



Fédération des Experts
Comptables Européens

Press Release

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European Input to Global Convergence Must Carry Weight

European Accountants Argue for Mutual Recognition of IFRS and US GAAP in International Financial Reporting

27 March, 2005 – BRUSSELS - The European Federation of Accountants (FEE) today launched a new position paper on *Financial Reporting: Convergence, Equivalence and Mutual Recognition*. According to the paper, the only way for Europe to make a real input to global convergence in standards is to be co-ordinated in its approach. It asserts that it is only through substantive European input to the IASB work programme, enhanced coordination and greater transparency and consultation that real progress can be achieved. It is hoped this approach will also contribute to elimination of the costly reconciliation requirements for European companies also listed in the United States to comply to both IFRS and US GAAP standards.

These factors are significant in light of the recent roadmap agreed by US and International standards boards for global convergence and the recent announcement by the European Commission regarding its approach to financial reporting standards. This paper comes as the European Commission announces that the European Financial Reporting Advisory Group (EFRAG), of which FEE is an active member, has now become the expert private sector advisor to the Commission on all issues relating to the application of International Financial Reporting Standards (IFRS) in Europe. This formal relationship will also make EFRAG an influential contributor to the convergence of standards, a key factor in the process of mutual recognition of accounting standards between the EU and the US.

In launching this paper, FEE President David Devlin stated the "time is right for the acceptance of IFRS as truly global financial reporting standards. The European accountancy profession welcomes the recent confirmation of the European Commission's and the SEC's commitment to global accounting convergence and to eliminating reconciliation requirements. It is of crucial importance that a specific level of convergence is not needed for mutual recognition of IFRS and US GAAP."

Specific actions of note in this paper include:

- FEE has also called for enhanced coordination between regulators including CESR and SEC to agree on the new enforcement behaviours that IFRS principle-based standards entail in order to minimise regulatory differences that could create inconsistent application.
- Transparency and consultation has also been identified as key for success. FEE urges IASB, FASB, SEC and the European Commission to be transparent and to communicate on the recently published plans for short term and long term convergence and its impact on the priorities in the IASB work programme. FEE believes it of crucial importance that the work programme is well explained and that public consultation is considered and comments on the priorities welcomed.

Speaking further regarding the paper, President Devlin noted that, “mutual recognition is justifiable today provided that IFRS and US GAAP are properly applied. Effective implementation of IFRS in practice is one of the conditions of the SEC for mutual recognition without further requirements. Consistent application of IFRS means high quality financial reporting which is acceptable by reference to the standards. In order to encourage consistent application of the standards, FEE also supports a stable platform for IFRS in the coming years. Realising that some changes and improvements will be needed, we are strongly of the opinion that any proposals for radical changes need to be studied and exposed as discussion papers without short term implementation objectives in the next few years.”

President Devlin concluded his observations on a positive note: “the wide use of IFRS in Europe is a major step forward in financial reporting. Capital markets will get much better information than they did in the past.”

-ENDS-

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Notes for Editors:

1. The FEE Position Paper on Financial Reporting: Convergence, Equivalence and Mutual Recognition can be downloaded free-of-charge from the FEE website (<http://www.fee.be>) or copies may be ordered from Sylvie Romancide (Fax: + 32 2 231 11 12, Email: sylvie_romancide@fee.be).
2. On 1 December 2005, FEE organised a high level policy Seminar on IFRS Convergence and Consistency. The European Commission, European Parliament and the SEC participated at the event along with senior representatives of the investor, preparer and accounting communities. A report of the event and copies of the presentation made are available from:
http://www.fee.be/news/default.asp?library_ref=2&category_ref=214&content_ref=535
3. The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe. FEE's membership consists of 44 professional institutes of accountants from 32 countries. FEE member bodies are present in all 25 member states of the European Union and three member countries of EFTA. FEE member bodies represent more than 500,000 accountants in Europe.
4. EFRAG – European Financial Reporting Advisory Group - was set up in 2001 to assist the European Commission in the endorsement of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) by providing advice on the technical quality of IFRS. On Thursday 22 March, the European Commission and EFRAG announced they have entered into a formal Working Arrangements on issues relating to the application of IFRS in Europe. Further details are available from the EFRAG website:
http://www.efrag.org/doc/4929_PressreleaseMarch2006rev2Commission_2_.pdf
and the EC DG Internal Market website:
<http://www.europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/367&format=HTML&aged=0&language=EN&guiLanguage=en>