

SUMMARY RECORD

MEETING OF

THE ACCOUNTING REGULATORY COMMITTEE AND CONTACT COMMITTEE

1 OCTOBER 2007

Mr Hooijer, Head of the Accounting Unit, DG Internal Market and Services chaired the twenty-eighth meeting of the Accounting Regulatory Committee and the fifth meeting of the Contact Committee in 2007.

PROCEDURAL MATTERS

The Chairman began the meeting by discussing some procedural issues one of which concerns the drafting of the committee Minutes. The Minutes should not be a transcript of all the exchanges which took place during the whole meeting. Instead they should only focus on the key points and will therefore be more succinct than they have been in the past. The draft will only be sent to delegates for comments once, and at the same time the corresponding Summary Record will be sent to Parliament and published on the Commission's website. Any comments from delegates will be taken into account when finalising the Minutes for approval at the next meeting.

I. MINUTES OF THE MEETING OF 23 JULY

The Minutes were approved without any amendments.

II. IFRS 8 – CURRENT STATE OF PLAY

The Commission Services gave an update on the current state of play regarding endorsement of IFRS 8. The European Parliament has received the Commission Report on Potential Effects regarding adoption of IFRS 8. A vote by the ECON committee is expected by the end of October followed by a vote in a plenary session in early November.

Three Member States responded that it is good to close the chapter on IFRS 8. It is important to carry out impact assessments before a final decision regarding endorsement is made. This is in line with the Commission improvements regarding better regulation. However, assessments ought to be made much earlier in the process, if possible by the IASB. Regarding the procedure it was stressed that European interest should not be sacrificed by the overall objective of convergence. The process needs to be improved and speeded up for the future standards.

The Commission agreed but clarified that as of today a number of standards and interpretations are already in the "endorsement-pipeline" as identified by the Commission Services and any improvements of the IASB due process would come too late. Therefore it will be the Commission's responsibility to find a way to make sure that necessary assessments are made in

time during the next months. This is very resource demanding but needs to be done in the EU interest.

III. IFRIC 12: SERVICE CONCESSION ARRANGEMENTS

The Commission Services updated ARC members on the issue, explaining that it was still searching a solution that would address the particular concerns of one Member State. The Commission reiterated that changing or adding provisions on an international standard or interpretation is not possible from a legal point of view. It added that the discussion on the content of IFRIC 12 could not be delayed further and should start at the next ARC meeting in November 2007. The Commission asked Member States which have not already done so to provide written comments by the end of October.

One Member State repeated its view that it is legally possible to change an international standard or interpretation at the European level. Fundamentally, this Member State considered that this area warrants a complete standard rather than an interpretation. This Member State added that the current interpretation is not satisfactory and could not be endorsed without preliminarily analysing alternatives and obtaining some changes from the IASB. The Member State believes that the IASB is still open to changes related to the intangible asset model. In the absence of such, the discussion would have to be one on non-endorsement.

Another Member State that the positive advice from EFRAG came after many discussions and dissenting views. This Member State wondered if there would be a vote at the next meeting. The Commission Services answered there would not be. Another Member State noted that if there would not be a vote until the new year, it meant that there was no particular need to have the vote at the first ARC meeting; the vote could take place at any ARC meeting in 2008.

IV. EQUIVALENCE: IFRS AND THIRD COUNTRY GAAPs ; PROPOSAL FOR THE EQUIVALENCE MECHANISM

The Commission referred to the comment letter which it had sent to the SEC on the latter's proposal to end the reconciliation requirement to US GAAP for foreign issuers using IFRS as published by the IASB. Three Member States thought that the Commission had done well to find the suitable balance of views expressed by Member States and the stakeholders which had been consulted and that it was important not to destabilise the IFRS project. Another Member State broadly supported the approach in the Commission's letter but thought it was important that the Commission keep open the dialogue with Member States when considering the next steps.

