



**COUNCIL OF
THE EUROPEAN UNION**



Council Conclusions on IASB Governance

*2882nd ECONOMIC and FINANCIAL AFFAIRS Council meeting
Brussels, 8 July 2008*

The Council adopted the following conclusions:

"The Council recognises the efforts made by the IASCF Trustees to enhance the IASCF's governance since the completion of the last constitutional review and to strengthen the ability of the IASB to better take into account the public interest. It considers that the ongoing review of the IASCF constitution offers an important opportunity to introduce changes to further enhance the legitimacy and acceptability of international accounting standards developed by the IASB. The current financial turmoil illustrates the importance of a robust and legitimate independent international accounting standard-setting process, which is responsive to the public interest and consistent with the objective of ensuring financial stability.

The Council welcomes the proposals that have been made in this direction by the IASCF and considers that the further reform of the IASCF and IASB's governance and public accountability should be made according to the following key principles:

- the public accountability of the IASCF should be enhanced through the creation of an effective Monitoring Board, which should have sufficient powers to provide the necessary oversight of the IASCF ; it should first ensure that Trustees effectively discharge their oversight role towards the IASB, play an active role in the selection of Trustees and approve their final selection. The members of the Monitoring Body should be able to further refer issues of public interest, including those related to financial stability and prudential requirements, and matters of overall strategy for consideration by the IASB. The Monitoring Board should thus remain in close relation with the Chairman of the Board of Trustees, who should be put in charge, under the IASC constitution, to ensure that all views and concerns of public interest representatives are fully addressed by the IASB Board;

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- the Monitoring Board should be composed of relevant authorities responsible for public interest related to the adoption and endorsement of accounting standards in their respective jurisdictions, including the global body representing authorities responsible for financial stability or key authorities involved in financial stability. The European Commission shall propose mechanisms to ensure that it represents the co-ordinated position of all relevant European institutions and bodies, and Member states;
- the IASB must achieve greater transparency and legitimacy of its standard-setting and agenda-setting processes, in particular through more systematic public consultations about the IASB's work programme, including the IASB-FASB convergence agenda and more field testing. The effectiveness of the Standards Advisory Council should be enhanced; the role of impact assessments as a mandatory part of the IASB's due process should be formalised; and, possible changes to the terms of service of IASB members should be considered, including a possible term limitation for the chairman of the IASB. The views of public authorities, in particular those charged with financial stability and prudential regulation, should be adequately reflected in the IASB's standard-setting process.
- members of the IASB should reflect an appropriate balance of practical and technical expertise, as well as a diversity of geographical experience in order to contribute to the development of high quality, global accounting standards. The role of the EU as the largest jurisdiction applying IFRS should be properly reflected.
- The Council emphasises the urgency of enhancing the EU's ability to contribute in a timely and consistent manner to the international accounting debate. It therefore welcomes efforts to enhance the role of the European Financial Reporting Advisory Group (EFRAG), especially in relation to timely upstream input to the IASB's agenda-setting process. EFRAG's governance arrangements should ensure a balanced representation of all European stakeholders. EFRAG should establish effective and transparent procedures ensuring that it operates in the public interest and in a manner consistent with the EU's financial reporting policy. The Council welcomes recent progress to reform EFRAG's structure of governance in this direction.

The Council urges all parties concerned to finalise these arrangements before the end of 2008 and will address these matters by that date. Realization of these objectives would help to secure appropriate funding for both the IASCF and EFRAG, both of which are urgently needed.

The Council invites the Commission and the Economic and Financial Committee to report to the Council on a regular basis on progress made in improving governance of the IASCF, IASB and EFRAG."