

Commission Decision of 12 December 2008 on the use by third countries' issuers of securities of certain third country's national accounting standards and International Financial Reporting Standards to prepare their consolidated financial statements (notified under document number C(2008) 8218) (Text with EEA relevance) (2008/961/EC)

COMMISSION DECISION

of 12 December 2008

on the use by third countries' issuers of securities of certain third country's national accounting standards and International Financial Reporting Standards to prepare their consolidated financial statements

(notified under document number C(2008) 8218)

(Text with EEA relevance)

(2008/961/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC<sup>(1)</sup>, and in particular Article 23(4) thereof,

Whereas:

- (1) Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of International Accounting Standards<sup>(2)</sup> requires companies governed by the law of a Member State, whose securities are admitted to trading on a regulated market in any Member State, to prepare their consolidated accounts in accordance with International Accounting Standards, now commonly referred to as International Financial Reporting Standards, adopted pursuant to Regulation (EC) No 1606/2002 (hereinafter referred to as adopted IFRS), for each financial year starting on or after 1 January 2005.
- (2) Articles 4 and 5 of Directive 2004/109/EC provide that where an issuer is required to prepare consolidated accounts, the annual and half-yearly financial statements shall comprise such consolidated accounts drawn up in accordance with adopted IFRS. Even though this requirement applies to Community and third country issuers alike, third country issuers may be exempted from this requirement provided the law of the third country in question lays down equivalent requirements.
- (3) Commission Decision 2006/891/EC<sup>(3)</sup> provided that a third country issuer may also prepare its consolidated accounts, for financial years starting before 1 January 2009,

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in accordance with IFRS as issued by the International Accounting Standards Board (IASB), with GAAP of Canada, Japan or United States or with a GAAP of a third country which is subject to convergence with IFRS.

- (4) Financial statements drawn up in accordance with IFRS as issued by the IASB provide users of these statements with a sufficient level of information to enable them to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of an issuer. Therefore, it is appropriate to allow third country issuers to use IFRS as issued by the IASB within the Community.
- (5) In order to assess the equivalence of the Generally Accepted Accounting Principles (GAAP) of a third country with adopted IFRS, Commission Regulation (EC) No 1569/2007 of 21 December 2007 establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directives 2003/71/EC and 2004/109/EC of the European Parliament and of the Council<sup>(4)</sup> provides for the definition of equivalence and establishes a mechanism for the determination of equivalence of GAAP of a third country. Regulation (EC) No 1569/2007 also requires that the Commission decision permit Community issuers to use IFRS adopted pursuant to Regulation (EC) No 1606/2002 in the third country concerned.
- (6) In December 2007 the Commission consulted the Committee of European Securities Regulators (CESR) with regard to the technical assessment of the equivalence of the GAAP of the United States, China and Japan. In March 2008 the Commission extended the consultation with regard to the GAAP of South Korea, Canada and India.
- (7) In its advice delivered in March, May and October 2008 respectively, CESR recommended finding US GAAP and Japanese GAAP equivalent to IFRS for use within the Community. Furthermore, CESR recommended the acceptance of financial statements using GAAPs of China, Canada, South Korea and India within the Community on a temporary basis, until no longer than 31 December 2011.
- (8) In 2006 the United States' Financial Accounting Standards Board and the IASB concluded a Memorandum of Understanding which reaffirmed their objective of convergence between US GAAP and IFRS and outlined the work programme for this purpose. As a result of this work programme many major differences between US GAAP and IFRS have been resolved. In addition, following the dialogue between the Commission and the US Securities and Exchange Commission, reconciliation for Community issuers which prepare their financial statements according to IFRS as issued by the IASB is no longer required. Therefore, it is appropriate to consider US GAAP equivalent to adopted IFRS from 1 January 2009.
- (9) In August 2007 the Accounting Standards Board of Japan and the IASB announced their agreement to accelerate the convergence by eliminating major differences between Japanese GAAP and IFRS by 2008 and the remaining differences before the end of 2011. The Japanese authorities do not require any reconciliation for Community issuers which prepare their financial statements according to IFRS. Therefore, it is appropriate to consider Japanese GAAP equivalent to adopted IFRS from 1 January 2009.

