



EUROPE'S ACCOUNTANTS SEEK GLOBAL STANDARDS FOR FINANCIAL INSTRUMENTS IN POSITION PAPER

FEE President warns "EU standards would be seen as second best" if elements of IFRS are not endorsed

Brussels, 4th June 04: All parties in the financial reporting chain in Europe need to work towards a "reasonable solution" if a decision on a global set of standards on financial instruments is to be endorsed in 2004, according to a public call made by the body that represents Europe's 500,000 accountants. FEE (Fédération des Experts Comptables Européens) made the comment when it published a position paper on global accounting standards in Brussels today (Friday).

Commenting on the publication, FEE's President, David Devlin said: "As a general principle, FEE calls for global standards. As a consequence, we emphasise the need for 'endorsed IFRS' to be the same as 'IFRS'. The endorsement process should not be used as a means to create European standards. Only global standards will meet the wider objectives of financial stability, efficiency and transparency and provide the benefits of increasing confidence in financial markets, reducing the cost of capital and facilitating global investments."

Mr Devlin warned: "There would be serious drawbacks if elements of IFRS were not to be endorsed as EU standards would be seen as very much a second best. There would also be serious implications for audit reporting if 'endorsed IFRS' were different from 'IFRS': IFRS - International Financial Reporting Standards - could no longer be referred to as the reporting framework."

Highlights of FEE's position paper on global standards include:

- A strong commitment to high quality, global, principle-based neutral financial reporting standards;
- High quality financial reporting necessarily involves judgement and integrity in applying principle-based standards;
- Each of the players in the financial reporting chain must assume its responsibilities and behave in an ethical manner;
- Convergence must reflect seeking best principle-based solutions and should demonstrate fully that experience from across the globe is utilised;
- If standards published by IASB take a long time to be endorsed, it creates major uncertainties for preparers who have committed themselves to have IFRS in place by 2005 as well as for users and auditors.

The Federation also expresses concern in the position paper over what it described as serious implications if non-endorsement results in a European standard in one or more areas, viz:

- Extra disclosures to explain differences from IFRS, for reasons of transparency;
- Companies would no longer be able to claim that their financial statements were prepared under IFRS, with related consequences for the audit report;
- Related audit implications;

- The risk of setting a precedent;
- System changes implications of any unique European standards in any area, such as IAS 39;
- The risk that some financial institutions, banks or insurance undertakings that apply or want to apply IAS 39 will be seriously disadvantaged;
- Access to capital markets could be restricted or made more expensive; and
- Loss of opportunity to converge IFRS and US GAAP and possible impact on other elements of transatlantic dialogue.

Mr. Devlin said that FEE favoured enforcement systems with more powers and resources to enforce accounting standards applied by listed companies and a proper coordination between national enforcement bodies.

He concluded with a urgent appeal "FEE calls on all parties to come to reasonable solutions in a cooperative manner in order to have a global standard on financial instruments available for endorsement in 2004, thereby providing Europe with a comprehensive set of IFRS, identical with full IFRS."

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Notes for Editors:

1. The **Fédération des Experts Comptables Européens** (FEE) is the representative organisation for the accountancy profession in Europe. FEE's membership consists of 41 professional institutes of accountants from 29 countries. FEE member bodies represent more than 500,000 accountants in Europe. Roughly 45% of these accountants work in public practice, providing a wide range of services to clients. The other 55% work in various capacities in industry, commerce, government and education.