## Basic information

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|---|---|
| **2016/0110(COD)**<br>COD - Ordinary legislative procedure (ex-codecision procedure)<br>Regulation | Procedure completed |
| 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<br><br>Amending Regulation (EU) No 258/2014 2012/0364(COD)<br><br>**Subject**<br><br>2.50.08 Financial services, financial reporting and auditing | |

## Key players

### European Parliament

| Committee responsible | Rapporteur | Appointed |
|---|---|---|
| ECON Economic and Monetary Affairs | STOLOJAN Theodor Dumitru (PPE) | 12/05/2016 |
| | Shadow rapporteur<br>BERÈS Pervenche (S&D)<br>KAMALL Syed (ECR)<br>VAN NIEUWENHUIZEN Cora (ALDE)<br>VIEGAS Miguel (GUE/NGL)<br>GIEGOLD Sven (Verts/ALE)<br>VON STORCH Beatrix (EFDD)<br>KAPPEL Barbara (ENF) | |

| Committee for opinion | Rapporteur for opinion | Appointed |
|---|---|---|
| BUDG Budgets | The committee decided not to give an opinion. | |
| CONT Budgetary Control | The committee decided not to give an opinion. | |
| JURI Legal Affairs | The committee decided not to give an opinion. | |

### Council of the

| Council configuration | Meetings | Date |
|---|---|---|

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|---|---|---|---|
| European Union | | | |
| | Agriculture and Fisheries | 3533 | 2017-05-11 |

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|---|---|---|
| European Commission | **Commission DG** | **Commissioner** |
| | Economic and Financial Affairs | MOSCOVICI Pierre |

European Economic and Social Committee

## Key events

| Date | Event | Reference | Summary |
|---|---|---|---|
| 13/04/2016 | Legislative proposal published | COM(2016)0202 | Summary |
| 28/04/2016 | Committee referral announced in Parliament, 1st reading | | |
| 11/10/2016 | Vote in committee, 1st reading | | |
| 11/10/2016 | Committee decision to open interinstitutional negotiations with report adopted in committee | | |
| 14/10/2016 | Committee report tabled for plenary, 1st reading | A8-0291/2016 | Summary |
| 22/03/2017 | Approval in committee of the text agreed at 1st reading interinstitutional negotiations | PE602.849 | |
| 27/04/2017 | Decision by Parliament, 1st reading | T8-0141/2017 | Summary |
| 27/04/2017 | Results of vote in Parliament | | |
| 11/05/2017 | Act adopted by Council after Parliament's 1st reading | | |
| 17/05/2017 | Final act signed | | |
| 17/05/2017 | End of procedure in Parliament | | |
| 19/05/2017 | Final act published in Official Journal | | |

## Technical information

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| **Procedure reference** | 2016/0110(COD) |
| **Procedure type** | COD - Ordinary legislative procedure (ex-codecision procedure) |
| **Procedure subtype** | Legislation |
| **Legislative instrument** | Regulation |
| **Amendments and repeals** | Amending Regulation (EU) No 258/2014 2012/0364(COD) |
| **Legal basis** | Treaty on the Functioning of the European Union TFEU 114 |
| **Other legal basis** | Rules of Procedure EP 165 |
| **Mandatory consultation of other institutions** | European Economic and Social Committee |
| **Stage reached in procedure** | Procedure completed |
| **Committee dossier** | ECON/8/06240 |

## Documentation gateway

**European Parliament**

| Document type | Committee | Reference | Date | Summary |
|---|---|---|---|---|
| Committee draft report | | PE585.761 | 07/07/2016 | |
| Amendments tabled in committee | | PE589.120 | 09/09/2016 | |
| Committee report tabled for plenary, 1st reading/single reading | | A8-0291/2016 | 14/10/2016 | Summary |
| Text agreed during interinstitutional negotiations | | PE602.849 | 15/03/2017 | |
| Text adopted by Parliament, 1st reading/single reading | | T8-0141/2017 | 27/04/2017 | Summary |

