

EU FINANCIAL REPORTING

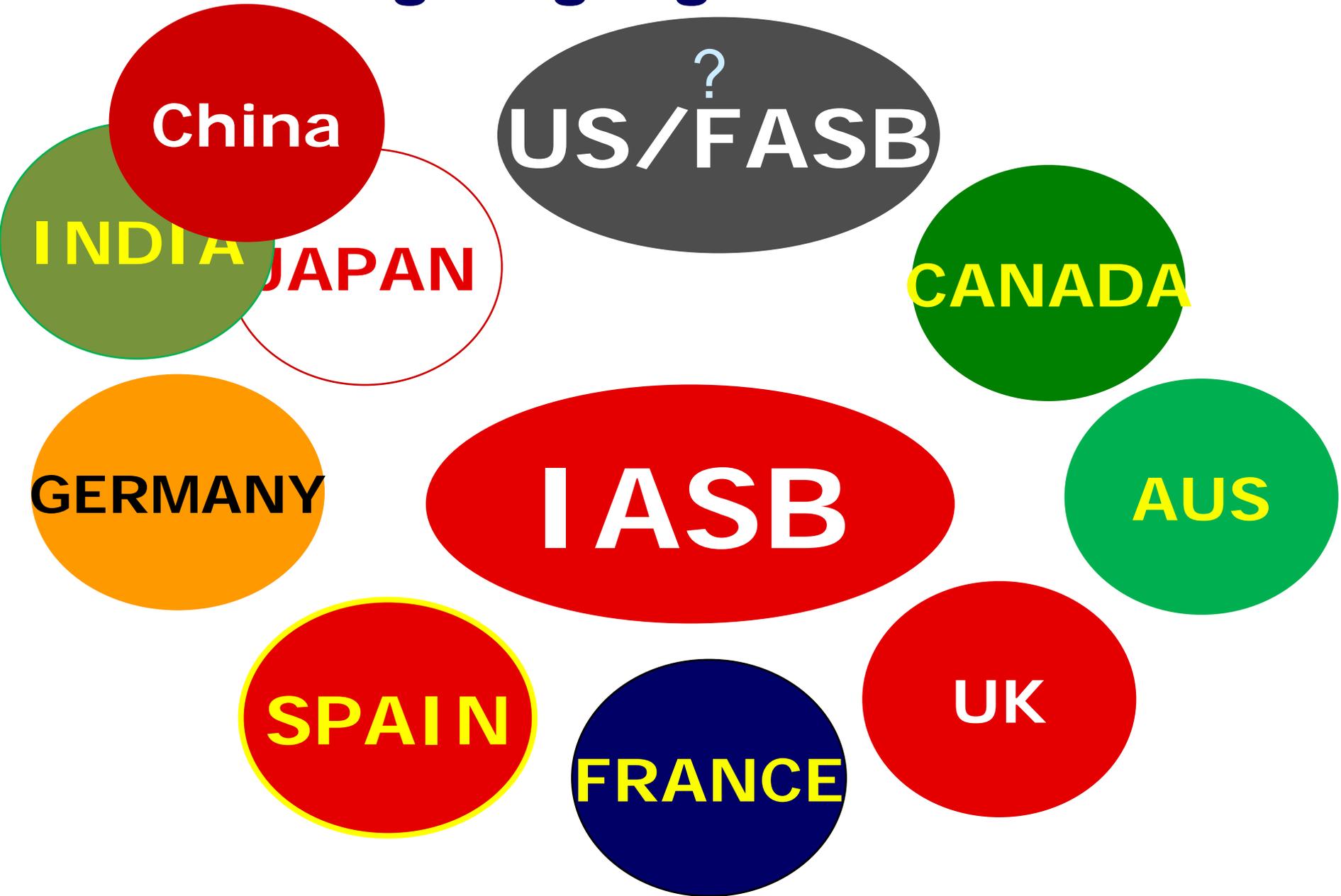
Stig Enevoldsen

Chairman of EFRAG

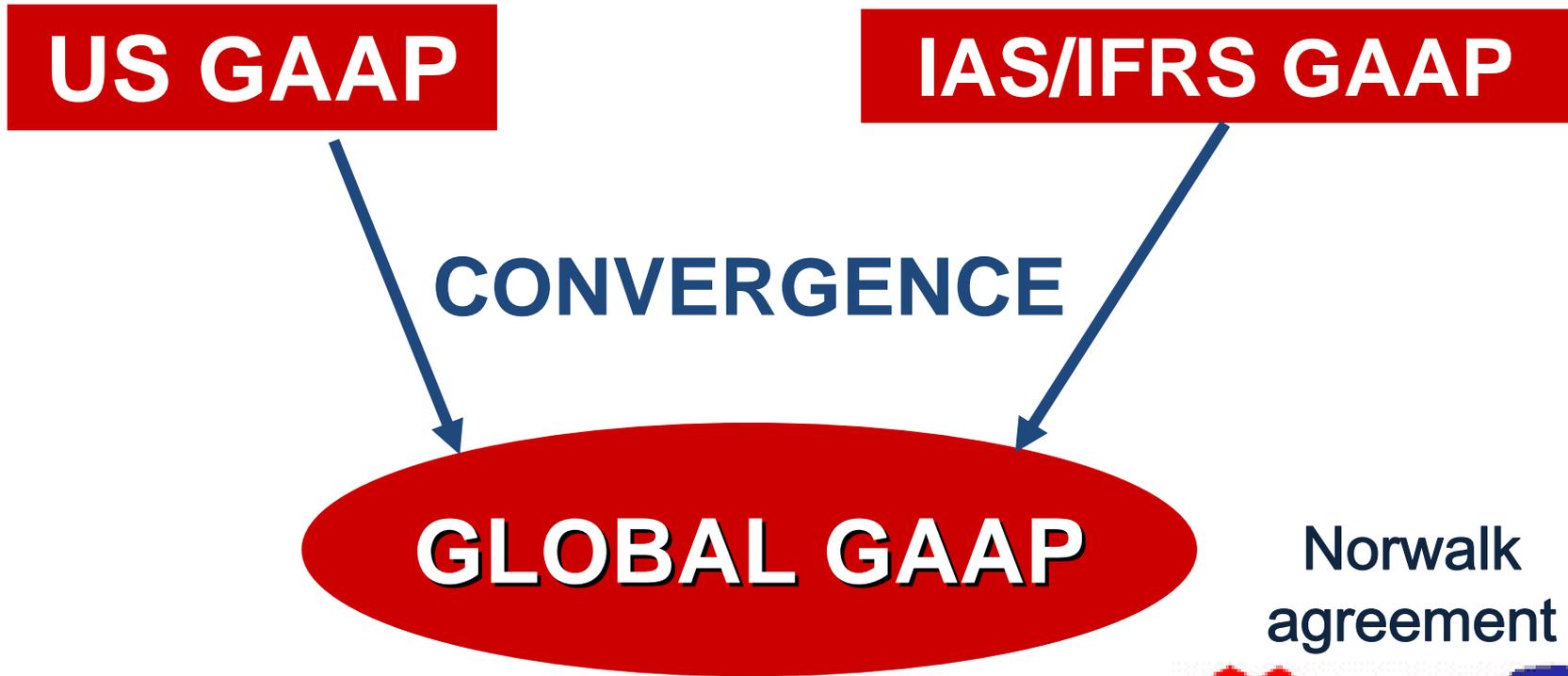
Bruxelles – 9 December 2008

Convergence

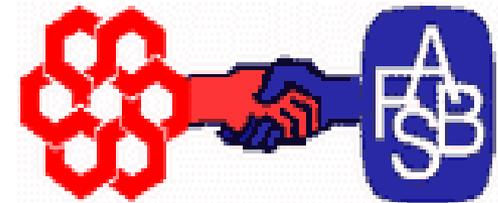
Accounting languages



Convergence



Norwalk
agreement



Convergence – Norwalk Agree

SHORT TERM:

Adjusted existing standards

LONG TERM:

