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Press Release

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European Commission Grants Equivalence to Korea's Generally Accepted Accounting Principles

1. Contents of European Commission's Decision

As of December 12, 2008, the European Commission (EC) granted equivalence to Korea's Generally Accepted Accounting Principles (GAAP).*

* Under European Union (EU) regulations, third countries' issuers must prepare their consolidated accounts in accordance with International Financial Reporting Standards (IFRS) or GAAPs that are granted equivalence with the IFRS by the year 2009. Final decision to grant equivalence of IFRS is made by the EC and requires conformity in the contents of third countries' accounting standard as well as credibility of each country's accounting supervisory system.

With this decision, Korean companies listed in European markets are able to use their financial statements using Korean GAAP until the year 2011.

This decision is due, in part, to Korea's efforts to adopt the IFRS and the fact that its accounting supervisory system received a positive review from the Committee of European Securities Regulators (CESR).

However, the EC will regularly monitor Korea's IFRS adoption process and its progress.

Meanwhile, the EC has determined that the GAAPs of the U.S., Japan, China, Canada, and India are equivalent to IFRS. Like Korea, the GAAPs of Chinaⁱ, Canada, and Indiaⁱⁱ will be monitored regularly on its equivalence status.

2. Discussion Progress among Regulatory Bodies

Korean regulatory bodies have made efforts to receive positive reviews on Korea's GAAP's equivalence status.

The regulatory bodies have hosted discussion meetings with the CESR and requested that Korea's GAAP be included in the review of granting equivalence to third countries' accounting standard.

With visits to the CESR, meetings with the evaluation committee, sending evaluation documents, and actively promoting Korea's commitment to adopt IFRS and efforts to



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improve its accounting and supervision system, the regulatory bodies received a positive outcome.

3. Expected Effects

With this decision, Korean companies listed in the European markets are able to save costs associated with preparing their annual consolidated financial statements.*

* If this equivalence decision were not granted than forty companies, including Samsung Electronics, POSCO, Hyundai Motor Company, would have had to prepare their financial statements in accordance to IFRS from the year 2009.

Furthermore, this decision gives Korea's accounting system the opportunity to be recognized as one that is credible and transparent.

4. Future Plans

The EC will review Korea's IFRS adoption process on an ongoing basis. As such, the Korean regulatory bodies will take effective measures to secure a timely and complete transition to IFRS by the scheduled date. Furthermore, to maintain consistency in the applicability and supervision standards, the regulatory bodies will actively interact with countries that have already implemented IFRS.

ⁱ China will adopt the IFRS from 2007 with modification.

ⁱⁱ Both Canada and India will adopt the IFRS from 2011.

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