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Texts adopted by Parliament

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Provisional edition

IASCF

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► **European Parliament resolution of 9 October 2008 on the IASCF review of the constitution, public accountability, and composition of the IASB : proposals for change**

The European Parliament ,

- having regard to the Council conclusions of 8 July 2008, in particular as regards the governance of the International Accounting Standards Board (IASB),
- having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards⁽¹⁾ ,
- having regard to its resolution of 24 April 2008 on International Financial Reporting Standards (IFRS) and the governance of the International Accounting Standards Board (IASB)⁽²⁾ ,
- having regard to Commission Regulation (EC) No 1358/2007 of 21 November 2007 amending Regulation (EC) No 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 8⁽³⁾ , concerning disclosure of operating segments, and Parliament's resolution of 14 November 2007 on the draft Commission regulation⁽⁴⁾ ,
- having regard to its resolution of 14 November 2007 on the draft Commission regulation amending Regulation (EC) No 809/2004 as regards the accounting standards in accordance with which historical information contained in prospectuses is drawn up and on the draft Commission decision on the use by third country issuers of securities of information prepared under internationally accepted accounting standards⁽⁵⁾ ,
- having regard to its resolution of 24 October 2006 on the accounting standards used by third country issuers and their equivalence to IFRS as mentioned in the draft implementing measures of the Prospectus Directive and the Transparency Directive⁽⁶⁾ , which sets out the conditions under which the European Union has accepted the convergence and equivalence process between IFRS as adopted by the European Union and US Generally Accepted Accounting Principles (GAAPs),

- having regard to the report by the International Accounting Standards Committee Foundation (IASCF) entitled 'Review of the Constitution - Public Accountability and the Composition of the IASB - Proposals for Change', of July 2008,
- having regard to Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission⁽⁷⁾,
- having regard to Rule 108(5) of its Rules of Procedure,

A. whereas EU issuers are required to apply international accounting standards for their consolidated financial statements,

1. Notes that the IASCF proposes establishing a monitoring group; is of the opinion that such a monitoring group should be entitled to recommend candidates as Trustees and should be responsible for approving the selection of Trustees after an agreed nomination process;

2. Calls for the monitoring group to be involved in setting the agenda for the IASB so as to ensure transparency and accountability; recognises that the subsequent accounting standard setting process should remain free of undue interference and should be effected in full consultation with all stakeholders, including investors;

3. Expresses doubts as regards the desirability of setting up the monitoring group at this stage, before the second phase of the consultation process of the review of the governance of the IASB is launched and without a clear overview of the relationship to be established between the monitoring group and the IASCF in the constitution of the latter;

4. Considers that the monitoring group should reflect the balance of the world's most significant currency areas, cultural diversity, and the interests of both developed and emerging economies and of international institutions which have accountability requirements before public authorities; considers also that the monitoring group should play an active role in promoting the transparency of financial reporting and the development and effective functioning of capital markets, as well as avoiding pro-cyclicality and ensuring financial market stability and preventing systemic risk; takes the view that the Basel Committee on Banking Supervision should be included in the monitoring group; notes with approval the proposal that the monitoring group comprise, at the outset:

- the responsible member of the Commission;
- the chair of the Emerging Markets Committee of the International Organisation for Securities Commissions (IOSCO);
- the chair of the IOSCO Technical Committee (or the vice-chair or designated securities commission chair, in cases where the chair of an EU securities regulator, the commissioner of the Japanese Financial Services Agency or the chair of the US Securities and Exchange Commission (US SEC) is also the chair of the IOSCO Technical Committee);

- the commissioner of the Japan Financial Services Agency;
- the chair of the US SEC; and
- the chair of the Basel Committee on Banking Supervision;

5. Deplores the fact that Parliament was not consulted about the establishment of an International Accounting Advisory Group;

6. Considers that EU financial market regulators should also be represented in the monitoring group; stresses that no organisation should be represented in the monitoring group by more than one delegate;

7. Stresses the complex institutional set-up of the monitoring group; emphasises the need for the monitoring group to have effective cooperation mechanisms in place so as to ensure its operability and fulfil its principal responsibilities; insists, in this context, that the members of the monitoring group have sufficient competence to ensure that they can be held politically accountable;

8. Is concerned that some of the proposed members of the monitoring group do not require domestic issuers to apply IFRS; is of the opinion that membership of the monitoring group should become effective only after a commitment to introduce IFRS as the domestic standard; emphasises that no country should be represented in the monitoring group by more than one delegate;

9. Notes that the IASCF also proposes enlarging the IASB by two members to a total of 16; considers such enlargement to be acceptable as it could lead to a more balanced IASB, in particular if the IASCF proposal is amended to ensure parallel treatment of the most significant global currency areas;

10. Calls for a memorandum of understanding to be concluded between Parliament, the Council and the Commission so as to define the conditions of association of the legislators with the work of the monitoring group, if such a group is established at this stage;

11. Instructs its President to forward this resolution to the Council, the Commission, the European Central Bank, and the Committee of European Securities Regulators and the governments and parliaments of the Member States.

(1) OJ L 243, 11.9.2002, p. 1.

(2) Texts Adopted, P6_TA(2008)0183.

(3) OJ L 304, 22.11.2007, p. 9.

(4) Texts Adopted, P6_TA(2007)0526.

(5) Texts Adopted, P6_TA(2007)0527.

(6) OJ C 313 E, 20.12.2006, p. 116.

(7) OJ L 184, 17.7.1999, p. 23.