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**PRESS RELEASE**

**CESR proposes that Canadian and South Korean GAAPs be accepted in the EU until the end of 2011**

CESR publishes today its advice to the European Commission "*CESR's advice on Canadian and South Korean GAAPs*" (Ref. CESR/08-293).

The Commission Regulation (EC) No 1569/2007 "*Regulation 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*" ("the Regulation on the mechanism") published on 18 December 2007, lays down the conditions under which the GAAP of a third country may be considered equivalent to IFRS adopted pursuant to EC Regulation 1606/2002 in accordance with a definition of equivalence set out in Article 2. The Regulation also sets out in Article 4 the conditions for the acceptance of third country accounting standards that are the subject of an appropriate convergence or adoption programme for a limited period expiring no later than 31<sup>st</sup> December 2011 (see notes for editors).

On the basis of this Regulation, CESR received a mandate from the European Commission in March 2008 requesting CESR's technical advice on Canadian, Indian and South Korean GAAP. In accordance with this mandate, CESR provides, in this advice, details of its work and conclusions concerning Canadian and South Korean GAAP. CESR does not make any proposals in this advice regarding Indian GAAP as it is still in the process of obtaining information about the situation regarding the use of IFRS in that country.

CESR's advice was subject to consultation with market participants, and the comments raised by respondents are included, within CESR's final technical advice, rather than in a separate feedback statement on this occasion. The responses to the consultation are available on CESR website in the section "Consultation".

CESR's recommendations in the technical advice are the following:

CESR recommends the Commission accept Canadian GAAP according to article 4 of the Commission Regulation on the mechanism for determining equivalence of third country GAAP. On the basis of the analysis undertaken, CESR believes it can draw the following conclusions:

- The Canadian AcSB has made a public commitment in January 2006 to adopt International Financial Reporting Standards (IFRS) by 31 December 2011 and there is publicly available information giving details of both the program and the progress the Canadian Authorities are making to achieve it;



- Effective measures are being taken to secure a timely and complete transition to IFRS by that date as indicated in the timetable provided in paragraph 31;
- The Canadian authorities are showing a commitment to the adoption program and all stakeholders (companies, auditors, academics, the securities regulators, the IASB, etc.) are involved in the process.

CESR recommends the Commission accepts South Korean GAAP according to article 4 of the Commission Regulation on the mechanism for determining equivalence of third country GAAP. On the basis of the analysis undertaken, CESR believes it can draw the following conclusions:

- The South Korean Financial Supervisory Commission (KFSC) and the Korea Accounting Institute (KAI) have made a public commitment in March 2007 to adopt IFRS by 31 December 2011 and there is publicly available information giving details of both the programme and the progress the South Korean Authorities are making to achieve it;
- Effective measures are being taken to secure the timely and complete transition to International Financial Reporting Standards by that date as indicated in the timetable provided in paragraph 53;
- The South Korean authorities are showing a commitment to the adoption program and all stakeholders (companies, auditors, academics, the securities regulators, the IASB, etc.) are involved in the process.



**Notes for Editors:**

1. Within CESR, the operational group CESR-Fin chaired by Fernando Restoy, Executive Board Member of the Spanish CNMV, has been charged with the preparation of CESR's advice.
2. Extract from Article 4 Commission Regulation (EC) No 1569/2007: **“Conditions for the acceptance of third country accounting standards for a limited period**

*Third country issuers may be permitted to use financial statements drawn up in accordance with the accounting standards of a third country in order to comply with obligations under Directive 2004/109/EC and, by derogation from Article 35(5) of Regulation (EC) No 809/2004, to provide historical financial information under that Regulation for a period commencing any time after 31 December 2008 and expiring no later than 31 December 2011 in the following cases:*

- 1. the third country authority responsible for the national accounting standards concerned has made a public commitment before 30 June 2008 to converge these standards with International Financial Reporting Standards before 31 December 2011 and both the following conditions are met:*
    - a) the third country authority responsible for the national accounting standards concerned has established a convergence programme before 31 December 2008 that is comprehensive and capable of being completed before 31 December 2011;*
    - b) the convergence programme is effectively implemented, without delay, and the resources necessary for its completion are allocated to its implementation;*
  - 2. the third country authority responsible for the national accounting standards concerned has made a public commitment before 30 June 2008 to adopt International Financial Reporting Standards before 31 December 2011 and effective measures are taken in the third country to secure the timely and complete transition to International Financial Reporting Standards by that date, or has reached a mutual recognition agreement with the EU before 31 December 2008.”*
3. Both the Prospectus Regulation and the Transparency Directive stated that third country issuers (non-EU issuers), who have their securities admitted to trading on an EU regulated market, or who wish to make a public offer of their securities in Europe, are required to prepare and present the financial statements that they publish on the basis of EU endorsed IAS/IFRS, or on the basis of a third country's national accounting standards if they have been declared as equivalent to IAS/IFRS. At least six months before 1 January 2009, the Commission shall ensure a determination of the equivalence of the GAAP of third countries, pursuant to a definition of equivalence and an equivalence mechanism that it established in December 2007, on the basis of 2 CESR advices: an advice containing a definition of equivalence (ref. CESR/07-138) submitted to the Commission in March 2007 and an advice on a mechanism for determining the equivalence of the GAAPs of third countries (ref. CESR/07-289) submitted to the Commission in June 2007.
  4. CESR is an independent Committee of European Securities Regulators. The role of the Committee is to:
    - Improve co-ordination among securities regulators;
    - Act as an advisory group to assist the EU Commission, in particular in its preparation of draft implementing measures in the field of securities;
    - Work to ensure more consistent and timely day to day implementation of community legislation in the Member States.



- The Committee was established under the terms of the European Commission's decision of 6 June 2001 (2001/1501/EC). It is one of the two committees envisaged in the Final Report of the Group of Wise Men on the regulation of European securities markets. Baron Alexandre Lamfalussy chaired this group. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on the CESR website.
- 5. Each Member State of the European Union has one member in the Committee. The members are nominated by the Member States and are the heads of the national public authorities competent in the field of securities. The European Commission has nominated the Director General of the DG Market, as its representative. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level.
- 6. For further information please contact:

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