Another Member State took the opposite view and found the Commission's letter to be too accommodating and conciliatory towards the SEC.

Draft Commission Regulation establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directive 2003/71/EC and 2004/109/EC of the European Parliament and of the Council

The Commission Services introduced the subject, what has been already discussed twice in the European Securities Committee (ESC) and once in the ARC, therefore it is not necessary to repeat all the details.

One Member State repeated its opposition to the idea of an extension of the current transitional period that now ran until the end of 2008 and considered that an impact assessment and cost and benefit analysis of the proposal should have been done. Furthermore, this Member State raised the issue of asymmetry between the proposal and current developments as regards the SEC

consultation on abolition of reconciliation requirements for issuers using IFRS. This idea was supported by some other Member States, which asked the Commission to keep this desired issue of reciprocity between the steps taken by EU and by US in mind, align the respective timetables and include some flexibility arrangements which would allow the EU to respond to the developments in the US. Furthermore, one of these Member States also expressed some concerns regarding the current draft of the regulation which could be interpreted as already accepting US GAAP in the EU (on a temporary or unrestricted basis). Another Member State accented the necessity to preserve the technical character of the issue of equivalence and also pointed out that the EU should try not to lock itself into an unmovable negotiation position with other jurisdictions on this issue. One Member State asked the Commission how it reacts to the fact that US is also proposing/considering to allow its own companies to use IFRS.

The Commission Services agreed with the fact that the question of relevant timing is, in the current situation, crucial and also difficult. In any case it is possible and important to complete the adoption of the Commission regulation on the equivalence mechanism by the end of this year; the determination of equivalence as such shall be then ensured in the course of 2008. The Commission Services are not aware of the clear timetable of the part of SEC, but the current developments suggest that the SEC does not have any intention to delay the process. The Commission services stressed that the adoption of the equivalence mechanism by the Commission does not prejudice the decision on the determination of equivalence. Commission supports the worldwide use of IFRS, including in the US. However it would be premature to preempt the acceptance of US GAAP in the EU on the basis of potential acceptance of IFRS by domestic issuers in the US at some point in the future.

As regards the work which needs to start on the determination of equivalence, the Commission Services invited CESR to comment. CESR noted that it has started the work on the assessment of relevant GAAPs/convergence/adoption programmes. However, there is still an important issue of timing which needs to be discussed with the Commission because the work which CESR is asked to conduct is extensive. Furthermore, CESR would still need further clarifications on issues regarding the proposed equivalence mechanism (particularly the scope/interpretation of the definition of equivalence, the practical functioning of the mechanism in practice). The Commission Services and CESR will clarify these issues bilaterally.

V UPDATES

Simplification of accounting rules for Small and Medium-sized Enterprises – Possible revision of the 4th and 7th directives

The Commission Services gave a short overview of the recent developments.

The deadline for further comments on the communication document published 10 July 2007 is mid October. Since last meeting the Commission had received a few more (additional) comments from Member States and constituents. In addition the commission Services participated in a Roundtable discussion organised by the Institute of Chartered Accountants of England and Wales (ICAEW). There was an interesting exchange of views. The Commission Services are currently awaiting more detailed comments (in written form) in order to finalise the European feedback.

At the same time Commission Services are progressing with two studies to prepare an impact assessment. The big study together with DG Enterprise is now in the phase where the information obligations had been identified on European level and where it is now for the consultants to find out what add-on requirements might exist at jurisdictional level. The study shall provide some results before the year end. A limited survey/study has been launched by the

Commission Services as follow up from the Ramboll study. This intends to mainly collect some quantitative information in relation to a possible introduction of the "micro entity" category to facilitate the measurement of the administrative burden in this area.

