



## Accounting Standards: SEC Chairman Cox and EU Commissioner McCreevy Affirm Commitment to Elimination of the Need for Reconciliation Requirements

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Washington, D.C., Feb. 8, 2006 — On the occasion of the visit of EU Internal Markets Commissioner Charlie McCreevy to Washington DC, SEC Chairman Christopher Cox and Commissioner McCreevy took stock of progress on and affirmed their commitment to eliminating the need for reconciliation between International Financial Reporting Standards (IFRS) and US Generally Accepted Accounting Principles (GAAP).

Chairman Cox believes the use of IFRS has the potential to produce significant benefits for US investors through enhanced comparability of financial information about investment choices around the world. He congratulates Commissioner McCreevy on the strides made by the European Union toward implementing IFRS, and further notes the work accomplished by the International Accounting Standards Board (IASB), the independent body charged with establishing high-quality-global accounting standards.

Chairman Cox reaffirms his commitment to the "roadmap" to eliminate, by 2009 at the latest, the SEC requirement for foreign private issuers to reconcile IFRS-based financial statements to US GAAP. He states:

"The SEC is working diligently toward the goal of eliminating the existing IFRS to US GAAP reconciliation requirement. Achieving that goal depends on various factors, as discussed in the April 2005 roadmap, including the effective implementation of IFRS in practice. The ultimate success of IFRS for the benefit of the global capital markets depends on the contributions of many parties, including investors, regulators, auditors, issuers and standard setters."

A milestone in the roadmap will be reached in mid-2006, when many foreign issuers begin to file with the SEC IFRS-based financial statements that include a

reconciliation to US GAAP. In the second half of 2006, as noted in the roadmap, the SEC staff plans to begin carrying out an analysis of these financial statements and will confer with relevant parties about its analysis. Chairman Cox and Commissioner McCreevy also note the significant role of the Committee of European Securities Regulators (CESR) with regard to the implementation of IFRS in the European Union, which will be supported by the dialogue on application of IFRS to take place in an EU roundtable.

Chairman Cox concurs with Commissioner McCreevy about the need for enhancing cooperation and information-sharing among regulators, and fully supports the work plan recently announced by the SEC and CESR, which includes dialogue about the implementation of IFRS. Both agree that steady progress towards eliminating the need for reconciliation depends to a significant degree on the trust and communication that exist among regulators.

Recognizing that IFRS are principles-based standards, regulators should give full consideration to the positions of their international counterparts regarding application and enforcement of IFRS, and seriously endeavor to avoid conflicting conclusions.

Chairman Cox and EU Commissioner McCreevy each note the efforts of the IASB and the US Financial Accounting Standards Board (FASB) to converge IFRS and US GAAP. Chairman Cox believes that for the benefit of investors the work on convergence of standards should proceed apace. He added that while he would not insist on a particular degree of convergence as a prerequisite for elimination of the reconciliation, he would expect to see an effective process for converging IFRS and US GAAP, demonstrated by measurable progress in addressing priority issues.

Chairman Cox and EU Commissioner McCreevy agree that mutual efforts should focus on creating the conditions that facilitate use of US GAAP and IFRS in each other's jurisdiction. With regards to the EU's pending decision regarding the equivalence of US GAAP to IFRS, as is required by certain EU directives, Chairman Cox separately notes that US GAAP is widely-used, comprehensive, and a known quantity in capital markets at home and abroad. He would expect US GAAP ultimately to be deemed equivalent to IFRS.

Chairman Cox will meet with Commissioner McCreevy during the coming year to discuss progress on matters related to the use of high quality global accounting standards. There will also be regular meetings over the next year between SEC and European Commission officials to take stock of developments and monitor progress in moving towards mutually desired goals.

<http://www.sec.gov/news/press/2006-17.htm>