Standards Advice Review Group for 12 April 2007. The main objective of this meeting is to deliver an advice to the Commission on whether EFRAG's opinion on endorsement of IFRIC 12 – Service Concessions Arrangements is well balanced and objective.

The third meeting of the Standards Advice Review Group on preliminarily scheduled for 3 July 2007.

STANDARDS ADVICE REVIEW GROUP

Meeting of 2 March 2007

PARTICIPANTS' LIST

MEMBERS OF THE STANDARDS ADVICE REVIEW GROUP

Josef Jílek

Jan Klaassen

Elisabeth Knorr

Enrico Laghi

Geoffrey Mitchell

Carlos Soria Sendra

Hervé Stolowy

EFRAG

Françoise Flores

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