

SUMMARY RECORD

MEETING OF

THE ACCOUNTING REGULATORY COMMITTEE AND CONTACT COMMITTEE

30 JANUARY 2009

I. APPROVAL OF THE MINUTES OF THE ARC MEETING OF 03.12.2008

The Minutes of the meeting of 3 December were approved.

II. VOTES ON PROPOSALS FOR COMMISSION REGULATIONS

The following proposals for Commission Regulations were subject to a vote:

- Revisions to IFRS 3 Business Combinations
- Amendments to IAS 27 Consolidated and Separate Financial Statements
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement "Eligible Hedged Items"
- IFRIC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

The Commission Services described the endorsement process concerning the aforementioned revised and amended IFRSs and Interpretations. The Commission received positive endorsement advice from EFRAG concerning all of these. SARG examined EFRAG's advice and concluded that each was well-balanced and objective. In the previous ARC meeting, the Commission Services and EFRAG presented effect studies on these revised and amended IFRSs and the Interpretation, which was followed by a discussion with Member States. At this ARC meeting the formal endorsement votes have taken place.

Views from the Member States

Prior to the vote, the chairman invited Member States for comments. However, no comment was made.

All Member States voted in favour of the draft Commission Regulations endorsing the revised IFRS 3 Business Combinations, amended IAS 27 Consolidated and Separate Financial Statements, Amendment to IAS 39 Financial Instruments: Recognition and Measurement "Eligible Hedged Items" and IFRIC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

III. ACCOUNTING ISSUES LINKED TO THE CRISIS

The Commission Services gave an update on developments since the last ARC meeting and notably on the issues which the Commission had requested the IASB to address (reclassification of financial instruments out of the Fair Value Option (FVO), clarifications in respect of embedded derivatives, and impairments of Available for Sale items).

Discussion then turned to how to deal with pro-cyclicality issues in the future and possible measures which could be considered to protect against similar excessive pro-cyclical effects in the future e.g. dynamic provisioning. An exchange of views followed.

Views from the Member States

One Member State believed this approach had merits and took the view that IAS 39 was primarily designed for business which did not have lending as a core activity and thus tailored measures were necessary to deal with specific issues arising in the banking sector. Another Member State had also started work on this issue. A third Member State thought that there could be some contradictions between this concept and accounting principles. Another Member State was rather sceptical about dynamic provisioning in general arguing that this could allow companies to "smoothen results" over time.

Two Member States expressed regret that the IASB had not made sufficient progress on amendments that would have come on time for application in the 2008 accounts. One of these Member States asked the Commission to write to the IASB about it. Another one stressed the importance of finding a resolution on the FVO issue in particular. It was agreed that the Commission would write again to the IASB stressing the importance to address the FVO issue.

Another Member State remarked that the IASB was working on these but the fact that work could not yet be finalised simply reflected the reality that there was disagreement among stakeholders on possible ways forward.

It was agreed to continue the discussion on dynamic provisioning at the next meeting. In the meantime Member States were invited to share information or to submit their ideas in writing.

IV. IASB GOVERNANCE, EFRAG ENHANCEMENT

Constitutional review

The Commission Services stated that intensive work took place since last July to ensure that the forthcoming IASCF "Monitoring Board" is in line with the specifications of the ECOFIN conclusions and ensures the effective accountability of the IASCF toward public authorities. The Commission services circulated detailed proposals to the FSC based on its contacts with the IASCF Trustees, as well as its counterparts in the USA and Japan. During the last FSC meeting, the establishment of the Monitoring Board was welcomed as a positive, if only a first, step in the right direction. All other parties to the discussions signed-up to these proposals.

In this context, the Commission Services made three points. First, there seems little gain to delay the establishment of the Monitoring Board. ECOFIN and the G-20 Leaders have

both called for quick progress. Second, there is a need for an inclusive framework that gives all the major jurisdictions a stake in the governance of the IASB. Third, the Commission recognised that many EU institutions and bodies wish to be associated with the future work of the Monitoring Board, and assured that there will be full transparency from the Commission's side, both before and after meetings of the Monitoring Board.

Views from Member States

One Member State stated its position that the Monitoring Board does not go far enough. Another Member State stated that it may not be perfect but this version can be reviewed in a few years time.

Funding

The Commission Services recently adopted a proposal to allow the part-funding of both EFRAG and the IASCF from the Community budget. The Commission Services will work with the Parliament and the Council to allow this to be adopted as quickly as possible, hopefully before the end of the current parliamentary term. This would allow EFRAG to be funded from 2010, while the IASCF could be funded from 2011.

The proposal allows a contribution of up to 50% and no more than €3 million per annum to EFRAG. The additional resources made available to EFRAG through the Community budget and other sources (national funding mechanisms, member associations) are primarily intended to allow EFRAG to play a stronger, upstream role to influence the IASB's agenda-setting process. It complements the governance reforms that EFRAG is currently implementing, including stronger co-operation with national accounting standards-setters.

