

DRAFT SUMMARY RECORD

MEETING OF
THE ACCOUNTING REGULATORY COMMITTEE AND CONTACT COMMITTEE
OF 30 NOVEMBER 2005

M. Delsaux, Acting Director for Company Law & Corporate Governance, DG Internal Market and Services chaired the eighteenth meeting of the Accounting Regulatory Committee and the fourth meeting of the Contact Committee in 2005.

VOTES OF THE ARC

VOTE ON A COMMISSION REGULATION ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) 7 FINANCIAL INSTRUMENTS: DISCLOSURE, AMENDMENTS TO IFRS 1 FIRST-TIME ADOPTION OF IFRSs AND THE BASIS FOR CONCLUSIONS OF IFRS 6 EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES, AN AMENDMENT TO IAS 1 PRESENTATION OF FINANCIAL STATEMENTS—CAPITAL DISCLOSURES, AMENDMENTS TO IAS 39 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT AND IFRS 4 INSURANCE CONTRACTS—FINANCIAL GUARANTEE CONTRACTS AND INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE’S (IFRIC) INTERPRETATION 6 LIABILITIES ARISING FROM PARTICIPATING IN A SPECIFIC MARKET—WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT IN ACCORDANCE WITH REGULATION (EC) No 1606/2002 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 19 JULY 2002 ON THE APPLICATION OF INTERNATIONAL ACCOUNTING STANDARDS

Result of the vote on a Proposal for a Commission Regulation amending Regulation (EC) No 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as regards IFRS 7, Amendments to IFRS 1 and 6, Amendment to IAS 1, Amendments to IAS 39 and IFRS 4 on financial guarantee contracts and IFRIC 6.

The draft Regulation was accepted unanimously. One correction was made to footnote 2.

DISCUSSION AT THE MEETING

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VII. TOWARDS A STANDARD REFERENCE FOR IFRS COMPLIANCE IN THE EU. ENDORSEMENT PROCEDURE CONTINUING INTO THE FOLLOWING YEAR A STANDARD REFERENCE FOR IFRS COMPLIANCE IN THE EU

The discussion on this section was organised in two distinct parts.

1) Standard compliance statement.

Further to the discussion at the ARC meeting on 8 November, the Commission proposed a revised standard formulation to express compliance with the accounting framework applicable to companies subject to regulation 1606/2002/EC ("IAS regulation"). The ARC was supportive of the following formulation for use in the notes to the accounts and in the audit report: "*in accordance with International Financial Reporting Standards as adopted by the EU*" or (abbreviated variant): "*in accordance with IFRSs as adopted by the EU*".

This formulation is close to the version proposed in November 2004 following the decision to "carve out" contentious sections of IAS 39. However, the explicit plural "IFRSs" underscores that IFRSs are endorsed one-by-one rather than as a package.

The term "as" is significant: it makes it absolutely clear that the statement should be read as "in the manner in which IFRSs have been adopted in the EU following the endorsement procedure" and not simply as "IFRSs that have been adopted".

One Member State wondered whether the standard formulation should also contain a reference to a precise date. The Commission clarified that the Commission Regulations endorsing IFRSs typically provide for a certain flexibility as regards the early application of IFRSs. Therefore, different options are available to companies when they prepare their accounts. However, companies that make use of the "early application" possibility should disclose this fact, as required by the related IFRS.

Another Member State enquired about the term "by the EU". The Commission confirmed that this wording –already in use since November 2004– had not raised any legal concern.

Two Member States further enquired about the possibilities for companies to use IFRSs not yet endorsed by the EU. EFRAG indicated that the question of IFRSs not yet endorsed by the EU but not in contradiction with endorsed IFRSs had been addressed in 2003.*

The Commission undertook to post the revised standard formulation on the website of DG MARKT. This would supersede the standard formulations recommended in section 2.1.4. of the *Comments regarding certain Articles of the IAS Regulation* published in November 2003, and in the Frequently Asked Questions section issued in November 2004 following the "carve out" decision on certain elements of IAS 39. These earlier formulations are now obsolete.

* [Note from the Commission services]: please refer to section 2.1.3. of the *Comments regarding certain Articles of the IAS Regulation* (November 2003).