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- (10) According to Article 4 of Regulation (EC) No 1569/2007, third country issuers may be permitted to use other third country GAAPs which are converging or committed to adopt IFRS or which have reached a mutual recognition agreement with the Community before 31 December 2008 for a transitional period ending no later than 31 December 2011.
- (11) In China, the Accounting Standards for Business Enterprises are substantially converged with IFRS and cover nearly all topics under current IFRS. However, since the Accounting Standards for Business Enterprises are applied only from 2007, there is need for further evidence of their proper application.
- (12) The Accounting Standards Board of Canada made a public commitment in January 2006 to adopt IFRS by 31 December 2011 and is taking effective measures to secure timely and complete transition to IFRS by that date.
- (13) The Korean Financial Supervisory Commission and the Korean Accounting Institute made a public commitment in March 2007 to adopt IFRS by 31 December 2011 and are taking effective measures to secure timely and complete transition to IFRS by that date.
- (14) The Indian Government and the Indian Institute of Chartered Accountants made a public commitment in July 2007 to adopt IFRS by 31 December 2011 and are taking effective measures to secure the timely and complete transition to IFRS by that date.
- (15) Whilst no final decision on the equivalence of accounting standards converging to IFRS should be taken until an assessment of the implementation of those accounting standards by companies and auditors has been carried out, it is important to support the efforts of those countries which have undertaken to converge their accounting standards to IFRS and also of those countries which have undertaken to adopt IFRS. Accordingly, it is appropriate to allow third country issuers to prepare their annual and half-yearly financial statements in accordance with the GAAPs of China, Canada, South Korea or India in the Community for the transitional period of no more than three years.
- (16) The Commission should continue to monitor, with the technical assistance of CESR, the development of those third country GAAPs in relation to adopted IFRS.
- (17) Countries should be encouraged to adopt IFRS. The EU may determine that the national standards which have been determined to be equivalent may no longer be used in preparing information required under Directive 2004/109/EC or Commission Regulation (EC) No 809/2004<sup>(5)</sup> implementing Directive 2003/71/EC when those respective countries have adopted IFRS as their sole accounting standard.
- (18) In the interests of clarity and transparency Decision 2006/891/EC should be replaced.
- (19) The measures provided for in this Decision are in accordance with the opinion of the European Securities Committee,

HAS ADOPTED THIS DECISION:

*Article 1*

From 1 January 2009, in addition to IFRS adopted pursuant to Regulation (EC) No 1606/2002, with regard to annual consolidated financial statements and half-yearly

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consolidated financial statements, the following standards shall be considered as equivalent to IFRS adopted pursuant to Regulation (EC) No 1606/2002:

- (a) International Financial Reporting Standards, provided that the notes to the audited financial statements contain an explicit and unreserved statement that these financial statements comply with international financial reporting standards in accordance with IAS 1 *Presentation of financial statements*;
- (b) Generally Accepted Accounting Principles of Japan;
- (c) Generally Accepted Accounting Principles of the United States of America.

[<sup>F1</sup>From 1 January 2012, with regard to annual consolidated financial statements and half-yearly consolidated financial statements, the following standards shall be considered as equivalent to IFRS adopted pursuant to Regulation (EC) No 1606/2002:

- (a) Generally Accepted Accounting Principles of the People's Republic of China;
- (b) Generally Accepted Accounting Principles of Canada;
- (c) Generally Accepted Accounting Principles of the Republic of Korea.]

[<sup>F2</sup>Third country issuers shall be permitted to prepare their annual consolidated financial statements and half-yearly consolidated financial statements in accordance with the Generally Accepted Accounting Principles of the Republic of India for financial years starting before [<sup>F3</sup>1 April 2016].]