Joint projects

Same solutions

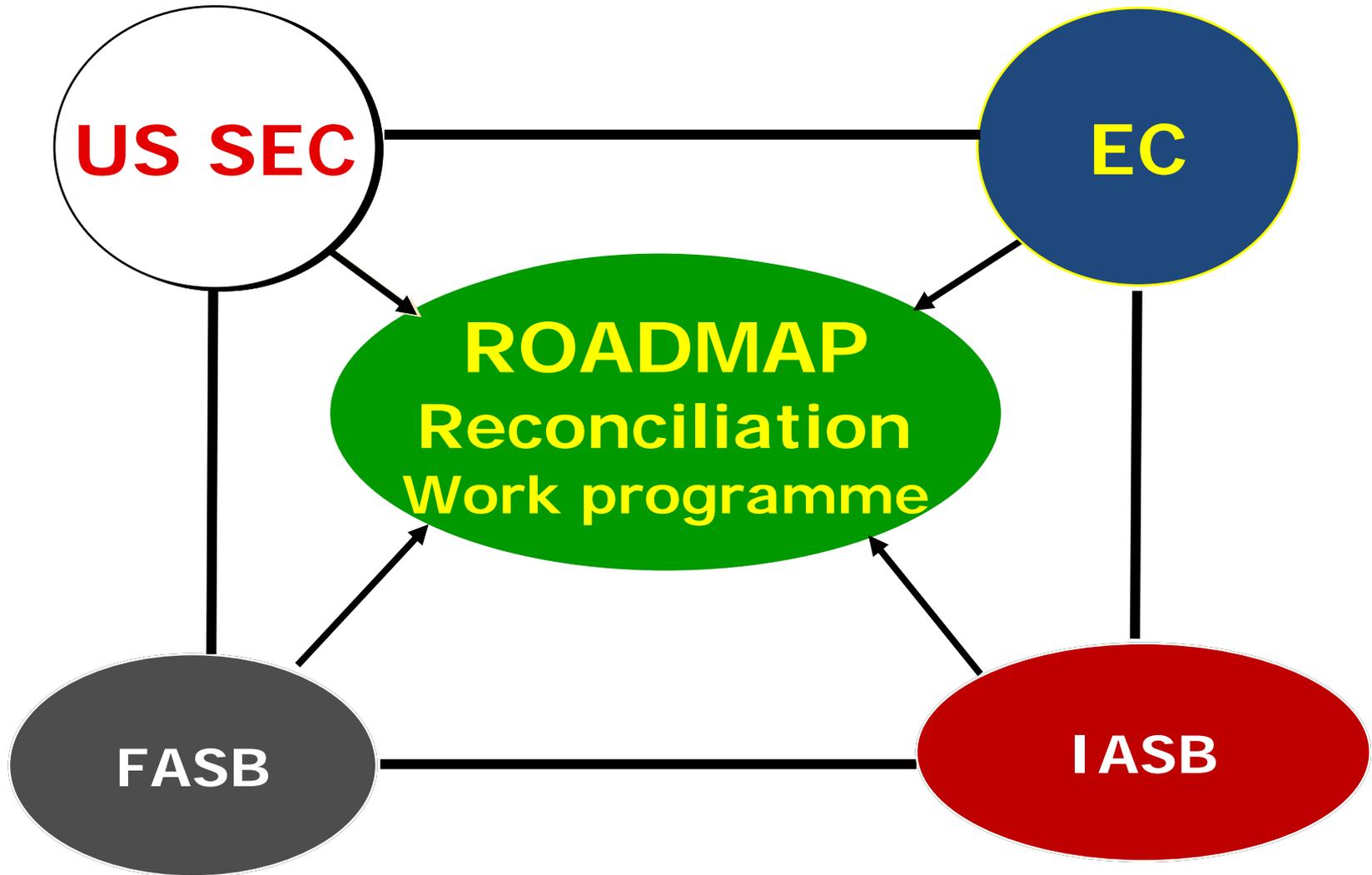
One accounting solution

Convergence

TOKYO AGREEMENT

ASBJ AND IASB

CONVERGENCE



SEC Reconciliation

**Reconciliation requirement removed
in 2007**

Real achievement

Concepts Release issued in 2007 on whether to allow US companies to use IFRS

US SEC - Has just issued a **proposal** release whether to allow or require US companies to use IFRS

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Robert Herz chairman of FASB

Christopher Cox chairman of SEC

Sir David Tweedie chairman of IASB

International Financial Reporting Standards timeline

1973: International Accounting Standards Committee starts. Based on volunteers who meet three times a year

2000: Restructured into the International Accounting Standards Board

2002: European Union announces plans to adopt IFRS for all EU companies

2003: Australia, New Zealand and Hong Kong commit to adopting IFRS

2005: European Union companies go 'live' with IFRS

2006: China adopts standards broadly in line with IFRS. IASB and FASB lay out plans to converge IFRS and US GAAP

2007: Canada, India, Japan and South Korea agree plans to adopt or converge with IFRS standards

2007: US SEC allows foreign users of IFRS to stop reconciling their accounts to US GAAP

US AND IFRS

Will US go to IFRS??

It is a **proposal**, but it is **NOT** sure yet

There are conditions to be met

There will probably be opposition

US AND IFRS

Will US go to IFRS??

Will it be accepted in the US?

Major change

(rules versus principles)

Will IFRS work in a very litigious environment?

Will the lawyers accept it?

US AND IFRS

Will US go to IFRS??

Is it good for Europe?

