# EUROPEAN PARLIAMENT

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FINAL
**A5-0070/2002**

28 February 2002


# ***I
# REPORT

on the proposal for a European Parliament and Council regulation on the application of international accounting standards
(COM(2001) 80 – C5-0061/2001 – 2001/0044(COD))

Committee on Legal Affairs and the Internal Market


Rapporteur: The Lord Inglewood

Draftsman (*):
Marianne L.P. Thyssen, Committee on Economic and Monetary Affairs


(*) Enhanced Hughes Procedure

## *Symbols for procedures*

| | |
|---|---|
| * | Consultation procedure<br>*majority of the votes cast* |
| **I | Cooperation procedure (first reading)<br>*majority of the votes cast* |
| **II | Cooperation procedure (second reading)<br>*majority of the votes cast, to approve the common position*<br>*majority of Parliament's component Members, to reject or amend the common position* |
| *** | Assent procedure<br>*majority of Parliament's component Members except in cases covered by Articles 105, 107, 161 and 300 of the EC Treaty and Article 7 of the EU Treaty* |
| ***I | Codecision procedure (first reading)<br>*majority of the votes cast* |
| ***II | Codecision procedure (second reading)<br>*majority of the votes cast, to approve the common position*<br>*majority of Parliament's component Members, to reject or amend the common position* |
| ***III | Codecision procedure (third reading)<br>*majority of the votes cast, to approve the joint text* |

(The type of procedure depends on the legal basis proposed by the Commission)

## *Amendments to a legislative text*

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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(*) Enhanced Hughes Procedure

## PROCEDURAL PAGE

By letter of 13 February 2001 the Commission submitted to Parliament, pursuant to Article 251(2) and Article 95(1) of the EC Treaty, the proposal for a European Parliament and Council regulation on the application of international accounting standards (COM(2001) 80 - 2001/0044 (COD)).

At the sitting of 2 April 2001 the President of Parliament announced that she had referred this proposal to the Committee on Legal Affairs and the Internal Market as the committee responsible and the Committee on Economic and Monetary Affairs for its opinion (C5-0061/2001).

The Committee on Legal Affairs and the Internal Market appointed The Lord Inglewood rapporteur at its meeting of 24 April 2001.

At the sitting of 14 June 2001, the President announced that the Committee on Economic and Monetary Affairs, which had been asked for its opinion, would be involved in drawing up the report, under the Enhanced Hughes Procedure.

It considered the Commission proposal and draft report at its meetings of 10 October, 5 November, 22 November, 27 November, 18 December, 19 December 2001, 19 February and 26 February 2002.

At the last meeting it adopted the draft legislative resolution unanimously.

The following were present for the vote: Giuseppe Gargani, chairman; Ioannis Koukiadis and Bill Miller, vice-chairmen; The Lord Inglewood, rapporteur; Paolo Bartolozzi, Philip Charles Bradbourn (for Bert Doorn), Janelly Fourtou, Marie-Françoise Garaud, Evelyne Gebhardt, Fiorella Ghilardotti, José María Gil-Robles Gil-Delgado (for Mónica Ridruejo), Gerhard Hager (for Alexandre Varaut), Malcolm Harbour, Heidi Anneli Hautala, Klaus-Heiner Lehne, Manuel Medina Ortega, Elena Ornella Paciotti (for Carlos Candal), Carlos Ripoll i Martínez Bedoya (for Rainer Wieland), Marianne L.P. Thyssen, Diana Wallis, Matti Wuori (for Neil MacCormick) and Stefano Zappalà

The opinion of the Committee on Economic and Monetary Affairs is attached.