**Council of the EU**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Draft final act | 00017/2017/LEX | 17/05/2017 | |

**European Commission**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Legislative proposal | COM(2016)0202 | 13/04/2016 | Summary |
| Commission response to text adopted in plenary | SP(2017)363 | 07/06/2017 | |

**National parliaments**

| Document type | Parliament /Chamber | Reference | Date | Summary |
|---|---|---|---|---|
| Contribution | IT_SENATE | COM(2016)0202 | 26/07/2016 | |

**Other institutions and bodies**

| Institution/body | Document type | Reference | Date | Summary |
|---|---|---|---|---|
| EESC | Economic and Social Committee: opinion, report | CES2716/2016 | 25/05/2016 | |

## Additional information

| Source | Document | Date |
|---|---|---|
| European Commission | EUR-Lex | |

## Final act

Regulation 2017/0827
OJ L 129 19.05.2017, p. 0024 

# 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**.

# 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) - 14/10/2016 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Theodor Dumitru STOLOJAN (EPP, RO) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 258/2014 establishing a Union Programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020.

The committee recommended that the European Parliament's position adopted at first reading following the ordinary legislative procedure should amend the Commission proposal as follows:

**Evaluation**: the European Commission should provide the European Parliament and the Council with more regular information on the joint work of the International Financial Reporting Standards Foundation (IFRS Foundation), the European Financial Reporting Advisory Group (EFRAG) and the Public Interest Oversight Board (PIOB), given that those three agencies are funded by the Union and are working for the same purpose.

Regulation (EU) No 258/2014 requires the Commission to prepare an annual report on the activity of the IFRS Foundation as regards the development of IFRS, of PIOB and of EFRAG.

**With regard the IFRS Foundation**: Members stated that the report shall:

- assess whether further progress has been made as regards the governance of the IFRS Foundation and the IASB, in particular in terms of transparency, prevention of conflicts of interest and diversity of hired experts, and whether and what steps have been taken to ensure broad representation of interests (such as consumer representation agencies and finance ministries) and public accountability in order to guarantee high-quality accounting standards.

**With regard to EFRAG**, the report shall assess whether:

- the 'expanded public good' criterion as defined in the special advisor's report (i.e. that accounting standards should neither jeopardise financial stability in the Union nor hinder the economic development of the Union), has been fully respected during the endorsement process undertaken during the previous year;
- the European Parliament and the Council have been involved at an early stage when developing financial reporting standards in general and in the endorsement process in particular; and
- a more diversified and balanced financing structure.

In addition, it shall identify and assess the actions undertaken within EFRAG in order to **enhance democratic legitimacy, transparency, accountability and integrity** which, inter alia, concern public access to documents, open dialogue with diverse stakeholders, the establishment of mandatory transparency registers and rules on transparency of lobby meetings as well as internal rules, in particular prevention of conflict of interests.

**Annual report**: from 2017, the IFRS Foundation, PIOB and EFRAG shall prepare an annual report on the implementation of Union policies in the field of financial reporting and auditing and **participate regularly, at least annually, in hearings organised by the European Parliament** in order to give a full account of the development of international financial reporting and auditing standards.

The report also shall cover the **follow-up and implementation** of the recommendations and demands made in past or future resolutions of the European Parliament.

If appropriate, the Commission shall submit a legislative proposal to transform EFRAG into a public agency in the long term.

# 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) - 17/05/2017 - Final act

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

LEGISLATIVE ACT: Regulation (EU) 2017/827 of the European Parliament and of the Council amending Regulation (EU) No 258/2014 establishing a Union Programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020.

CONTENT: this Regulation 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.

EFRAG's mission is to develop and promote European views in the field of financial reporting. It also tries to ensure that these views are duly taken into account within the International Accounting Standards Board, which is the independent body responsible for developing international financial reporting standards (IFRS).

On the basis of Regulation (EU) No 258/2014, the International Financial Reporting Standards Foundation (the 'IFRS Foundation'), which is the legal successor to the International Accounting Standards Committee Foundation, and the Public Interest Oversight Board (PIOB) benefit from Union co-financing in the form of operating grants until 31 December 2020.

