

SUMMARY RECORD

MEETING OF THE ACCOUNTING REGULATORY COMMITTEE AND THE CONTACT COMMITTEE

3 MAY 2010

I. APPROVAL OF THE MINUTES OF THE ARC MEETING OF 4.03.2010

The finalisation of the Minutes of the meeting of 4 March is pending due to the fact that additional comments will be sent in writing from two Member States.

II. ACCOUNTING ISSUES LINKED TO THE CRISIS – REVISION OF IAS 39

The Commission explained that in response to the requests made by several Member States in the previous ARC meeting, the ECB, and the CEBS, CESR and CEIOPS committees had been invited to present their respective views on the IAS 39 revision. The Commission also explained the outcome of meetings with stakeholders (insurers, bankers, auditors/accountants and public authorities, investors and other stakeholders) that were held in the second half of April in order to exchange views on IFRS 9 at an informal and technical level. We have observed that there is still a broad view among EU stakeholders that some important issues deserve further reflection by the IASB, and adjustment. In particular, allowing bifurcation of embedded derivatives and recycling of OCI equity instrument items into profit and loss, the latter important mainly to the continental European insurance industry. Other issues such as treatment of illiquid instruments were also raised. Some stakeholders also expressed the view that the EU endorsement should take fully into account phases II and III. The Commission indicated its support to the work done by the Basel Committee on loan loss provisioning.

The ECB, and the CEBS, CESR and CEIOPS committees took the floor and made their respective presentations.

Views from Member States

One Member State mentioned that other important accounting issues also deserved being discussed at ARC level, and should be prioritized in upcoming meetings. In its view, the presentations confirm the numerous and significant issues already identified on the IFRS 9 standard. This concerns notably the dividing line between fair value and amortized cost, which is not satisfactory. This Member State stated that each outstanding issue requires appropriate solution, and that the IASB should take full note of it.

One Member State agreed with the analysis of outstanding issues, and wondered what would be the best way to transmit them to the IASB, and influence a decision. Phase III (hedging) is also an important concern. It

also raised some thought-provoking reflection on the role of valuation, cyclicity and the profit and loss account in the financial reporting standards.

Another Member State appreciated the Commission's effort to provide a response to the request from some Member States to enhance substantive debate in the ARC meeting, and said that the views reflected in the presentations illustrate the difficulty of reforming the IAS 39 standard. At the core of the debate is the dividing line between fair value and cost accounting. This Member State supports the mixed model adopted by the IASB and the role of the business model. In its view, bifurcation of embedded derivatives is an issue that could be reconsidered, but if it was reconsidered it could be at the cost of some complexity, while if the recycling issue was to be addressed, on way to do it could be in the context of the second phase of the IFRS 4 revision.

One Member State said that further work should be done so that the final outcome is in line with the G-20 mandate, and the input from the Basel Committee and the ECB.

One Member State said the IASB should reconsider some important issues, in particular recycling, the definition of business model, and the treatment of illiquid instruments.

One Member State showed appreciation for the presentations, and raised the point that addressing the recycling aspect brings back the issue of impairment of equity instruments. In this context, current impairment criteria should be further improved. It also mentioned concerns related to Phase II (loan loss provisioning).

One Members State agreed that the recycling issue is important.

The Commission took note of comments by Member States, and agreed with the suggestion that other accounting projects should be discussed in upcoming ARC meetings.

III. AOB

Next meeting will tentatively take place on 1 July 2010.

ACCOUNTING REGULATORY COMMITTEE AND CONTACT COMMITTEE

Meeting of 3 May 2010

PARTICIPANTS' LIST

Austria

Ministry of Justice

Permanent Representation/BMF

Belgium

Commission normes Comptables

Ministère de l'Economie

Bulgaria

Ministry of Finance

Permanent Representation

Cyprus

Permanent Representation

Czech Republic

Ministry of Finance

Denmark

Danish Commerce and Companies Agency

Danish Financial Supervisory Authority

Estonia

Permanent Representation

Finland

Ministry of Employment and the Economy

France

ANC

Ministère des Finances

Germany

Permanent Representation

Greece

Hungary

Ministry of Finance

Permanent Representation

Ireland

Italy

Ministry of Economy and Finance

Organismo Italiano Contabilità

Latvia

Lithuania

Ministry of Finance

Luxemburg

Ministère de la Justice

Commission de Surveillance du Secteur Financier

Malta

Accountancy Board, Ministry of Finance

The Netherlands

Ministry of Justice

Poland

Ministry of Finance

Portugal

CNC

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 of Business, Innovation & Skills

OBSERVERS

Croatia

Ministry of Finance

Iceland

Liechtenstein

Norway

Ministry of Finance

Financial Supervisory Authority of Norway

European Institutions/Committees

Committee of European Banking Supervisors (CEBS)

Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS)

Committee of European Securities Regulators (CESR)

European Central Bank (ECB)

European Financial Reporting Advisory Group (EFRAG)

Commission

HOOIJER Jeroen, Head of Unit F3 (Financial Reporting)

KOSMIDIS Michelle /F3, Secretary to the ARC

ARMANINI Mauro/F3

BERNIER ABAD Nicolas /F3

BIEBEL Reinhard /F3

BOCQUERAZ Claude/F3

CROCI Remo /F3

DECKERS Alain /F3

HRUDOVA Jitka /F3

LEBRUN Ludovic /F3

LEPPILAHTI Arto /F3

MONZON Angel /F3

ROONEY Paul /F3

ZAFFIRO Massimo /F3