Resolution on the application of international accounting standards

2007/2668(RSP) - 14/11/2007 - Text adopted by Parliament, topical subjects

The European Parliament adopted a resolution on the the draft Commission regulation amending Regulation (EC) No 809/2004 as regards the accounting standards in accordance with which historical information contained in prospectuses is drawn up and on the draft Commission decision on the use by third country issuers of securities of information prepared under internationally accepted accounting standards.

Parliament noted the progress achieved by the Commission in eliminating the reconciliation requirements for EU issuers in third countries, and supported steps directed towards the recognition of the EU standards based on US Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) in both jurisdictions by 2009. Third-country GAAP should be considered equivalent to IFRS if investors are able to make similar decisions irrespective of whether they are provided with financial statements based on IFRS or on third-country GAAP and if audit assurance and enforcement on entity levels are sufficient for investors to rely on. It pointed out that IFRS are high-quality principle-based standards. Regulators should maintain an active dialogue with their international counterparts regarding application and consistent enforcement of IFRS and enhance cooperation and information sharing.

Parliament also noted that IFRS that are endorsed by the International Accounting Standards Board (IASB) provide a solid basis for the regulators to work towards the convergence of accounting standards globally. The use of globally accepted accounting standards would improve transparency and comparability of financial statements, thus bringing substantial benefits to companies as well as investors. However, the convergence of accounting standards should not be pursued in a hasty manner but should be carried out by signing in due time when necessary a framework agreement with the IASB on eliminating differences. Parliament stressed that the inconsistent modification of IFRS endorsed by the European Union gives rise to considerable costs and intellectual investment for EU companies listed in the EU, especially for SMEs, and leads to confusion among investors in the European Union's financial markets. It called on the Commission to ensure that the extension of the derogation for third-country issuers to use IFRS by 2011 does not allow current established equivalence procedures to be delayed in the event that an earlier commencement date has already been specified.

Parliament went on to propose modifications to the draft Regulation on equivalence and Conditions for the acceptance of third-country accounting standards for a limited period. The salient points are as follows :

-the GAAPof a third country may be considered equivalent to IFRS as adopted by the EU if the financial statements drawn up in accordance with the GAAP of the third country concerned enable investors to make a similar assessment of the assets and liabilities, financial position, profit and losses and prospects of the issuer as financial statements drawn up in accordance with IFRS, with the result that investors are likely to make the same decisions about the acquisition, retention or disposal of securities of an issuer;

-third-country issuers may be permitted to use financial statements drawn up in accordance with the accounting standards of a third country in order to comply with the obligations under Directive 2004/109 /EC and, by derogation from Article 35(5) of Regulation (EC) No 809/2004, to provide historical financial information under that Regulation for a period commencing after 31 December 2008 and expiring no later than 31 December 2011 under certain specified circumstances involving convergence with or adoption of

IFRS. The Commission must consult the Committee of European Securities Regulators CESR about the convergence programme or about progress towards adoption of the IFRS, as the case may be.