The report was tabled on 28 February 2002.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

## LEGISLATIVE PROPOSAL

**Proposal for a European Parliament and Council regulation on the application of international accounting standards (COM(2001) 80 – C5-0061/2001 – 2001/0044(COD))**

The proposal is amended as follows:

| Text proposed by the Commission [1] | Amendments by Parliament |
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Amendment 1
Recital 2

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| (2) In order to contribute to a better functioning of the internal market, publicly traded companies must be required to apply a single set of high quality international accounting rules for the preparation of their consolidated financial statements. ***Such measure will also ensure high level transparency and comparability of financial reporting by all publicly traded EU companies as a necessary condition for building an integrated capital market which plays its role effectively, smoothly and efficiently.*** | (2). In order to contribute to a better functioning of the internal market, publicly traded companies must be required to apply a single set of high quality international accounting rules for the preparation of their consolidated financial statements. ***Furthermore, it is important that the financial reporting rules applied by European companies participating in financial markets are accepted internationally and are truly global standards. This implies an increasing convergence of accounting standards and rules currently used internationally with the ultimate objective of achieving a single set of global accounting standards.*** |

*Justification*

*It further clarifies the objective that the IASB as well as the EU should pursue the aim that IAS became a truly international and globally accepted accounting standard.*

Amendment 2
Recital 2 a new

[1] OJ C 154, 29.5.2001, p. 285.

***(2a) Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies[1], Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts[2], Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions[3] and Council Directive 91/674/EEC on the annual accounts and consolidated accounts of insurance companies[4] are also addressed to publicly traded EU companies. The reporting requirements set out in these Directives cannot ensure the high level of transparency and comparability of financial reporting from all publicly traded EU companies which is a necessary condition for building an integrated capital market which operates effectively, smoothly and efficiently. It is therefore necessary to supplement the legal framework applicable to publicly traded companies.***

*Justification*

*It makes the necessary reference to the existing accounting legal framework.*

Amendment 3
Recital 6

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| (6). International Accounting Standards (IASs) are developed by the International Accounting Standards Committee (IASC), whose purpose is to develop a single set of global accounting standards. These standards should, wherever possible and | (6) International Accounting Standards (IASs) are developed by the International Accounting Standards Committee (IASC), whose purpose is to develop a single set of global accounting standards. **Further to the restructuring of the IASC, the new** |

[1] OJ L 222, 14.8.1978, p.11 Directive as last amended by Directive 2001/XX/EC (OJ L…, xx/xx/2001, p.xx)
[2] OJ L 193, 18.7.1983, p.1 Directive as last amended by Directive 2001/XX/EC (OJ L…, xx/xx/2001, p.xx)
[3] OJ L 372, 31.12.1986, p.1 Directive as last amended by Directive 2001/XX/EC (OJ L…, xx/xx/2001, p.xx)
[4] OJ L 374, 31.12.1991, p.7 Directive as last amended by Directive 2001/XX/EC (OJ L…, xx/xx/2001, p.xx)

provided that they ensure a high degree of transparency and comparability for financial reporting in the Community, be made obligatory for use by all publicly traded EU companies as well as by all EU companies preparing admission to trading of securities.

**Board on 1 April 2001, as one of its first decisions, renamed the IASC into the International Accounting Standards Board (IASB) and, as far as future international accounting standards are concerned, IAS into International Financial Reporting Standards (IFRS).** These standards should, wherever possible and provided that they ensure a high degree of transparency and comparability for financial reporting in the Community, be made obligatory for use by all publicly traded EU companies as well as by all EU companies preparing admission to trading of ***their*** securities.

*Justification*

*It is coherent with amendment to article 2. It is consecuencial with the remaining of IAS as IFRS.*

Amendment 4
Recital 7

***(7) The Commission, assisted by an Accounting Regulatory Committee composed of representatives of the Member States, should be authorised, in accordance with the procedure laid down in the Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission, to make international accounting standards mandatory at Community level. Since the measures necessary for the implementation of this Regulation are measures of general scope within the meaning of Article 2 of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission, they should be adopted by use***

***(7)) The measures necessary for the implementation of the present Regulation are adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission[1] and with due regard to the declaration made by the European Commission in the European Parliament on 5 February 2002 concerning the implementation of financial services legislation.***

