

Capital market: International Financial Reporting Standards (IFRS) and the governance of the IASB

2006/2248(INI) - 10/07/2007

The Council adopted conclusions emphasising the importance of International Financial Reporting Standards (IFRS) for EU financial markets. Strong governance and stable funding of the International Accounting Standards Board (IASB) and the International Accounting Standards Committee Foundation (IASCF) are crucial for the European Union.

The Council notes that following the two progress reports prepared by the Commission, improvements have been made to the IASB/IASCF governance structure. Reaffirming the July 2006 Conclusions, whilst recognising these achievements made by the IASB/IASCF, the Council would like to see further action in the following areas:

- implementation of the decided measures to improve the IASB's governance structure through an appropriate work-plan;
- comments from the Roundtable on Consistent Application of IFRS in the EU need to be fully taken into account in work of the IASB on standards and interpretations;
- IASB should carry out rigorous ex-ante impact analysis for any new standards and ex-post analysis of the impact and functioning of issued standards and interpretations to ensure that their goals have been achieved and that they provide relevant information to users;
- Member States and the European Parliament should be regularly informed at an early stage by members of the IASB about their intention to issue new standards, and by the Trustees on governance developments in the IASCF;
- the IASCF should proceed swiftly with the review of the working methods of the Standards Advisory Council (SAC) and give more prominence to its role.

Furthermore, the Council continues to underline the importance/necessity of:

- full transparency by the IASB at all stages of the process of international accounting standards convergence, taking into account the views of all relevant stakeholders;
- geographically balanced representation in all key Committees of the IASB/IASCF structure;
- ensuring that stakeholders are adequately represented in the IASB foundation, IASB and International Financial Reporting Interpretations Committee (IFRIC) governing bodies, bringing additional technical expertise.

The Council is generally satisfied with the IASCF efforts to provide stable and secure funding for the IASB structure. The Council nevertheless considers that the following measures are necessary to make further progress:

- on the basis of clear financing needs, seek a broad international base of contributors, also including smaller jurisdictions;
- liaise with European and national business and other relevant organisations to support private sector efforts to create a broad-based voluntary financing system;
- demonstrate that other regions of the world are contributing equitably to the funding system;
- agree modalities for regular evaluation of the working of the future funding system with the aim to ensure its efficiency and stability.

The Council invites the Commission and the Economic and Financial Committee to continue monitoring the IASB/IASCF issues, and report to the Council on a regular basis on developments in governance and funding of the IASB and IASCF.