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PRESS RELEASE

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Philippe Maystadt, special adviser to Commissioner Michel Barnier, presents his recommendations for enhancing the EU's role in international accounting standard-setting

Accounting policy choices involve public interest stakes such as the link with the prudential requirements for banks or insurance companies, the rules applicable to the shadow banking system, the impact on long-term investment and the access to financing for SMEs.

With this in mind, in March 2013 the EU Commissioner for Internal Market and Services, Michel Barnier, mandated Philippe Maystadt to examine ways of reinforcing the EU's contribution to International Financial Reporting Standards (IFRS) and improving the governance of the European bodies involved in developing these standards ([IP/13/242](#)). Mr Maystadt's report is part of a broader debate on accounting standards, which also takes into consideration international developments in this field and the revision of the [Regulation on the application of the IFRS](#), planned for the end of 2014.

Mr Maystadt held a series of interviews and consultations before drafting his report, which he will present to Finance Ministers at the ECOFIN Council meeting on 15 November 2013.

Mr Barnier made the following statement in this respect: "The experience of the last few years has shown that accounting standards are more than a mere language convention. They can have an impact on the stability of financial markets, by influencing the actors' behaviour on those markets. I mandated Mr Maystadt to evaluate whether the system for the adoption of the IFRS put in place by the European Union was effective and enabled the EU to play its full role in the debate. I have taken note of his excellent report. I plan to discuss it with the EU Finance Ministers at the ECOFIN Council of 15 November and shortly with the European Parliament. I am particularly keen that Mr Maystadt's recommendations should be implemented swiftly so that our undertakings and the users of their financial statements can as soon as possible benefit from high-quality international accounting standards. This work will allow the EU to better organise itself to ensure that the needs of its markets are fully taken into account in the international accounting debate, excessively focussed these last few years on the objective of convergence with the US accounting standards (the US GAAP)."

Mr Maystadt said: "The financial crisis raised the awareness of numerous economic stakeholders and political decision-makers on the potential impact of accounting standards on the results made public by companies and on the economy as a whole. I found that the aim of a single international accounting framework, i.e. the IFRS, was largely confirmed. However, the European Union's influence in international accounting standard-setting is reduced because it is diffuse. I recommend setting up a structure that is able to carry out a strategic analysis of the economic impact of the standards and better coordinate the European positions on this matter".

Mr Maystadt proposes taking a three-fold approach:

1) He suggests maintaining a "standard-by-standard" adoption procedure, including the possibility of accepting or refusing a standard issued by the IASB (International Accounting Standards Board). Any move to introduce greater flexibility (such as amending or adapting a standard) should be strictly regulated (precise criteria and conditions) in order not to impede the aim of applying global standards.

Mr Maystadt proposes adding adoption criteria to the Regulation on the application of the IFRS (not endangering financial stability and not hindering the economic development of the region). Otherwise, the Commission could clarify the interpretation of the criterion specifying that a standard should contribute to the public interest.

2) Mr Maystadt has identified three options for strengthening the European Union's influence in international accounting standard-setting:

(a) reorganising the current EFRAG (the European Financial Reporting Advisory Group) to increase its legitimacy and representativeness.

(b) transferring the tasks handled by EFRAG to the European Securities and Markets Authority (ESMA).

(c) creating an Agency of the European Union.

For various reasons explained in the report, in particular to ensure speedy implementation, he recommends option (a).

3) Lastly, Mr Maystadt proposes that the Accounting Regulatory Committee, ARC, further develop its dialogue with EFRAG at an earlier stage in the process, in order to be more effective in bringing influence to bear on the activities of EFRAG and the IASB.

Background

Philippe Maystadt served in the Belgian Government as Minister for Economic Affairs, Minister of Finance and Deputy Prime Minister. He was also President of the European Investment Bank from 2000-2011.

Since 1 January 2005 the IFRS (drawn up by the International Accounting Standards Board) have been applicable for the consolidated accounts of listed companies in the EU. The International Financial Reporting Standards regulation established a dedicated endorsement process under the responsibility of the European Commission together with consultative organisations, namely EFRAG, an independent organisation providing expert advice, and the Accounting Regulatory Committee, composed of representatives from Member States and chaired by the European Commission.

In 2012, a limited governance review of EFRAG began in order to assess the effectiveness of the arrangements in securing cooperation between EFRAG and national standard setters in Europe. The discussions showed that a more comprehensive review of EFRAG's governance was needed.

In addition to the task mandated to Mr Maystadt, the Commission will carry out an evaluation of the Regulation on the application of the IFRS. This evaluation will be based on Mr Maystadt's recommendations and complement them by providing factual data about implementing the IFRS in Europe so far.

More information

EU policy on financial reporting and accounting:

http://ec.europa.eu/internal_market/accounting/governance/reform/index_en.htm

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