The European Financial Reporting Advisory Group (EFRAG) benefitted from Union co-financing in the form of operating grants until 31 December 2016.

**Financial provisions**: under the amended Regulation, the financial envelope for the implementation of the Programme for the period 2014 to 2020 shall be **EUR 57 007 000** in current prices.

The total amount of the EU budget allocated to EFRAG will be **EUR 23 134 000** for the same period.

**Evaluation**: the **annual report** on the IFRS Foundation's activities regarding the development of IFRS, PIOB and EFRAG shall:

- **assess the governance of the IFRS Foundation and the IASB**, in particular in terms of transparency, the prevention of conflicts of interest and the diversity of experts, and the steps that have been taken to ensure broad representation of interests and public accountability;
- **cover, with regard to PIOB** and its successor organisation, developments in the diversification of funding and shall assess how the work of PIOB contributes to the enhancement of audit quality, including the integrity of the auditing profession;
- **examine, as far as EFRAG is concerned**: (i) the developments in the public good criterion, (ii) whether the European Parliament and the Council have been involved at an early stage when developing financial standards, (iii) whether the EFRAG financing structure is sufficiently diversified and balanced.

In addition, the report shall identify and assess the actions taken within EFRAG in order to ensure high standards of democratic accountability, transparency, and integrity.

The IFRS Foundation, PIOB and EFRAG are encouraged to participate regularly, at least annually, in hearings organised by the European Parliament in order to provide a full account of the development of international financial reporting and auditing standards.

ENTRY INTO FORCE: 19.5.2017. The Regulation shall apply from 1.1.2017.

# 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) - 27/04/2017 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 543 votes to 59, with 45 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 258/2014 establishing a Union Programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020.

The European Parliament's position, adopted at first reading following the ordinary legislative procedure, amended the Commission proposal as follows:

**Evaluation of the Regulation**: the amended text stated that the European Commission shall **provide the European Parliament and the Council with more regular information** on the joint work of the International Financial Reporting Standards Foundation (IFRS Foundation), the European Financial Reporting Advisory Group (EFRAG) and the Public Interest Oversight Board (PIOB), given that those three agencies are funded by the Union and are working for the same purpose.

Regulation (EU) No 258/2014 requires the Commission to prepare an **annual report** on the activity of the IFRS Foundation as regards the development of IFRS, of PIOB and of EFRAG.

**With regard to the IFRS Foundation and the IASB**, Parliament stipulated that the report shall also **assess their governance**, in particular in terms of transparency, the prevention of conflicts of interest and the diversity of experts, and the steps that have been taken to ensure broad representation of interests and public accountability.

**With regard to PIOB** and its successor organisation, the report shall cover developments in the diversification of funding and shall assess how the work of PIOB contributes to the enhancement of audit quality.

**With regard to EFRAG**, the report shall assess as of 2018:

- whether the expanded public good criterion as recommended in the special advisor's report has been respected during the endorsement process undertaken during the previous year;
- whether the European Parliament and the Council have been involved at an early stage when developing financial reporting standards, in general, and in the endorsement process in particular;
- whether the EFRAG financing structure is sufficiently diversified and balanced to enable it to accomplish its public interest mission in an independent and efficient manner; and
- the governance of EFRAG, in particular in terms of transparency, and the steps that have been taken to ensure broad representation of interests and public accountability.

**Transparency standards**: the report shall assess the actions taken **within IFRS Foundation and the EFRAG** in order to ensure high standards of democratic accountability, transparency, and integrity which, inter alia, concern public access to documents, open dialogue with European institutions and various stakeholders, the establishment of mandatory transparency registers.

The amended text encouraged the IFRS Foundation, PIOB and EFRAG to participate regularly, at least annually, in **hearings organised by the European Parliament** in order to provide a full account of the development of international financial reporting and auditing standards.

The Commission should also consider possible changes to the functioning and the private legal status of EFRAG in the long term.