

Brussels, 6 December 2006

The use of non-EU accounting standards on EU stock markets is extended for two more years

Following a positive vote of the European Securities Committee and a strong endorsement from the European Parliament on 24 October 2006, the European Commission has adopted measures extending by two years the transitional exemption granted to foreign companies presenting financial statements prepared in accordance with national accounting standards for the issuing of securities on EU stock markets. A decision on the equivalence of third-country Generally Accepted Accounting Principles (GAAPs) with International Financial Reporting Standards (IFRS) is expected to take place before the end of 2009.

Internal Market and Services Commissioner McCreevy said: *"The decision to give ourselves and our major partners a bit of time before taking a final decision on equivalence is the right approach. It is the most efficient way to promote the use of IFRS. It gives us leverage in our efforts to obtain the removal of reconciliation requirements for EU issuers abroad. It ensures that EU markets remain attractive to foreign issuers. I am confident that the framework which the texts put in place will allow us to come to the right decision for the benefits of EU investors and issuers alike."*

The decision taken by the Commission on the equivalence of third-country GAAPs will allow for work on elimination of reconciliation requirements for EU issuers abroad to be actively pursued with third-country authorities.

The United States Securities and Exchange Commission (SEC) reiterated its firm and unequivocal commitment to work towards eliminating the need for reconciliation between IFRS and US GAAP and has published a Roadmap to achieve this objective by 2009 (see [IP/06/237](#)). Postponing the equivalence decision therefore aligns the EU timetable with the SEC's timeline. It will allow EU and US authorities to work in parallel towards common agreed objectives.

The present decision also preserves the attractiveness of EU capital markets while the work on convergence is ongoing.

The measures approved by the ESC consist in a Commission Regulation amending Commission Regulation No 809/2004 implementing the Prospectus Directive and a Commission Decision pursuant to the Transparency Directive (109/20004/EC).

Under these measures, third country issuers are not subject to restatement obligations until 31 December 2008 if:

- the financial information contains an explicit and unreserved statement that it complies with IFRS; or
- the financial information is prepared in accordance with Canadian GAAP, Japanese GAAP or US GAAP; or
- the financial information is prepared using a third-country GAAP in relation to which the following conditions are met:
 - the third country authority responsible for that GAAP has made a public commitment to converge it with IFRS; and
 - that authority has established a work programme which demonstrates progress towards convergence before 31 December 2008; and
 - the issuer provides satisfactory evidence to the relevant competent authority demonstrating that the conditions in the above two points have been met.

The measures also require the Commission Services to adopt, through comitology, a definition of equivalence and an equivalence mechanism before 1 January 2008.

More information is available at:

http://ec.europa.eu/internal_market/securities/prospectus/index_en.htm