The proposal also allows a contribution of up to one fourth and no more than €5 million per annum to the IASCF. This is intended to contribute towards establishing a stable funding system for the IASCF that avoids concerns about independence of the current arrangements (voluntary contributions from private parties with a direct stake in IFRS, including about 1/3 from the main international accounting firms). The Commission Services expect that in due course other major jurisdictions will follow suit as they move towards adoption of IFRS.

The full proposal and supporting documents are available on the website of unit F3 (link has been circulated).

V. ONGOING WORK ON SIMPLIFICATION OF SME ACCOUNTING

The Commission Services made three points concerning simplification. Firstly, the first reading of the Fast Track action was completed in the European Parliament before Christmas. This concerned small amendments to the 4th Directive (removal of disclosure requirement of formation expenses for medium companies) and 7th Directive (clarification of the relationship between consolidation rules in this Directive and in the IFRS). Thanks to an agreement among the institutions there will be no second reading. The Commission Services are waiting for a formal, final approval by the Council in the coming months.

Secondly, Commission services are preparing the proposal to give the Member States an option to exempt the micro entities from the scope of the 4th Company Law Directive.

Together with this legal proposal, which is scheduled to be adopted by the Commission at the end of February, the Commission is also preparing an assessment of its expected impact. This impact assessment will be presented together with the legal proposal.

The third track is the review of the 4th and 7th Directives. A legislative proposal is scheduled for 4th quarter 2009. The next step is the publication of a consultation paper at the end of February which the Commission is currently working on. There will be about eight weeks for stakeholders to provide comments to the ideas expressed in this document.

VI. MISCELLANEOUS

VI.1. Transposition of Directive 2006/46

The Commission Services reiterated that on 1 December, 15 Member States received a Letter of Formal Notice for not having communicated the transposition of Directive 2006/46 before the deadline. Member States have two months to reply to these letters. Therefore, the Commission expects the Member States concerned to reply by 1 February. The Commission has already received complete communications from two Member States, and will close these non-communication cases. In all the other non-communication cases, the Commission Services are bound to pursue the procedure and take it to the next step.

The complete communications received from the Member States are currently under examination. The Commission Services will get back to the Member States concerned with their eventual findings and/or request for clarification in due course. The Commission Services also thanked those Member States, which communicated the transposition table to the Commission, as it considerably facilitates the transposition checks.

Views from the Member States

One Member State asked the Commission whether it could inform the ARC members about which Member States did use the option of bringing up the thresholds envisaged in the Directive 2006/46. The Commission Services promised to check this particular point and inform Member States about its findings.

Another Member State appealed to the Commission to consider the national legislative procedures and set up realistic transposition deadlines in the Directives.

VII. NEXT MEETING

The next ARC meeting is scheduled for 3 March 2009.

ACCOUNTING REGULATORY COMMITTEE AND CONTACT COMMITTEE

Meeting of 30 January 2009

PARTICIPANTS' LIST

Austria

Ministry of Justice

Belgium

FOD Economie

Commission normes Comptables

Bulgaria

Ministry of Finance

Cyprus

Permanent Representation

Czech Republic

Ministry of Finance

Denmark

Danish Commerce and Companies Agency

Estonia

Permanent Representation

Finland

Ministry of Employment and the Economy

France

Ministère des Finances

Germany

Bundesministerium des Justiz

Greece

Ministry of Economy and Finance

Hungary

Ministry of Finance

Ireland

Department of Enterprise, Trade and Employment

Italy

Ministry of Economy and Finance

CONSOB

ISVAP

Bank of Italy

Latvia

Permanent Representation

Lithuania

Ministry of Finance

Luxemburg

Commission de Surveillance du Secteur Financier

Ministry of Justice

Malta

Accountancy Board Ministry of Finance

The Netherlands

Ministry of Justice

Poland

Ministry of Finance

Portugal

CMVM

Romania

Ministry of Public Finance

Slovakia

Ministry of Finance

Slovenia

Ministry of Finance

Spain

Banco de España

ICAC

Sweden

Ministry of Justice

United Kingdom

Department for Business Enterprise & Regulatory Reform

OBSERVERS

Croatia

Iceland

Ministry of Finance

Liechtenstein

Norway

Ministry of Finance

European Institutions/Committees

European Central Bank (ECB)

Committee of European Banking Supervisors (CEBS)

Committee of European Securities Regulators (CESR)

European Financial Reporting Advisory Group (EFRAG)

Standards Advice Review Group (SARG)

Commission

HOOIJER Johannes Jeroen, Head of Unit F3: "Accounting"

LINDER Ulf, Deputy Head of Unit F3 "Accounting"

KOSMIDIS Michelle, Secretary to the ARC/F3

CROCI Remo

BIEBEL Reinhard/F3

HRUDOVA Jitka/F3

MAJOROS, Dora /F3

MONZON Angel/F3

ZUGO Liliana/F3

EGGETT Louise/H1