Financial services, financial reporting and auditing: Community programme 2010-2013 to support specific activities

2009/0001(COD) - 06/05/2009 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 537 votes to 20, with 5 abstentions,

a legislative resolution amending, under the first reading of codecision procedure, the proposal for a decision of the European Parliament and of the Council establishing a Community programme to support specific activities in the field of financial services, financial reporting and auditing.

The amendments are the result of a compromise agreement between Parliament and Council. The compromise text notes that IASCF and EFRAG are currently undergoing governance reforms the need for which has been highlighted by the recent financial crisis to ensure that through their structure and processes they accomplish their public interest mission in an independent, efficient, transparent and democratically accountable manner. The importance of those reforms was stressed in the report of the de Larosière Group of February 2009. The reforms should be in place by the time the Community co-financing starts. In relation to the IASCF, this should include, inter alia, meeting certain expectations, in particular the creation of the Monitoring Board with relevant powers and appropriate composition, greater transparency and legitimacy in the IASCF's standard-setting and agenda-setting processes, the enhancement of the effectiveness of the Standards Advisory Council and the formalisation of the role of impact assessments as part of the due process of the IASB.

The main amendments are as follows:

Objectives: the general objective of the Programme is to improve the conditions for the functioning of the internal market by supporting the operation, activities or actions of certain bodies in the fields of financial services, financial reporting and auditing. The independence of the Committees of Supervisors set out in their establishing decisions shall not be undermined by the implementation of the Programme.

Beneficiaries: beneficiaries that carry out international activities in third countries, such as the IASCF and the PIOB, shall not continue to benefit from the Programme if after the first two years of co-financing they have not made significant progress towards ensuring that neutral funding arrangements form a majority of their total funding, including from third-country participants.

The Commission is empowered to select new beneficiaries for the Programme and to amend the Annex accordingly.

Award of grants: the compromise text sets out the new terms under which beneficiaries may receive an action grant or an operating grant.

Financial provisions: the financial envelope for the implementation of the Decision over the period **2010-2013 is EUR 38.7 million** (the Commission had proposed EUR 36.2 million over the 2010-2013 period). Within that envelope, commitment appropriations to the beneficiaries set out in Section B of the Annex shall be at least EUR 13.5 million, those to the IASCF shall be no more than EUR 12.75 million, and those to the EFRAG shall be no more than EUR 11.25 million.. The compromise text adds that where the Commission presents its first appropriation request as part of the preliminary draft budget in relation to the IASCF, it shall, 1 month in advance of such request, provide a report on the governance reforms of the

IASCF to be delivered to the European Parliament and the Council. The report shall focus on the governance structure and processes, including the composition and powers of the Monitoring Board, in particular on the ability of that body to accomplish its public interest mission in a transparent and efficient manner. It will also set out progress as regards the **roadmaps for third countries** to introduce IFRS for their domestic issuers.

Where the Commission presents its first appropriation request as part of the preliminary draft budget to the budgetary authority in relation to the year following the first 2 years of financing of the IASCF and the PIOB, it shall, 1 month in advance of such request, provide a report on whether the IASCF and the PIOB have made significant progress towards ensuring that neutral funding arrangements form a majority of their total funding, including from third-country participants. That report shall be assessed by the European Parliament and the Council with regard to whether significant progress towards neutral funding, including from third-country participants, has been made.

Evaluation: the Commission will present the following reports to Parliament and Council:

- no later than 6 months before the end of the Programme, a report based, inter alia, on the annual reports;
- by 1 July 2010, a report on the need for further reforms of the financial supervisory system in the EU, taking account of the responsibilities under the Treaty, and shall, as appropriate, put forward the necessary legislative proposals. The text notes that the report should use the report of the de Larosière Group as a basis for action;
- together with the preliminary draft budget for 2011, a report on the possible adjustments to be made to the total financial envelope with regards to commitment appropriations to the beneficiaries set out in Section B of the Annex;
- by 1 July 2010, present a report on reinforcing European audit firm oversight cooperation.