


Basic information	
2006/2248(INI) INI - Own-initiative procedure Capital market: International Financial Reporting Standards (IFRS) and the governance of the IASB Subject 2.50 Free movement of capital 2.50.04 Banks and credit 3.45.03 Financial management of undertakings, business loans, accounting	Procedure completed

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs	RADWAN Alexander (PPE-DE)	15/05/2006
	Committee for opinion	Rapporteur for opinion	Appointed
	JURI Legal Affairs	LEHNE Klaus-Heiner (PPE-DE)	29/01/2007
Council of the European Union	Council configuration	Meetings	Date
	Economic and Financial Affairs ECOFIN	2813	2007-07-10
European Commission	Commission DG	Commissioner	
	Financial Stability, Financial Services and Capital Markets Union	MCCREEVY Charlie	

Key events			
Date	Event	Reference	Summary
26/10/2006	Committee referral announced in Parliament		
10/07/2007	Resolution/conclusions adopted by Council		Summary
29/01/2008	Vote in committee		Summary
05/02/2008	Committee report tabled for plenary	A6-0032/2008	
24/04/2008	Decision by Parliament	T6-0183/2008	Summary
24/04/2008	Results of vote in Parliament		

24/04/2008	Debate in Parliament		
24/04/2008	End of procedure in Parliament		

Technical information	
Procedure reference	2006/2248(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	ECON/6/38096

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee draft report		PE392.258	24/09/2007	
Committee opinion	JURI	PE388.441	05/10/2007	
Amendments tabled in committee		PE396.751	21/11/2007	
Committee report tabled for plenary, single reading		A6-0032/2008	05/02/2008	
Text adopted by Parliament, single reading		T6-0183/2008	24/04/2008	Summary

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

2006/2248(INI) - 24/04/2008 - Text adopted by Parliament, single reading

The European Parliament adopted, by 373 votes to 21 with 13 abstentions, a resolution on International Financial Reporting Standards (IFRS) and the Governance of the International Accounting Standards Board (IASB). The own-initiative report was tabled for consideration in plenary by Alexander **RADWAN** (EPP-ED, DE) on behalf of the Committee on Economic and Monetary Affairs. Members are convinced that the aim must be to develop high-quality global accounting standards. In this perspective, they have drawn up the following recommendations:

Transparent, responsible international organisations: Parliament underlines that the IASCF/IASB lack transparency, legitimacy, accountability and are not under the control of any democratically elected parliament or government. MEPs therefore consider that a debate should be launched on the conditions for integrating the IASCF/IASB into the system of international governance e.g. the International Monetary Fund, the Organisation for Economic Co-operation and Development, the World Bank. In particular, governance and accountability must be improved through the following measures:

- (a) setting up a public oversight body involving all IASCF/ IASB public stakeholders, and setting up a body allowing representative market participants to deliver annually a report on the functioning of international accounting standard setting to the governing bodies of the IASCF/IASB;
- (b) such a body could be responsible for selecting and appointing the trustees in a transparent procedure;
- (c) guarantee that, in terms of the composition of the IASB, the Standards Advisory Council (SAC) and the International Financial Reporting Interpretations Committee (IFRIC), the trustees ensure that the appointment procedure is transparent and due account is taken of the interests of various interest groups;
- (d) increased involvement of the trustees in supervising the IASB and its work plan;

(e) ensure, in the constitution of the IASCF, that the IASB develops accounting solutions that are not only technically correct but also reflect what is necessary and possible from the point of view of all users and preparers;

(f) impact assessments for all projects, so as to check the costs and benefits of draft texts and, in particular, to highlight the implications for financial stability.

Improvements to accountability of the IASCF/IASB must not create excessive bureaucracy and must ensure that technical issues are not unnecessarily politicised.

In terms of funding, the IASCF/IASB are called upon to examine how the funding system can be amended to ensure that: (1) all user groups are adequately involved in funding; (2) no conflict of interests arises between financiers and users and; (3) there is better and easier access to the accounting standards.

It is essential that the Community express itself more coherently to ensure it has maximum influence at all stages of the process of drafting, interpreting and implementing accounting standards. They call on the Commission to put forward a proposal to establish an EU structure constituting a legitimate international partner and guaranteeing uniform interpretation and application of standards.

Members note that there are a variety of problems with the **use of IFRS for SME's**. They call on the Commission to arrange a thorough consultation procedure concerning an accounting framework for SMEs in the EU along the lines of ordinary legislative proposals, and to withdraw its commitment to implementing and adopting an IFRS for SMEs, thus preventing parallel application of standards in the EU, for so long as the EU internal process has not been concluded.

Road map for convergence and equivalence: Parliament supports the idea of convergence and equivalence, but emphasises that convergence with certain third-country standards must be based on a prior assessment of the merits and impact of such a change on EU preparers and users of financial statements and especially on SMEs, and calls on the IASB to bear this in mind when proceeding. The outstanding issue concerns the competence of the different jurisdictions applying the IFRS for establishing the definitive interpretation thereof, which entails the risk that conflicting interpretations will result. Only European authorities and courts are competent definitively to interpret an EU-specific IFRS. The Commission must develop a system that will guarantee that the IFRS is interpreted and applied uniformly throughout the European Union.

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.