[1] OJ L 184, 17.7.1999, p.23

***of the regulatory procedure provided for in Article 5 of that Decision.***

***To adopt an international accounting standard for its application in the Community, it is necessary firstly that it meets the basic requirement of the aforementioned Council Directives, that is to say that its application results in a true and fair view of the financial position and performance of an enterprise -this principle being considered in the light of the said Council Directives without implying a strict conformity with each and every provision of those Directives; secondly that, in accordance with the conclusions of the ECOFIN Council of 17 July 2000, it is conducive to the European public good and lastly that it meets basic criteria as to the quality of information required for financial statements to be useful to users.***

*Justification*

*First paragraph reminds the Council Decision on Comitology and the Declaration made by the President Prodi before the European Parliament the 5 February 2002. The second reflects article 3.*

Amendment 5
Recital 8

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| (8) An accounting technical committee will provide support and expertise to the Commission in the assessment of international accounting standards. ***It will also contribute to the strengthening of the co-ordination of positions within the European Union in the International Accounting Standards Committee's (IASC) discussions, the definition at an early stage of European positions on new international accounting issues and active European participation in the constituent bodies of*** | (8) An accounting technical committee will provide support and expertise to the Commission in the assessment of international accounting standards. |

***the IASC in order to influence and shape the solutions eventually chosen by the IASC.***

*Justification*

*Take into account concern expressed in am 35 in a way which is more acceptable by de EC and the Member States.*

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Amendment 6
Recital 8 a new

***(8 a) To adopt an international accounting standard for its application in the Community, it is necessary firstly that it meets the basic requirement of the aforementioned Council Directives, that is to say that its application results in a true and fair view of the financial position, performance and changes in financial position of an enterprise -this principle being appreciated in the light of the further provisions of the said Council Directives; secondly that it meets basic criteria as to the quality of information required for financial statements to be useful to users and lastly that it provides a suitable basis for financial reporting by European companies, that is to say for instance that it does not create a disproportionate charge for companies, that it produces sensible results and is socially and economically acceptable.***

*Justification*

*It is coherent and gives motivation to Article 3 paragraph 1. This recital explains the conditions which must be fulfilled before an IAS can be officially endorsed in the EU.*

Amendment 7
Recital 9

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| (9) The endorsement mechanism should act expeditiously on proposed international accounting standards and also be a means to deliberate, reflect and exchange information on international accounting standards among the main parties concerned, in particular national accounting standard setters, ***securities supervisors***, the accounting profession and users and preparers of accounts. The mechanism should be a means to foster common understanding of adopted international accounting standards in the European Union. | (9) The endorsement mechanism should act expeditiously on proposed international accounting standards and also be a means to deliberate, reflect and exchange information on international accounting standards among the main parties concerned, in particular national accounting standard setters, ***supervisors in the fields of securities, banking and insurance, central banks including the ECB***, the accounting profession and users and preparers of accounts. The mechanism should be a means to foster common understanding of adopted international accounting standards in the European Union. |

*Justification*

*There is a need to associate, in addition to security supervisors, banking and insurance regulators (including central banks and ECB) because the possible impact of IAS on the banking and insurance industrie.*

Amendment 8
Recital 10 a new

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| | ***(10a) In order to facilitate an exchange of views and to allow Member States to coordinate their positions, the Commission will periodically inform the accounting regulatory committee about active projects, discussion papers, point outlines and exposure drafts issued by the IASB and about the consequential technical work of the accounting technical committee. It is also important that the accounting regulatory committee is informed at an early stage if the Commission intends not to propose to adopt an international accounting standard.*** |

*)*

*Justification*

*Reflects better the need for an appropriate representation of the EC within the IASC has to be stressed.*

Amendment 9
Recital 10 b new

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| | ***(10 b) In its deliberations on and in elaborating positions to be taken on documents and papers issued by the IASB in the process of developing international accounting standards (IFRS and SIC), the Commission will take into account the importance of avoiding competitive disadvantages for European companies operating in the global marketplace, and, to the maximum possible extent, the views expressed by the delegations in the Accounting Regulatory Committee.*** <br> ***The Commission will be represented in constituent bodies of the IASC.*** |

