

**CESR'S CONSULTATION PAPER:**

**CESR'S TECHNICAL ADVICE**

**ON A MECHANISM FOR DETERMINING THE EQUIVALENCE OF  
THE GENERALLY ACCEPTED ACCOUNTING PRINCIPLES OF THIRD COUNTRIES**

**REF. CESR/07-212 (APRIL 2007)**

**COMMENTS OF EURONEXT**

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Euronext welcomes the opportunity offered by CESR to submit views in the context of its consultation paper in relation to its advice to the European Commission on a mechanism for determining the equivalence of the GAAP of third countries.

As a general comment to CESR's consultation, we would like to highlight the need to take into consideration and ensure the attractiveness of European regulated markets for third countries' issuers. In this perspective, it seems important to keep in mind the general objective set up by the European Commission's mandate to CESR in the process of determining equivalence, that is to provide "a global and holistic assessment of the quality of the financial information provided" by other accounting systems. We also wish to insist on the necessity to remain as pragmatic as possible in the equivalence process, as being too strict would push foreign issuers to refrain from listing on European markets.

In addition, we would also like to provide the following comments to CESR's specific questions:

**Question 1: Do you agree that CESR's suggested method for handling applications for equivalence is the best way? In cases where the standard setter is not in a position to initiate and/or substantiate an application, do you have any concrete suggestions as regards the solution of such a situation and in particular, who could undertake the abovementioned assessments?**

We agree in principle on the approach proposed by CESR. However we would like to add a suggestion. The target group that would benefit from this equivalence determination consists of issuers seeking access to the European capital markets. These companies should not be fully dependent on the decision of the standard setter of the involved third country to apply for an equivalence determination. We would like to suggest providing third country issuers with a possibility to submit a request to CESR or the European Commission directly - or at least to inform them - so that CESR or the European Commission can contact the standard setter of that country and consequently request the standard setter to start the application procedure.

**Question 2: Do you think that CESR should publish guidance on the information that it would consider satisfactory to ensure an informed decision?**

Yes, we agree with the fact that differences between standards should not automatically lead to an obligatory convergence program. Providing guidance on the level of information that should be submitted would be a very helpful suggestion and would prevent lengthy procedures.

**Question 3: Which of the two approaches indicated above (and in the Appendices) do you think is most appropriate? Please provide your reasons.**

We believe the first approach to be appropriate. It should however be noted that the procedure suggested might be very time consuming. CESR will determine the length of such consultation period based on the deadline provided by the European Commission. We would like to request CESR to take all aspects into account, such as the potential need for the third country issuers to have access to the European markets rapidly. If the process is too long, this would create uncertainty and could lead to decisions of third country issuers not to access the European markets. The ultimate goal should therefore be kept in mind.

Furthermore, if the approach retained leads to the obligation for third country issuers to disclose significance differences to IFRS, it should not create a too heavy administrative burden for these issuers. This could affect the decision to access the European capital markets as well.

Finally, as the equivalence process doesn't prevent national regulators to accept/recognise bilaterally other foreign GAAP, we would find useful the establishment and publication of an updated list of all those bilateral recognitions at a European level.

**Question 4: Recital 8 of the Commission Regulation 1787/2006 and recital 7 of the Commission Decision 2006/891/EC of 4 December 2006 state that "the progress of the convergence process should be closely examined before any decision on equivalence is taken".**

**Do you think the existence of a convergence programme between the assessed third country' GAAP and IFRS should play any role in the determination of equivalence, other than facilitating the comparison between the standards and identifying the necessary rectifications?**

No, a decision on equivalence should be based on current situations. If progress of such programmes is part of the decision making process, this could lead to time consuming procedures depending on the speed of local authorities.

**Question 5: Do you agree that filters are important and that they should be reflected in any equivalence mechanism? If so, do you think the CESR's model correctly reflects how consideration of the filters should be incorporated into the mechanism?**

Filters are important. Home country control, such as auditors approval and possibility of sanctions should be taken into account.

However, elements such as corporate governance should not be raised in this discussion. Since corporate governance requirements are not harmonized, each country (the home country but also the country of the market the company wishes to access) has its own approach.

**Question 6: Do you agree with this proposal? Do you have any suggestions as regards the procedure for providing the envisaged impact assessments which avoids a period of uncertainty for issuers while these are being made?**

Yes. We do not have any further suggestions.

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