Commission Regulation (EC) No 611/2007 of 1 June 2007 amending Regulation (EC) No 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 11 (Text with EEA relevance)

COMMISSION REGULATION (EC) No 611/2007

of 1 June 2007

amending Regulation (EC) No 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 11

(Text with EEA relevance)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards[(1)], and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1725/2003[(2)] certain international standards and interpretations that were extant at 14 September 2002 were adopted.

(2) On 2 November 2006, the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC Interpretation 11 *IFRS 2 — Group and Treasury Share Transactions*, hereinafter 'IFRIC 11'. IFRIC 11 addresses how to apply International Financial Reporting Standard (IFRS) 2 Share-based Payment to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent). The interpretation was required as, until now, there was no guidance on how share-based payment arrangements in which an entity receives goods or services as consideration for equity instruments of the entity's parent should be accounted for in the entity's financial statements.

(3) The consultation with the Technical Expert Group (TEG) of the European Financial Reporting Advisory Group (EFRAG) confirms that IFRIC 11 meets the technical criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(4) Regulation (EC) No 1725/2003 should therefore be amended accordingly.

(5) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Changes to legislation: *There are currently no known outstanding effects for the Commission Regulation (EC) No 611/2007. (See end of Document for details)*

Article 1

In the Annex to Regulation (EC) No 1725/2003: 'International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 11 *IFRS 2 — Group and Treasury Share Transactions*', is inserted as set out in the Annex to this Regulation.

Article 2

Each company shall apply IFRIC 11 as set out in the Annex to this Regulation as from the commencement date of its 2008 financial year at the latest, except for companies with a January or February commencement date which shall apply IFRIC 11 as from the commencement date of the 2009 financial year at the latest.

Article 3

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 1 June 2007.

For the Commission

Charlie McCREEVY

Member of the Commission

***Changes to legislation:** There are currently no known outstanding effects for the Commission Regulation (EC) No 611/2007. (See end of Document for details)*

ANNEX

INTERNATIONAL FINANCIAL REPORTING STANDARDS

'IFRIC 11	IFRIC Interpretation 11 *IFRS 2 — Group and Treasury Share Transactions*'

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IFRIC INTERPRETATION 11 IFRS 2—Group and Treasury Share Transactions

References

— IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

— IAS 32 *Financial Instruments: Presentation*

— IFRS 2 *Share-based Payment*

Issues

1. This Interpretation addresses two issues. The first is whether the following transactions should be accounted for as equity-settled or as cash-settled under the requirements of IFRS 2:

(a) an entity grants to its employees rights to equity instruments of the entity (e.g. share options), and either chooses or is required to buy equity instruments (i.e. treasury shares) from another party, to satisfy its obligations to its employees; and

(b) an entity's employees are granted rights to equity instruments of the entity (e.g. share options), either by the entity itself or by its shareholders, and the shareholders of the entity provide the equity instruments needed.

2. The second issue concerns share-based payment arrangements that involve two or more entities within the same group. For example, employees of a subsidiary are granted rights to equity instruments of its parent as consideration for the services provided to the subsidiary. IFRS 2 paragraph 3 states that:

For the purposes of this IFRS, transfers of an entity's equity instruments by its shareholders to parties that have supplied goods or services to the entity (including employees) are share-based payment transactions, unless the transfer is clearly for a purpose other than payment for goods or services supplied to the entity. *This also applies to transfers of equity instruments of the entity's parent, or equity instruments of another entity in the same group as the entity, to parties that have supplied goods or services to the entity. [Emphasis added]*

However, IFRS 2 does not give guidance on how to account for such transactions in the individual or separate financial statements of each group entity.

3. Therefore, the second issue addresses the following share-based payment arrangements:

(a) a parent grants rights to its equity instruments direct to the employees of its subsidiary: the parent (not the subsidiary) has the obligation to provide the employees of the subsidiary with the equity instruments needed; and

(b) a subsidiary grants rights to equity instruments of its parent to its employees: the subsidiary has the obligation to provide its employees with the equity instruments needed.