#### Textual Amendments

- F1** Substituted by Commission Implementing Decision of 11 April 2012 amending Decision 2008/961/EC on the use by third countries' issuers of securities of certain third country's national accounting standards and International Financial Reporting Standards to prepare their consolidated financial statements (notified under document C(2012) 2256) (Text with EEA relevance) (2012/194/EU).
- F2** Inserted by Commission Implementing Decision of 11 April 2012 amending Decision 2008/961/EC on the use by third countries' issuers of securities of certain third country's national accounting standards and International Financial Reporting Standards to prepare their consolidated financial statements (notified under document C(2012) 2256) (Text with EEA relevance) (2012/194/EU).
- F3** Substituted by Commission Implementing Decision (EU) 2015/1612 of 23 September 2015 amending Decision 2008/961/EC on the use by third countries' issuers of securities of certain third country's national accounting standards and International Financial Reporting Standards to prepare their consolidated financial statements (notified under document C(2015) 6369) (Text with EEA relevance).

#### Article 1a

The Commission shall continue to monitor, with the technical assistance of the CESR, the efforts made by third countries towards a changeover to IFRS and pursue an active dialogue with authorities during the convergence process. The Commission shall submit a report on progress made in this regard to the European Parliament and the European Securities Committee (ESC) during 2009. The Commission shall also report expeditiously to Council and the European Parliament if situations arise where EU issuers in the future are required to reconcile their financial statements to the national GAAP of the foreign jurisdiction concerned.

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#### *Article 1b*

The dates announced publicly by third countries in relation to a changeover to IFRS shall serve as reference dates for the abolition of equivalence recognition for those third countries.

#### *Article 2*

Decision 2006/891/EC shall be repealed with effect from 1 January 2009.

#### *Article 3*

This Decision is addressed to the Member States.

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- (1) OJ L 390, 31.12.2004, p. 38.
- (2) OJ L 243, 11.9.2002, p. 1.
- (3) OJ L 343, 8.12.2006, p. 96.
- (4) OJ L 340, 22.12.2007, p. 66.
- (5) OJ L 149, 30.4.2004, p. 1. Corrected by OJ L 215, 16.6.2004, p. 3.

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**Changes and effects yet to be applied to :**

- Decision power to modify conferred by [2023 c. 29 s. 3 Sch. 1 Pt. 3](#)
- Decision revoked by [2023 c. 29 Sch. 1 Pt. 3](#)
- Art. 1 words inserted by [S.I. 2019/707 reg. 68\(2\)\(d\)](#)
- Art. 1 words omitted by [S.I. 2019/707 reg. 68\(2\)\(c\)](#)
- Art. 1 words substituted by [S.I. 2019/707 reg. 68\(2\)\(a\)\(i\)](#)
- Art. 1 words substituted by [S.I. 2019/707 reg. 68\(2\)\(b\)](#)
- Art. 1 words substituted in earlier amending provision [S.I. 2019/707, reg. 68\(2\)\(a\)\(i\)](#) by [S.I. 2020/1301 reg. 3Sch. para. 42\(a\)](#)
- Art. 1 words substituted in earlier amending provision [S.I. 2019/707, reg. 68\(2\)\(b\)](#) by [S.I. 2020/1301 reg. 3Sch. para. 42\(a\)](#)
- Art. 1a omitted by [S.I. 2019/707 reg. 68\(3\)](#)
- Art. 2 omitted by [S.I. 2019/707 reg. 68\(4\)](#)
- Art. 3 omitted by [S.I. 2019/707 reg. 68\(4\)](#)

**Changes and effects yet to be applied to the whole legislation item and associated provisions**

- Art. 1(d) inserted by [S.I. 2019/707 reg. 68\(2\)\(a\)\(ii\)](#)