2) Endorsement procedure continuing into the following year

The Commission explained that a question had arisen regarding what date should be used for the applicability of endorsed IFRS. This is especially relevant where the IASB publishes a standard before the balance sheet date of a company but it is endorsed by the EU and published in the Official Journal only after that date. The Commission Regulations endorsing IFRS typically require companies to apply the specified IFRS "... as from the commencement date of its [year] financial year at the latest." This mirrors the provisions in the related IFRS where there is an effective date and a provision where early application is encouraged. Therefore, the Commission informed Member States that Regulations endorsing IFRS published in the Official Journal and entering into force after the balance sheet date but before the date the financial statements are signed can be used by companies (but they are not obliged to) where early application is permitted in the Regulation and the related IFRS.

The challenge was now to accelerate the endorsement process and to publish the adopted standards shortly. While certain steps (such as publication) could be shortened by Commission services, other steps were in the hands of the European Parliament. The Commission undertook to contact Parliament to explore the possibility of reducing Parliament's three-month scrutiny right for the Commission Regulation on which the ARC had just issued a positive opinion. Receiving a green light from the Parliament already in December would allow the Commission to adopt the Regulation at the same time as the Regulation endorsing the cash flow hedge provisions under IAS 39. The Commission also reminded ARC Members to provide their comments on the different linguistic versions of the draft Commission Regulation discussed in the morning. The urgent availability of all final linguistic versions was essential for proceeding to publish the Regulation in the Official Journal as soon as possible after its approval by the Commission.

A number of delegations congratulated the Commission for this important clarification, which will provide legal certainty to companies and their auditors.

One observer noted that the accounting regulations adopted by the EU will need to be implemented in non-EU countries of the European Economic Area. This observer was concerned about a possible time difference between the availability of new accounting rules in the EU and their availability in the other EEA countries.

Several ARC Members called for a speedy communication of the outcome of this discussion. The Commission replied that it would be posted on the website of DG MARKT. EFRAG also offered to contribute to the diffusion of this information.

VIII UPDATE ON TECHNICAL ACTIVITIES, PARTICULARLY BUSINESS COMBINATIONS

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Meeting of 30 November 2005

PARTICIPANTS' LIST

Austria

Financemarktaufsicht

Ministry of Finance

Ministry of Justice

Belgium

Commissie Boekhoudkundige Normen

Cyprus

Permanent Representation to the EU

Czech Republic

Ministry of Finance

Denmark

Danish FSA

Danish Commerce and Companies Agency

Ministry of Economic and Business Affairs

Estonia

Estonian Accounting Standards Board

France

Conseil National de la Comptabilité (CNC)

Ministère de l'Economie, des Finances et de l'Industrie (Trésor)

Finland

Ministry of Finance

Ministry of Social Affairs and Health

Germany

Bundesministerium des Justiz

Greece

Greek Accounting and Auditing Oversight Board

Hungary

Ministry of Finance

Ireland

Department of Enterprise, Trade and Employment

Institute of Chartered Accountants in Ireland

Italy

**Ministry of Economy and Finance
CONSOB**

Latvia

Ministry of Finance

Lithuania

**Ministry of Finance
Accounting Institute**

Luxembourg

**Ministère de la Justice
Commission de surveillance du secteur financier**

Malta

**Accounting Board
Ministry of Finance**

The Netherlands

Ministry of Justice

Poland

Ministry of Finance

Portugal

CMVM

CNC

Slovakia

Ministry of Finance

Slovenia

Spain

**Banco de España
ICAC**

Sweden

Ministry of Justice

United Kingdom

Department of Trade and Industry

OBSERVERS

Iceland

Icelandic Mission to the EU

Norway

Financial Supervisory Authority

Ministry of Finance

Romania

Ministry of Public Finance

Bulgaria

Ministry of Finance

European Institutions/Committees

European Central Bank (ECB)

Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS)

Committee of European Securities Regulators (CESR)

European Financial Reporting Advisory Group (EFRAG)

Commission

Pierre Delsaux, Director of DG Markt

Piotr Madziar, Head of Unit "F3: Accounting",

Ulf Linder, Deputy Head of Unit "F3 Accounting

Remo Croci, Secretary to the ARC/F3

Annette Davis/F3

Arto Leppilahti/F3

Michel Martino/F3

Lars Vind Sorensen/F4

Allister Wilson