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*Justification*

*See compromise amendment 7.*

Amendment 10
Recital 11

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| (11) In accordance with the principle of proportionality, it is necessary, as regards annual accounts, to leave to Member States the option to permit or require publicly traded companies ***as well as companies preparing admission to trading*** to prepare them in conformity with international | (11) In accordance with the principle of proportionality, it is necessary, as regards annual accounts, to leave to Member States the option to permit or require publicly traded companies to prepare them in conformity with international accounting standards adopted in accordance with the |

accounting standards adopted in accordance with the procedure laid down in this Regulation. Member States may decide as well to extend this permission or this requirement to ***non-traded*** companies as regards the preparation of their consolidated accounts and/or their annual accounts.

procedure laid down in this Regulation. Member States may decide as well to extend this permission or this requirement to ***other*** companies as regards the preparation of their consolidated accounts and/or their annual accounts.

*Justification*

*Reflects am 41 while improving the drafting.*

Amendment 11
Recital 11 b new

***(11b) A proper and rigorous enforcement regime is key to underpinning investors' confidence in financial markets. Member States, by virtue of Article 10 of the Treaty, are required to take appropriate measures to ensure compliance with international accounting standards. The Commission intends to liaise with Member States, notably through the Committee of European Securities Regulators (CESR), to develop a common approach to enforcement.***

*Justification*

*Reflects am 42 while improving the drafting.*

Amendment 12
Recital 11 c new

***(11c) Further, it is necessary to allow Member States to defer the application of certain provisions until 2007 for those companies publicly traded both in the EU***

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| | ***and on a regulated third country market which are already applying another set of internationally accepted standards as the primary basis for their consolidated accounts as well as for companies which have only publicly traded debt securities. It is nonetheless crucial that by 2007 at the latest a single set of global international accounting standards, the IAS, applies to all EU companies publicly traded on a EU regulated market***. |

*Justification*

*See compromise amendment 4.*

Amendment 13
Recital 12

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| (12) In order to allow Member States and companies to carry out the necessary adaptations to make the application of international accounting standards possible, it is necessary to foresee the application of certain provisions only in 2005. | (12) In order to allow Member States and companies to carry out the necessary adaptations to make the application of international accounting standards possible, it is necessary to apply certain provisions only in 2005. ***Appropriate provisions need to be put in place for the first-time application of IAS by companies as a result of the entry into force of the present regulation. Such provisions must be elaborated at international level in order to ensure international recognition of the solutions adopted.*** |

*Justification*

*It is important to mention the current work of IASB in designing a standard on the first-time application of IAS that should facilitate the adoption by EU companies of IAS.*

Amendment 14
Article 1

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| This Regulation ***lays down the rules for*** the adoption and use of international accounting standards in the Community ***in order to improve the functioning of the Internal Market and to ensure a smooth and*** efficient functioning of the EU capital market. | This Regulation ***has for its objective*** the adoption and use of international accounting standards in the Community ***with a view to harmonising the financial information presented by the companies referred to in Article 4 in order to ensure a high degree of transparency and comparability of financial statements and hence an*** efficient functioning of the EU capital market ***and of the Internal Market.*** |

*Justification*

*Improves the drafting; makes it more coherent with the rest of the text in setting clearly the objectives of the Regulation.*

Amendment 15
Article 2

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| For the purpose of this Regulation, “international accounting standards” shall mean International Accounting Standards (IAS) and related Interpretations (SIC interpretations) issued by the International Accounting Standards ***Committee (IASC) listed in the Annex to this Regulation, subsequent amendments to those standards and related interpretations, future standards and related interpretations to be produced by the IASC as well as equivalent accounting standards, which are standards that ensure a high degree of transparency and comparability of financial reporting and are as close as possible to International Accounting Standards.*** | For the purpose of this Regulation, “international accounting standards” shall mean International Accounting Standards (IAS), ***International Financial Reporting Standards (IFRS)*** and related Interpretations (SIC interpretations), ***subsequent amendments to those standards and related interpretations, future standards and related interpretations*** issued ***or adopted*** by the International Accounting Standards ***Board (IASB)***. |

*Justification*

*1. The reference to an annex would have required frequent updates. It would not provide the needed flexibility in order to take account of the many changes that occurs in international standards.*
*2. The suppression of the reference to "equivalent accounting standards" clarifies and limits properly the framework of the Comitology procedure.*

