

## SUMMARY RECORD

<p>MEETING OF THE ACCOUNTING REGULATORY COMMITTEE OF 6 NOVEMBER 2002</p>
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The European Parliament and Council Regulation on the application of international accounting standards (named hereafter the "IAS Regulation") has entered into force after publication in the Official Journal of the European Communities (OJ L 243) on 11 September 2002. Article 6 of the IAS Regulation states that the Commission shall be assisted by an accounting regulatory committee, to decide on the applicability within the Community of international accounting standards and related interpretations.

M. David Wright, Director at the Internal Market DG, European Commission, chaired this first official meeting of the Accounting Regulatory Committee ("ARC"). No implementing measures featured on the agenda of this meeting. The Chairman proposed at the outset to address the issue of IAS translation as agenda point 2. The modified agenda was agreed.

### Agenda point 1 - Rules of procedure of the Committee.

In accordance with Article 6(3) of the IAS Regulation, the Accounting Regulatory Committee is required to adopt its rules.

The Chairman recalled that rules of procedure are standard ones and as such, should to the maximum extent possible not be modified. Three main amendments were brought to the standard rules, reflecting two official declarations made by the Commission in the negotiation of the IAS Regulation and a third regarding extending the time for communication of documents to delegations prior to a meeting imposed by the agreement with the EP on the Lamfalussy procedures that also apply to the IAS Regulation, in conformity with Recital 8 of the Regulation. Amendments proposed by Member States to delete the provision for urgent procedures were accepted.

The amended rules of procedure of the Committee were adopted unanimously.

### Agenda point 2 - Translations

The Chairman explained that under Article 3(4) of the IAS Regulation, adopted international accounting standards shall be published in full in all official languages of the Community in the Official Journal. The Chairman said that an absence of Commission in-house expertise for the translation of complex and highly technical standards and the consequent need to have recourse to an external service provider meant that good quality translations of existing standards and interpretations could not be available by the end of this year. Unfortunately, this would impact on the date of possible endorsement of existing standards within the early part of 2003.

### Agenda point 3- Endorsement of existing standards - State of play.

The Chairman invited delegations to have an open preliminary exchange of views on the endorsement of existing standards, in a context where the European banking industry -and to a lesser extent insurance companies- have raised a number of problems with IAS 39, the IAS standard on financial instruments, notably in respect of hedge accounting.

A majority of Member States expressed the view that it was important for the EU to follow EFRAG's advice to endorse "en bloc" all existing standards including IAS 39 - notably because it was indispensable to have a standard on financial instrument by 2005. All Member States agreed that it was essential to send a clear message to the IASB on the need to thoroughly reconsider IAS 39 beyond the proposed improvements project. One Member State was of the firm opinion that a better approach would consist in delaying any endorsement decision on IAS 39 until this standard was fundamentally revisited by the IASB. Some Member States had no opinion at this stage.

The Chairman said that at the present stage, the Commission was studying EFRAG's recommendation, was still considering all possible options and had not taken any final decision yet.

At the end of the tour de table, Member States supported unanimously the Commission's proposal to invite the IASB to engage as a matter of urgency in a thorough, open due process debate with all interested parties, to address all the problems they have with IAS 39 including those related to the improvements proposed to IAS 32 and 39.

The Chairman said that he would keep delegations informed on the progress and outcome of this demarche.

### Agenda point 4- Presentation by EFRAG of current IASB's projects.

The Chairman invited MM. Van Helleman, Chairman of the Technical Expert Group of the EFRAG (the "European Financial Reporting Advisory Group") and M. Paul Rutteman, Secretary General of EFRAG, to provide an overview of both EFRAG comment letters and current IASB projects.

EFRAG outlined the main points of its comment letters to the IASB respectively on the improvements project, the proposed amendments to IAS 32/39 and first-time application. EFRAG then presented the current state of play regarding projects on share-based payments and insurance contracts.

### Agenda point 5 - Convergence

The Chairman reported on the recent decision of the IASB and the American accounting standard setter, FASB, announced in a joint press release on 29 October, to work together to achieve convergence between IAS and US GAAP by 2005. The Chairman indicated that the Commission welcomed, in a press release, a move that should lead to the acceptance of IAS by the US SEC by 2005.

The Chairman insisted on the need for the Commission to ensure that convergence will not mean a one-way street towards US GAAP but will actually lead, in a balanced process, to the best set of principles-based accounting standards world-wide.