

**DECLARATION BY THE COMMISSION ON THE ADOPTION OF IAS 39  
AT THE MEETING OF THE ACCOUNTING REGULATORY  
COMMITTEE OF 1 OCTOBER 2004**

The Commission confirms the crucial importance they attach to the timely adoption of common international accounting standards (IAS/IFRS) in the European Union which is essential for the integration of EU capital markets and for the global convergence of accounting standards. In this perspective, it is the Commission's firm intention to adopt all IAS/IFRS standards on time for application in 2005.

The most important remaining case was the adoption of IAS 39 on financial instruments. As a general rule, the Commission will always prefer full endorsement of international accounting standards. However, IAS 39 currently represents an exceptional situation caused by particular prudential and technical complexities which have not been resolved.

The opinion of the Accounting Regulatory Committee of 1 October 2004 to partially adopt IAS-39, with 2 carve outs, has helped to pave the way towards an early adoption of the entire standard in a revised form. In this context, the Commission confirms that it has no intention to become an accounting standard setter. The Commission has paid particular attention to remove only a few provisions of the standard that are distinct, separable and only to the extent strictly necessary. No text has been added to the standard. Within the limited time available, the Commission also took all possible practical steps to evaluate the effectiveness of the carve-outs.

The Commission considers that under an optimistic scenario the first carve out on the full fair value option could be eliminated by April 2005 and the second carve out on hedge accounting around the end of 2005. This is based on the assumption that the IASB will have reached a satisfactory solution to the fair value option in early December 2004 and that the working party set up between the IASB and the European Banking Federation on hedge accounting can finish its technical work by April 2005.

The Commission appeals to all parties concerned, the IASB, the ECB, Basle regulators and European banks to work intensely to find appropriate, balanced solutions as quickly as possible on the remaining outstanding issues in IAS-39. The Commission will work with all the parties concerned to obtain this final result.