



**London**  
**STOCK EXCHANGE**

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Dear Carlo

**RESPONSE TO CESR'S CONSULTATION PAPER ON THE EQUIVALENCE  
OF CHINESE, JAPANESE AND US GAAP**

Thank you for the opportunity to comment on CESR's advice on the equivalence of Chinese, Japanese and US GAAP.

We are very supportive of the approach that CESR sets out in this consultation paper and we were encouraged by the similar support voiced at the recent open hearing on this subject. We have long advocated a "holistic outcome-based approach" as opposed to an approach based on an analysis of differences in standards and remedying those differences. We are very pleased that CESR also believe this is the best way forward.

The appendix sets out our responses to the specific questions posed.

I hope our views are helpful to CESR's work. Please do not hesitate to contact me if you wish to discuss any aspect of this letter.

Yours sincerely

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## **APPENDIX**

**Q1. Given this approach, are there any other elements that you think CESR should consider? If so, please give details of such elements.**

As set out above, we strongly support CESR's current approach. There are no other elements that we think CESR should consider.

**Q2. On the basis of the approach described in paragraph 31, do you agree with CESR's conclusion that US GAAP should be considered equivalent to IFRS?**

Yes – we strongly agree that US GAAP should be considered equivalent.

As CESR acknowledges, a great deal of work has recently been undertaken by the IASB and FASB. We believe that the conclusions set out by CESR in paragraph 50 are accurate, and we support the assertion that these elements ensure US GAAP and IFRS are converging and will continue to evolve on a combined basis to an extent where they are effectively equivalent to each other.

**Q3. Again given the approach CESR outlines in paragraph 31 above, do you agree with CESR's approach in this instance? If not please give details of why you disagree.**

Yes – we agree that, come June 2008, the Commission should consider Japanese GAAP equivalent, unless there is no adequate evidence of the ASBJ achieving to timetable the objectives set out in the Tokyo Agreement.

We are aware that the Japanese authorities are working hard to eliminate differences between Japanese GAAP and IFRS and have made very commendable progress: there is no reason to doubt that the ASBJ will achieve the goals set out in the Tokyo Agreement and address the main differences identified by CESR in its June 2005 advice.

**Q4. Given the circumstances described above, do you agree with CESR's assessment on Chinese GAAP?**

We agree with CESR's assessment. It is encouraging that Chinese standards look substantially similar to IFRS. However, we note CESR's concerns that there is currently no objective evidence of adequate implementation – as a consequence of the standards only having been in use since 1 January 2007.

We therefore support the last sentence in paragraph 72 - CESR should recommend that the Commission consider accepting Chinese GAAP according to article 4 of the Commission Regulation on the mechanism, until such time as there is adequate evidence to enable a decision to be made under article 2.