

Brussels, 7th June 2002

Agreement on International Accounting Standards will help investors and boost business in EU

The European Commission has welcomed the Council's adoption, in a single reading, of the Regulation requiring listed companies, including banks and insurance companies, to prepare their consolidated accounts in accordance with International Accounting Standards (IAS) from 2005 onwards (see [IP/01/200](#) and [MEMO/01/40](#)). The Regulation will help eliminate barriers to cross-border trading in securities by ensuring that company accounts throughout the EU are more reliable and transparent and that they can be more easily compared. This will in turn increase market efficiency and reduce the cost of raising capital for companies, ultimately improving competitiveness and helping boost growth. The IAS Regulation was proposed by the Commission in February 2001. It is a key measure in the Financial Services Action Plan, on which significant progress has been made in the last few weeks (see [IP/02/796](#)). Unlike Directives, EU Regulations have the force of law without requiring transposition into national legislation. Member States have the option of extending the requirements of this Regulation to unlisted companies and to the production of individual accounts. Although the Commission put forward the IAS proposal long before the Enron affair, this is one of a series of measures which will help to protect the EU from such problems— others include the Commission's recent Recommendation on Auditor Independence (see [IP/02/723](#)) and its proposal to amend the Accounting Directives (see [IP/02/799](#)).

Internal Market Commissioner Frits Bolkestein said: "I am delighted that the IAS Regulation has been adopted in a single reading and am grateful for the positive attitude of both the Parliament and the Council. I believe IAS are the best standards that exist. Applying them throughout the EU will put an end to the current Tower of Babel in financial reporting. It will help protect us against malpractice. It will mean investors and other stakeholders will be able to compare like with like. It will help European firms to compete on equal terms when raising capital on world markets. What is more, during my recent visit to the US, I saw hopeful signs that the US will now work with us towards full convergence of our accounting standards."

To ensure appropriate political oversight, the Regulation establishes a new EU mechanism to assess IAS adopted by the International Accounting Standards Board (IASB), the international accounting standard-setting organisation based in London, to give them legal endorsement for use within the EU. The Accounting Regulatory Committee chaired by the Commission and composed of representatives of the Member States, will decide whether to endorse IAS on the basis of Commission proposals.

In its task, the Commission will be helped by EFRAG, the European Financial Reporting Advisory Group; a group composed of accounting experts from the private sector in several Member States.

EFRAG provides technical expertise concerning the use of IAS within the European legal environment and participates actively in the international accounting standard setting process. The Commission invites all parties interested in financial reporting to contribute actively to the work of EFRAG. The Commission recently proposed amendments to the Accounting Directives which would complement the IAS Regulation by allowing Member States which do not apply IAS to all companies to move towards similar, high quality financial reporting (see [IP/02/799](#)).