Resolution on the accounting standards used by third country issuers and their equivalence to IFRS as mentioned in the draft implementing measures of the Prospectus Directive and the Transparency Directive

2006/2631(RSP) - 24/10/2006 - Text adopted by Parliament, topical subjects

The European Parliament adopted a resolution on the accounting standards used by third country issuers and their equivalence to IFRS as mentioned in the draft implementing measures of the Prospectus Directive (Directive 2003/71/EC) and the Transparency Directive (Directive 2004/109/EC). The resolution concerns the draft Commission regulation amending Regulation (809/2004/EC as regards the accounting standards in accordance with which historical information contained in prospectuses is drawn up, and draft Commission decision on the use by third country issuers of securities of information prepared under internationally accepted accounting standards.

Parliament asked the Commission to take the utmost account of the limits of the powers conferred on it by Directive 2003/71/EC and Directive 2004/109/EC in accordance with the applicable provisions of the Treaty, in order to ensure legal certainty for financial market actors. It welcomed the willingness the Commission had demonstrated in working with Parliament towards achieving the best possible outcome for all parties concerned, and felt that the draft implementing measures constituted a workable solution for achieving the objectives of improved operating conditions for financial market actors as well as of efficient, transparent and secure financial markets in the EU. The procedure regarding the completion of implementing measures for Directive 2003/71/EC and Directive 2004/109/EC was “virtually unprecedented” in the light of the way in which EU legislation was usually developed.

Parliament expressed dissatisfaction at the inclusion of new measures to exempt professional securities for a period of two years at such a late stage in the process and considered it inappropriate. However, it accepted the implementing measures, provided that certain points were taken into account by the Commission:

- the Commission should extend its mandate of 25 June 2004 to the Committee of European Securities Regulators (CESR), to enable it to promote harmonised treatment of third countries by the competent national authorities and provide technical advice on the assessment of equivalence of third-country national standards, other than the Generally Accepted Accounting Principles (GAAPs) of the US, Japan and Canada, to International Financial Reporting Standards (IFRS) in so far as the third countries in question are granted the possibility not to restate the financial statements from 1 January 2007 until 1 January 2009;

- the period from 1 January 2007 to 1 January 2009 should be used by the Commission to progress or enter into negotiations for the purpose of achieving a convergence between IFRS and third-country GAAPs;

- the evaluation of third-country GAAPs should not only be of a technical nature but that the economic and regulatory context should also be considered;

- the Commission was asked to establish a definition of equivalence including a consistent application of reconciliation requirements applied in the third countries with regard to European issuers under IFRS, and the requirements considered necessary by a detailed analysis of the differences between third countries' accounting standards and the IFRS, so as to safeguard the protection of investors;

Parliament felt that, in the absence of agreement on equivalence between the IFRS and the United States GAAPs on 1 January 2009, American businesses established in Europe should use the IFRS standards in full.

It should be noted that Parliament also passed a resolution on draft implanting measures under the Transparency Directive (please see RSP/2006/2632).