Resolution on the IASCF review of the constitution, public accountability, and composition of the IASB: proposals for change

2008/2634(RSP) - 09/10/2008 - Text adopted by Parliament, single reading

Following the debate which took place during the sitting of 24 September, the European Parliament adopted by 568 votes to 27, with 43 abstentions, a resolution tabled by the Committee on Economic and Monetary Affairs on 'IASCF: Review of the constitution – Public Accountability and the Composition of the IASB Proposals for Change'. Parliament notes that that the IASCF proposes establishing a monitoring group.

In general, MEPs are supportive of the proposal on the initial membership of the Group, but are doubtful about the value of setting it up until its role and powers have been clarified. It expresses doubts as regards the desirability of setting up the monitoring group at this stage, before the second phase of the consultation process of the review of the governance of the IASB is launched and without a clear overview of the relationship to be established between the monitoring group and the IASCF in the constitution of the latter.

It is recalled that International Financial Reporting Standards are developed by the 14-member International Accounting Standards Board, which is appointed and overseen by the trustees of International Accounting Standards Committee Foundation, a private sector, not-for-profit organisation. Earlier this year, Parliament adopted a report criticising these governance arrangements and calling for greater accountability in the system. The IASCF has since proposing setting up a high-level Monitoring Group as part of reforms to address these concerns.

The main points it made regarding the monitoring group are as follows:

- it should be entitled to recommend candidates as Trustees and should be responsible for approving the selection of Trustees after an agreed nomination process;

- it should be involved in setting the agenda for the IASB so as to ensure transparency and accountability. The subsequent accounting standard setting process should remain free of undue interference and should be effected in full consultation with all stakeholders, including investors;

- the monitoring group should reflect the balance of the world's most significant currency areas, cultural diversity, and the interests of both developed and emerging economies and of international institutions which have accountability requirements before public authorities. It should play an active role in promoting the transparency of financial reporting and the development and effective functioning of capital markets, as well as avoiding pro-cyclicality and ensuring financial market stability and preventing systemic risk.

- the Basel Committee on Banking Supervision should be included in the monitoring group, as should EU financial market regulators;

- the members of the monitoring group must have sufficient competence to ensure that they can be held politically accountable;

Parliament is concerned that some of the proposed members of the monitoring group do not require domestic issuers to apply IFRS. It feels that membership of the monitoring group should become effective

only after a commitment to introduce IFRS as the domestic standard. No country should be represented in the monitoring group by more than one delegate.

Members note that the IASCF also proposes enlarging the IASB by two members to a total of 16. They consider such enlargement to be acceptable as it could lead to a more balanced IASB, in particular if the IASCF proposal is amended to ensure parallel treatment of the most significant global currency areas.

The resolution calls for a memorandum of understanding to be concluded between Parliament, the Council and the Commission so as to define the conditions of association of the legislators with the work of the monitoring group, if such a group is established at this stage.

Lastly, Parliament deplores the fact that Parliament was not consulted about the establishment of an International Accounting Advisory Group.