Amendment 16
Article 3 Title

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| ***Powers of the Commission and publicity*** | ***Adoption and use of international accounting standards*** |

*Justification*

*New title reflects better the content of the article.*

Amendment 17
Article 3.1

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| 1. ***The Commission shall, in accordance with the procedure laid down in Article 6, identify and adopt the international accounting standards that shall be made mandatory in accordance with Article 4 of this Regulation in order to ensure a high degree of transparency and comparability of financial statements.*** | 1. ***In accordance with the regulatory procedure laid down in Article 6 (2), the Commission shall decide on the applicability within the Community of international accounting standards.*** |
| | ***2. The international accounting standards can only be adopted if::*** |
| | ***-they are not contrary to the principle set out in Article 16(3) of Council Directive 83/349/EEC and in*** |

| | |
|---|---|
| | ***Article 2(3) of Council Directive 78/660/EEC and are conducive to the European public good and,*** <br><br> ***- they meet the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.*** |

*Justification*

*Provides clearer and better defined criteria establishing three cumulative conditions: 1) conformity with the basic principle underlying the accounting Directives, 2) provides for high quality of financial information for economic decision-making, and; 3) establishes that the rules have to be conducive to the EU public good.*

Amendment 18
Article 3.2

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| 2. At the latest by 31 December 2002, the Commission shall, in accordance with the procedure laid down in Article 6, decide on the applicability within the Community of the international accounting standards ***listed in the Annex to*** this Regulation. | 2. At the latest by 31 December 2002, the Commission shall, in accordance with the procedure laid down in Article 6, decide on the applicability within the Community of the international accounting standards ***in existence upon entry into force of*** this Regulation. |

*Justification*

*See justification to amendment 2.*

Amendment 19

Article 3.3

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| 3. ***The decisions of the Commission concerning the adoption of*** international accounting standards shall be published in the Official Journal of the European Communities. | **3. *Adopted*** international accounting standards shall be published ***in full in each of the official languages of the Community, as a Commission regulation,*** in the Official Journal of the European Communities. |

*Justification*

*It is important to make sure that IAS are published in full in all EU official languages in order to guarantee public access to them is guaranteed to all citizens and companies of the Union.*

Amendment 20
Article 4

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|---|---|
| Article 4 – Consolidated accounts of publicly traded companies ***and of companies preparing admission to trading of securities*** | **Article 4 – Consolidated accounts of publicly traded companies** |
| ***Companies governed by the law of a Member State, whose securities are admitted to trading on a regulated market within the meaning of Article 1(13) of Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field, or whose securities are offered to the public in view of their admission to trading on a regulated market in accordance with the conditions established in Council Directive 80/390/EEC of 17 March 1980 co-ordinating the requirements for the drawing up, scrutiny and distribution of the listing particulars to be published for the admission of securities to official stock exchange listing, shall prepare their consolidated accounts over the financial year starting on or after 1 January 2005 in conformity with the international accounting standards adopted in accordance with the procedure laid down in*** | ***For each financial year starting on or after 1 January 2005, companies governed by the law of a Member State shall prepare their consolidated accounts in conformity with the international accounting standards adopted in accordance with the regulatory procedure laid down in Article 6(2) if, at their balance sheet date, their securities are admitted to trading on a regulated market of any Member State within the meaning of Article 1(13) of Council Directive 93/22/EEC.*** |

***this Regulation.***

*Justification*

*The coverage in the mandatory scope of application of the Regulation (article 4) of companies preparing prospectuses could lead to disproportionate financial reporting requirements for small businesses and for such organisations as sport clubs (tennis or golf clubs) that would happen to raise funds amongst their members. Member States can use the possibility offered under Article 5 to extend this mandatory requirement in a more tailor-made manner, avoiding thus a "one size fits all" approach.*