Consolidation and language revision project

The Commission Services explained that consolidation and language revision of endorsed IFRS will be carried out in the beginning of 2008. The consolidation will be achieved by publication of a new text including all endorsed IFRSs and it will enable (constituents) to refer to only one text. Cross-references and subsequent amendments will also be updated. At the same time possible translation errors can be corrected. The Commission Services explained that on 20 September they wrote to Member States asking for comments on existing published translations for improvement/rectification in the language revision. The comments were requested by 19 October. Due to the high volume of the task, respect of the timelines is important. One Member State asked the Commission to extend the period of giving comments on the IFRS translations. The Commission replied that this was not possible.

VI STUDY ON THE IMPLEMENTATION OF IFRS

The Commission Services recalled that the IAS Regulation, as well as the Fourth Company Law Directive, requires the Commission to report to the Council and to the European Parliament on the implementation of the Regulation and of the fair value measurement options of the Directive. The Commission has needed to present this report later than initially scheduled (first semester of 2007) in order to make use of the results of the related study undertaken (for the Commission) by the Institute of Chartered Accountants of England and Wales (ICAEW).

ICAEW representatives presented the main findings of the study and distributed related slides and the Executive Summary to ARC members. The complete report is scheduled to be sent to the Commission Services shortly and presented after the meeting of the Roundtable on consistent application of IFRS in the European Union on 18 October 2007.

One Member State asked for specific details on the distribution of the companies' sample used in the study and noted that the implementation and application costs were higher for small companies, which may prevent them from going for a listing. ICAEW gave precision on the distribution per Member States and confirmed that they noted economy of scale related to the size of the companies, which is not surprising.

Another Member State wondered if the "areas for further consideration" raised in the slides resulted from a global synthesis or from answers to questionnaires. ICAEW answered they were the results of converging comments obtained via different consultation tools (questionnaires, roundtables,...). This Member State asked if there will be a publication and consultation of Member States before the presentation on 18 October. The Commission answered that the technical ICAEW report would be followed by the Commission report, which would be subject to consultation.

Next meeting

The next ARC meeting is scheduled for 20 November.

ACCOUNTING REGULATORY COMMITTEE AND CONTACT COMMITTEE

Meeting of 1 October 2007

PARTICIPANTS' LIST

Austria

Ministry of Finance

Ministry of Justice

Belgium

Fod Economie

Commission normes comptables

Bulgaria

Cyprus

Czech Republic

Ministry of Finance

Denmark

Danish Commerce and Companies Agency

Danish FSA

Estonia

Estonian Accounting Standards Board

France

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

Finland

Ministry of Trade and Industry

Germany

Bundesministerium des Justiz

Greece

Ministry of Economy and Finance

Greek Accounting and Auditing Oversight Board

Hungary

Ministry of Finance

Ireland

Department of Enterprise, Trade and Employment

Italy

**Ministry of Economy and Finance
CONSOB
Bank of Italy**

Latvia

Lithuania

**Ministry of Finance
Permanent Representation to the EU**

Luxembourg

Commission de Surveillance du Secteur Financier

Malta

Accountancy Board, Ministry of Finance

The Netherlands

Ministry of Justice

Poland

Ministry of Finance

Portugal

CMVM

CNC

Romania

Permanent Representation to the EU

Slovakia

Ministry of Finance

Slovenia

Spain

ICAC

Sweden

Ministry of Justice

United Kingdom

Department of Business, Enterprise and Regulatory Reform

OBSERVERS

Iceland

Ministry of Finance

Liechtenstein

Norway

European Institutions/Committees

European Central Bank

Committee of European Banking Supervisors (CEBS)

Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS)

Committee of European Securities Regulators (CESR)

European Financial Reporting Advisory Group (EFRAG)

Commission

Jeroen Hooijer, Head of Unit F3: "Accounting",

Ulf Linder, Deputy Head of Unit F3 "Accounting"

Remo Croci, Secretary to the ARC/F3

Reinhard Biebel/F3

Philippe Bui/F3

Alain Deckers/F3

Jitka Hrudova/F3

Arto Leppilahti/F3

Angel Monzon/F3

Knut Tonne/F3