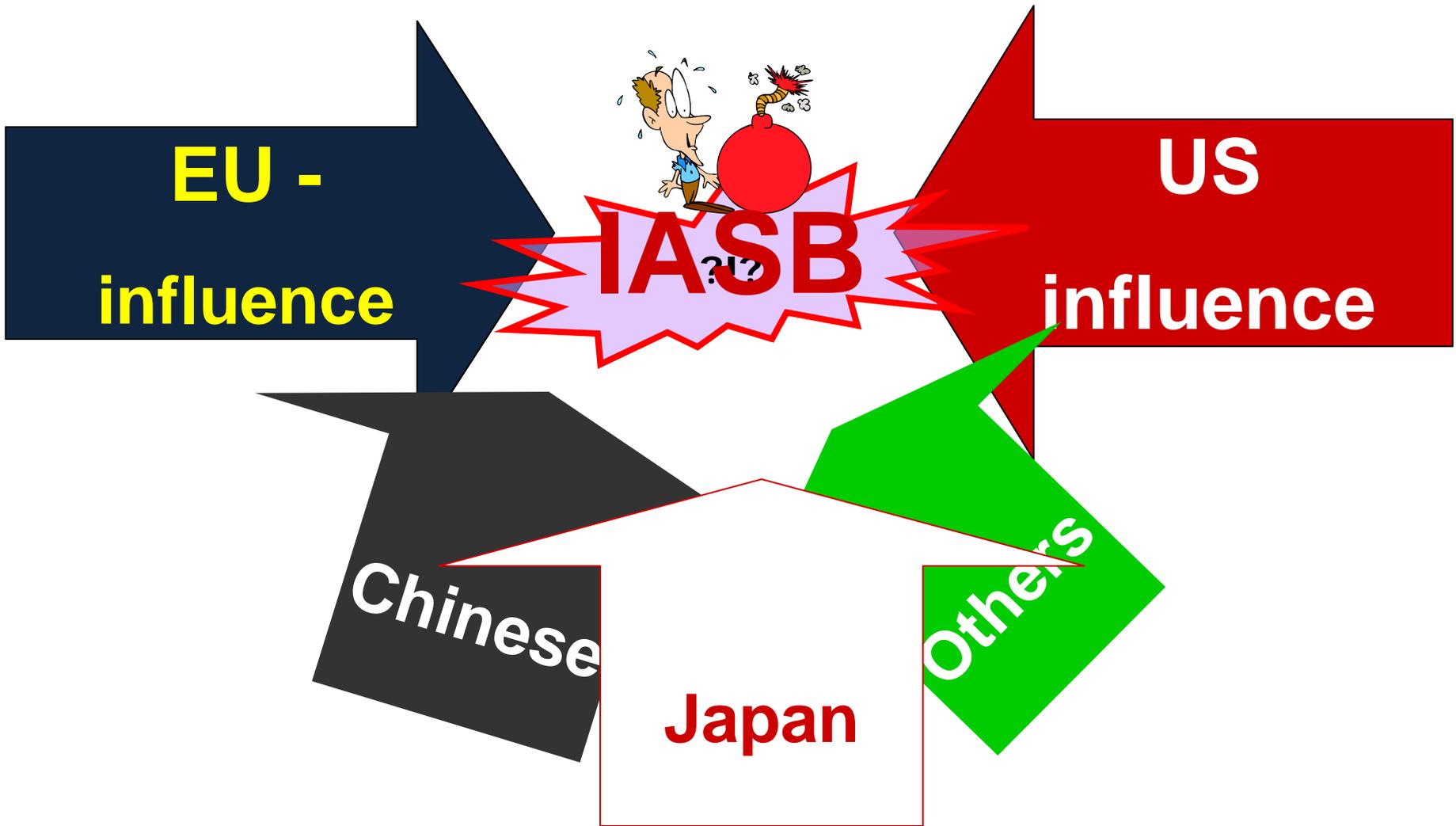
How will US (potential) adoption affect the global architecture??

Convergence

IASB governance

How much influence should each part of the world have??

Global Accounting



It is expected that Japan will issue a roadmap with a proposal to go to IFRS

New MoU issued 11 September

- Focused agenda linked to the possible US implementation of IFRS
 - Common, principles-based standards, subject to the required due process
- Is that the right focus?

EFRAG comments to draft MoU

- **Keep focus on the agenda important to those regions (EU) already using IFRS, i.e insurance**
- **Not only focus on the needs of the US**
- **Cross-cutting issues (only deal with subjects once)**

US REACTIONS

- How much will the FASB change their standards if they are on the way to IFRS
- Can they keep up the momentum in local US standard setting

Convergence

During the crisis:

We have seen request for same accounting rules to avoid competitive disadvantages

Convergence

Questions

Will convergence undermine EUROPEAN INFLUENCE??

- **We do not sit at the table**
- **Europe is split in our input**
- **Many players try to influence the IASB**
- **IASB is working closely with FASB**

We have a global standard setter

IFRS is law for consolidated financial statements in the EU

What EU control mechanisms and checks and balances do we need?

- **Can we achieve full convergence/ harmonisation?**
- **How can we take the next steps?**
- **What steps?**
- **Is convergence a concept (an idea) rather than reality?**