Amendment 21
Article 6

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| 1. ***In adopting international accounting standards in accordance with the procedure laid down in this Regulation, the*** Commission shall be assisted by an ***Accounting Regulatory Committee*** hereinafter referred to as "the ***Accounting Regulatory*** Committee"***, composed of representatives of the Member States and chaired by the representative of the Commission. Where reference is made to this paragraph, the regulatory procedure laid down in Article 5 of Decision 1999/468/EC thereof shall apply, in compliance with Article 7 (3) and Article 8 thereof***. | 1. ***The*** Commission shall be assisted by an ***accounting regulatory committee*** hereinafter referred to as "the Committee". |
| ***2. The Accounting Regulatory Committee shall deliver its opinion on the Commission's proposal within one month after its submission.*** | ***2. Where reference is made to this Article, Articles 5 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.***<br>***The period provided for in Article 5(6) of Decision 1999/468/EC shall be three months.*** |
| ***3. The period provided for in Article 5(6) of Decision 1999/468/EC shall be two months.*** | ***3. The Committee shall adopt its rules of procedures.*** |

*Justification*

*1 Improves wording and clarifies the text while aligning it with Decision 1999/468/EC of 28 June 1999.*
*2. Considering the complexity of the matter it is preferable to increase the period from 2 to 3 months.*

Amendment 22
Article 6 a (new)

***Article 6a – Reporting and coordination***

***1. The Commission shall liaise on a regular basis with the Committee about the status of active IASB projects and any related documents issued by the IASB in order to coordinate positions and to facilitate discussions concerning the adoption of standards that might result from these projects and documents.***

***2. The Commission shall duly report to the Committee in a timely manner if it intends not to propose the adoption of a standard.***

*Justification*

*Take into consideration the concerns of ams. 27, 29, 30 and 31*

Amendment 23
Article 8a (new)

***Article 8a - Transitional provisions***

***By way of derogation from Article 4, Member States may provide that the requirements of Article 4 shall only apply for each financial year starting on or after***

***January 2007 to those companies:***

***a)  whose debt securities only are admitted on a regulated market of any Member State within the meaning of Article 1(13) of Council Directive 93/22/EEC ;  or***

***b)  whose securities are admitted to public trading in a non-member state and which, for that purpose, have been using internationally accepted standards since a financial year that started prior to the publication of this Regulation in the Official Journal***

*Justification*

*Would take into consideration the concerns expressed in ams 23 and 24.*

## DRAFT LEGISLATIVE RESOLUTION

**European Parliament legislative resolution on the proposal for a European Parliament and Council regulation on the application of international accounting standards (COM(2001) 80 – C5-0061/2001 – 2001/0044(COD))**

**(Codecision procedure: first reading)**

*The European Parliament*,

– having regard to the proposal to the European Parliament and the Council (COM(2001) 80[1]),

– having regard to Article 95(1) of the EC Treaty and Article 251(2) of the EC Treaty , pursuant to which the Commission submitted the proposal to Parliament (C5-0061/2001),

– having regard to Rule 67 of its Rules of Procedure,

– having regard to the report of the Committee on Legal Affairs and the Internal Market and the opinion of the Committee on Economic and Monetary Affairs (A5-0070/2002),

1. Approves the Commission proposal as amended;

2. Asks to be consulted again should the Commission intend to amend the proposal substantially or replace it with another text;

3. Instructs its President to forward its position to the Council and Commission.

[1] OJ C C145, 29.5.2001, p. 285.

22 November 2001

## OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

for the Committee on Legal Affairs and the Internal Market

on the proposal for a European Parliament and Council regulation on the application of international accounting standards
(COM(2001) 80 – C5-0061/2001 – 2001/0044(COD))

Draftsman*: Marianne L.P. Thyssen

(*) Enhanced Hughes Procedure

## PROCEDURE

The Committee on Economic and Monetary Affairs appointed Marianne L.P. Thyssen draftsman at its meeting of 24 April 2001.

It considered the draft opinion at its meetings of 10 July, 27 August and 6 November 2001.

At the last meeting it adopted the following amendments unanimously.

