

Union programme to support specific activities in the field of financial reporting and auditing (2014-2020): co-financing of EFRAG for the period 2017-2020

2016/0110(COD) - 13/04/2016 - Legislative proposal

PURPOSE: to propose the continuation of the financing of the European Financial Reporting Advisory Group (EFRAG) for the period 2017-2020.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: in 2009, the European Parliament and the Council established a Community Programme to support specific activities in the field of financial services, financial reporting and auditing. This programme was extended with the [Regulation \(EU\) No 258/2014 of the European Parliament and the Council](#) ("Financing Regulation"). The beneficiaries of the extended programme are the International Financial Reporting Standards Foundation (**IFRS Foundation**), the European Financial Reporting Advisory Group (**EFRAG**) and the Public Interest Oversight Board (**PIOB**).

EFRAG was established in 2001 as a private organisation to provide the Commission with technical expertise in financial reporting matters.

On the basis of [Regulation \(EU\) No 258/2014](#), the **IFRS Foundation** and the **PIOB** benefit from Union co-financing in the form of operating grants **until 31 December 2020**.

In view of the uncertainties related to a major governance reform the organisation was undergoing in 2014, the co-legislators decided to limit its financing period until the **end of 2016** and called on the Commission to submit a legislative proposal, if appropriate, to continue financing of EFRAG after 31 December 2016.

On 12 November 2013, the Commission published the **report of Philippe Maystadt**, special advisor to the Commissioner responsible for internal market and services, in which he outlined **potential reforms to EFRAG governance** aimed at reinforcing the Union's contribution to the development of international accounting standards.

The Commission closely monitored the implementation of the reform of EFRAG governance and found that it successfully implemented the conclusions of the special advisor's report, by implementing a new governance structure which has increased the legitimacy and representativeness of EFRAG. As a result, EFRAG is now well equipped to **strengthen the legitimacy of its positions** and significantly contribute to the objective of Europe speaking with one voice.

Therefore, it is appropriate to propose to continue financing of EFRAG for the period 2017-2020 in order to meet the long-term objectives of the Union programme to support specific activities in the field of financial reporting and auditing.

CONTENT: this proposal seeks to amend Regulation (EU) No 258/2014 in order to **increase the budget** of the Union Programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020 and to **support the activities of EFRAG**, which contribute to the achievement of the policy objectives of the Union in relation to financial reporting.

In line with the Financing Regulation, EFRAG was allocated an amount of EUR 9 303 000 for the period 2014-2016. The current regulation proposes to allocate to EFRAG an additional amount of **EUR 13 831 000 for the period 2017-2020**.

BUDGETARY IMPLICATIONS: the proposed regulation prolongation of the financing of EFRAG for the period 2017-2020 will increase the total budget of the programme to support specific activities in the field of financial reporting and auditing from **EUR 43.176 million to approximately EUR 57 million**.