The following were present for the vote: William Abitbol, acting chairman; Philippe A.R. Herzog, vice-chairman; Marianne L.P. Thyssen, draftsman; Generoso Andria, Pedro Aparicio Sánchez (for Christa Randzio-Plath pursuant to Rule 153(2)), Luis Berenguer Fuster, Hans Blokland, Richard Corbett (for Richard A. Balfe), Harald Ettl (for Hans Udo Bullmann), Carles-Alfred Gasòliba i Böhm, Marie-Hélène Gillig (for Bernhard Rapkay), Robert Goebbels, Lisbeth Grönfeldt Bergman, Christopher Huhne, Pierre Jonckheer, Othmar Karas, Giorgos Katiforis, Astrid Lulling, Jules Maaten (for Karin Riis-Jørgensen), Thomas Mann (for Christoph Werner Konrad), Ioannis Marinos, Miquel Mayol i Raynal, Bill Miller (for Peter William Skinner), Fernando Pérez Royo, John Purvis (for Jonathan Evans), Alexander Radwan, Olle Schmidt, Charles Tannock, Jaime Valdivielso de Cué (for José Manuel García-Margallo y Marfil), Theresa Villiers, Karl von Wogau.

## SHORT JUSTIFICATION

The proposal forms part of the *Financial Services Action Plan* and introduces the requirement that, from 2005 onwards, certain EU companies prepare their consolidated accounts in accordance with international accounting standards. It leaves the Member States free to extend the scope of the regulation.

The Commission rightly opts for the instrument of the regulation. It thereby avoids a repetition of the problems which have arisen in connection with the transposition of directives, namely too many national variations, delays and interpretations.

The requirement for certain companies to apply the international standards will take effect from 2005. That is the absolutely earliest possible date given the major changes entailed and the resulting need for training. The level of knowledge of IAS will determine how well they are applied. It is necessary to promote and facilitate training, both by making the standards available in all the EU official languages, and considering how the enormous training commitment can be financially supported by the operators concerned and the national standards-setting authorities.

For the rest, the international standards within the meaning of this regulation are 'documents of general application', which, pursuant to Council Regulation No 1 of 1958, must be drawn up in each of the official languages of the EU. The Commission must therefore ensure that an authentic language version of each standard adopted is drawn up in each of those languages and is published in the Official Journal.

Article 2 lays down a definition of 'international accounting standards'. This includes both IAS standards and interpretations and 'equivalent accounting standards'. Given the nature of the proposed objectives, it is right that an 'equivalent standard' can only be approved if no standard has as yet been agreed to at international level.

As the Commission allows itself wide powers of implementation with regard to the endorsement mechanism, it is all the more necessary to ensure clarity in this connection at the outset and subsequently accountability towards Parliament.

IAS are laid down by an organisation governed by private law; hence the endorsement mechanism described in Article 6. (commitology regulatory procedure).

Despite the important technical and democratic function assigned to the 'expert level' or 'technical committee' in the explanatory statement and the recitals, there is no reference to this in the articles of the regulation. It is desirable that the role of this tier of what is described as a two-tier endorsement mechanism, and its representative composition, should be explicitly included in the regulation, and the committee enabled to work in a transparent manner so that all those who wish to be involved in its activities can be heard in good time.

Although it is acceptable for the technical elaboration of the standards to be carried out by those directly involved with them, competence for the overall legislative framework of financial reporting continues to lie with the Council and Parliament. It is therefore necessary that the endorsement mechanism should systematically determine whether a standard to be approved (IAS or other) fits in with the overall framework of the accounting directives. If need be, the directives must be adjusted, which should be done in accordance with normal legislative procedure.

Furthermore, the Commission needs to make every effort to ensure that IAS are also recognised in the US.

The Commission must ensure that the EU is able to exercise the greatest possible influence on the laying down of IAS. It should continue to work towards membership of the IASB, or make efforts to ensure that the 'technical committee' is able to take proactive measures which produce results.

This proposal is primarily in the interests of big listed companies seeking to raise capital on international markets. However, everyone expects the impact of the measures to extend to SMEs. Given that an appropriate policy on financial reporting and information is also needed by SMEs, your rapporteur is requesting the Commission, in connection with the 'IAS revolution', to initiate a debate concerning SMEs on this matter. Attention must be paid in that connection to the consequences of the divergent options that are open to Member States in application of Article 5 and their possible coordination. In the absence of fiscal harmonisation it will also be important to consult on the new relationship between accountancy, company and tax law in a number of Member States.

The move to international standards necessitates adjustments to certain EU directives and national accountancy laws. Your rapporteur is requesting the Commission and the Member States to set about this without delay and to take appropriate account of the interests of SMEs.

## AMENDMENTS

The Committee on Economic and Monetary Affairs calls on the Committee on Legal Affairs and the Internal Market, as the committee responsible, to incorporate the following amendments in its report:

| Text proposed by the Commission[1] | Amendments by Parliament |
|---|---|

Amendment 1
Recital 7a (new)

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| | ***Any international accounting standards that are approved and made compulsory in the Community must be compatible with the overall framework set by the accounting directives. That presupposes that they will, firstly, comply with the basic requirements of the general and sectoral accounting directives (78/660/EC, 83/349/EC, 86/635/EC and 91/674/EC), and will in particular meet the requirements of providing a reliable and true account of an undertaking's financial position, business performance and changes in financial position. They must also be compatible with prevailing European reality so as to provide a viable basis for financial reporting by European companies.*** |

*Justification*

Although it is acceptable for the technical elaboration of the standards to be carried out by those directly involved with them, competence for the overall legislative framework of financial reporting continues to lie with the Council and Parliament. It is therefore necessary that the endorsement mechanism should systematically determine whether a standard to be approved (IAS or other) fits in with the overall accounting framework. If need be, the directives must be adjusted, which should be done in accordance with normal legislative procedure.

[1] OJ C 154 E, 29.5.2001, p. 285-299

Amendment 2
Recital 10a (new)

***The European Commission must ensure that the European Union is adequately represented on the decision-making bodies of the IASB. It must moreover keep Member States informed of the work programme and activities of the IASB and of the consequential work of the technical committee on financial reporting.***

*Justification*

The Commission must exert maximum EU influence on the work of drawing up IAS.

Amendment 3
Article 3(1a) (new)

***Those standards shall conform to the principle set out in Article 16(3) of the seventh Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts and shall provide a viable basis for financial reporting in the Community.***

*Justification*

Although it is acceptable for the technical elaboration of the standards to be carried out by those directly involved with them, competence for the overall legislative framework of financial reporting continues to lie with the Council and Parliament. It is therefore necessary that the endorsement mechanism should systematically determine whether a standard to be approved (IAS or other) fits in with the overall accounting framework. If need be, the directives must be adjusted, which should be done in accordance with normal legislative procedure.

Amendment 4
Article 3(3)

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| 3. ***The decisions of the Commission concerning the adoption of international accounting standards shall be published in the Official Journal of the European Communities***. | 3. ***The international accounting standards approved pursuant to this article shall be measures of general application that shall consequently be drawn up in full in each of the official languages of the Community and published in the Official Journal of the European Communities.*** |

*Justification*

The amendment is self-explanatory. It draws attention to the fact that, pursuant to Council Regulation No 1 of 1958, certain language requirements must be complied with. It is necessary to invoke those requirements explicitly, not least because it was no part of the Commission's original intention to guarantee translation into all the official EU languages or to publish the approved standards in each of those languages.

Amendment 5
Article 6a: Technical Committee (new)

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| | ***A technical committee for financial reporting, composed of representatives of the different parties concerned, shall supply the Commission with non-binding support and opinions. The Commission shall ensure that it is represented on that committee as an observer.*** |

*Justification*

Despite the important technical and democratic function assigned to the 'expert level' or 'technical committee' in the explanatory statement and the recitals, there is no reference to this in the articles of the regulation. It is desirable that the role of this tier of what is described as a two-tier endorsement mechanism, and its representative composition, should be explicitly included in the regulation.

Amendment 6
Article 6b: Supervision (new)

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| | ***Member States shall take the action necessary to ensure that companies that are required to do so will in fact conduct their financial reporting in accordance with the approved international accounting standards.*** |

*Justification*

The regulation must not be confined to imposing particular requirements on particular companies. It must also require the Member States to exercise the necessary supervision.