

Thursday 24 April 2008

68. Considers that in order to be internationally acceptable, such an instrument would need to take account of best available techniques and be favourable to third countries, particularly developing countries;

69. Recognises that binding international benchmarks and commitments covering all sectors that are vulnerable to competition would be preferable to the possible adoption of border tax adjustments to offset distortions among trading partners;

*

* *

70. Instructs its President to forward this resolution to the Council and Commission, and the governments and parliaments of the Member States.

International Financial Reporting Standards and the governance of the IASB

P6_TA(2008)0183

European Parliament resolution of 24 April 2008 on International Financial Reporting Standards (IFRS) and the Governance of the International Accounting Standards Board (IASB) (2006/2248(INI))

(2009/C 259 E/17)

The European Parliament,

- 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 4 July 2006 on recent developments and prospects in relation to company law ⁽²⁾,
- having regard to the first report of the Commission to the European Securities Committee (ESC) and to the Parliament on convergence between the international financial reporting standards and third countries' national Generally Accepted Accounting Principles (GAAPs),
- having regard to the Commission services working paper on governance developments in the IASB (International Accounting Standards Board) and IASCF (International Accounting Standards Committee Foundation) of July 2007,
- having regard to the Council conclusions of 10 July 2007 on governance and financing of the IASB and of 11 July 2006 concerning the Funding of the International Accounting Standards Board,
- having regard to the ECB report of 19 December 2006, entitled 'Assessment of accounting standards from a financial stability perspective',
- having regard to the letter of the European Financial Reporting Advisory Group (EFRAG) to the IASB on the exposure draft international financial reporting standard for small and medium-sized entities (IFRS for SMEs),
- having regard to the letters of 3 October 2007 from the chairperson of its Committee on Economic and Monetary Affairs to the Commission in response to the US Securities and Exchange Commission (SEC) consultation, and to the chairpersons of the corresponding committees in the US Congress,

⁽¹⁾ OJ L 243, 11.9.2002, p. 1.

⁽²⁾ OJ C 303 E, 13.12.2006, p. 114.

Thursday 24 April 2008

- having regard to the statement by of the Commission, the Financial Services Agency of Japan, the International Organization of Securities Commissions (IOSCO) and the SEC of 7 November 2007 on work to enhance the governance of the IASCF,
 - having regard to the SEC decision of 21 December 2007 on IFRS for foreign issuers,
 - having regard to the Fourth Council Directive 78/660/EEC of 25 July 1978 based on Article 54(3)(g) of the Treaty on the annual accounts of certain types of companies ⁽¹⁾ and the Seventh Council Directive 83/349/EEC of 13 June 1983 based on Article 54(3)(g) of the Treaty on consolidated accounts ⁽²⁾ (Fourth and Seventh Company Law Directives),
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Legal Affairs (A6-0032/2008),
- A. whereas the IFRS concept was set up with the aim of achieving real global financial reporting standards worldwide for publicly traded companies,
 - B. whereas since January 2005 publicly traded companies in the European Union have been obliged to use international accounting standards for their consolidated financial statements,
 - C. whereas under Regulation (EC) No 1606/2002, the IASCF/IASB was in effect given the status of a law-maker,
 - D. reaffirming its position as stated in paragraphs 37 to 39 of its abovementioned resolution of 4 July 2006 on recent developments and prospects in relation to company law,
 - E. whereas the European Union, since taking on the IFRS, has gained insight and expertise that must be used when discussing the further development of the IASCF/IASB; whereas jurisdictions that have not abandoned their own accounting standards but have merely embarked on convergence processes may not have the same expertise or experience,
 - F. whereas the fact that 17 months elapsed before the appointment of the new chairperson of the IASCF raises a question about the effectiveness of the current selection and appointment process for members of that body,
 - G. whereas the European Union should move away from a reactive towards a proactive attitude in its relations with the IASCF/IASB,
 - H. whereas the sub-prime crisis of summer 2007 highlighted the importance of accounting standards, and, in particular, the notions of 'fair value' and 'market-to-market', for financial stability,

Transparent, responsible international organisations

1. Is firmly convinced that high-quality global accounting standards must be developed;
2. Notes that the IASCF is a private self-regulatory body which has been given the role of lawmaker in the European Union by virtue of Regulation (EC) No 1606/2002; acknowledges some concerns about the fact that the IASCF/IASB may lack transparency and accountability as a consequence of not being under the control of any democratically elected government, the EU institutions not having established the accompanying procedures and practices as regards consultation and democratic decision-making that are usual in their own legislative procedures; welcomes, however, the fact that the IASCF/IASB have sought to improve those deficiencies, through, inter alia, biannual meetings at which the IASCF reviews the IASB's work, impact assessments for new standards and the introduction of formalised feedback statements for comments received in public consultations;

⁽¹⁾ OJ L 222, 14.8.1978, p. 11.

⁽²⁾ OJ L 193, 18.7.1983, p. 1.

Thursday 24 April 2008

3. Considers that, lacking satisfactory solutions to problems regarding the establishment and oversight of the IASCF/IASB, a debate should be launched on the conditions for integrating the IASCF/IASB into the system of international governance, for example with the International Monetary Fund, the Organisation for Economic Cooperation and Development and the World Bank;
4. Stresses the need for more representatives with a European background within the international standard-setting bodies, in order to legitimate a truly international approach and meet the need for a balanced consideration of the weight of the European Union, constituting, as it does, by far the largest economic area, with the most entities applying the IFRS; believes that all board members/trustees of the IASCF/IASB should come from nations that have signed up, or intend to sign up, to the IFRS; supports incorporating a provision for a minimum geographical balance in the IASCF constitution, as proposed by the trustees;
5. Notes the increasingly theoretical dimension of IASB projects, the complexity and theoretical nature of which are such that small and medium-sized enterprises (SMEs), in particular, are not always able to follow them;
6. Notes that some practical business aspects are not adequately reflected by the IASB; considers that, from a user's perspective, it is important that the financial statement presentation for accounting lend itself to other uses, e.g. for the purposes of providing financial information to investors, performance monitoring or financial management;
7. Supports an open and ongoing debate about accountancy standards; to this end, believes that the IASB should strengthen its due process as regards stakeholders so that the views of all IFRS users and investors are taken into account;
8. Takes the view, however, that governance and accountability must be improved through the following measures:
 - (a) setting up a public oversight body involving all IASCF/IASB public stakeholders including, in particular, legislators and supervisors; and setting up a body allowing representative market participants, including preparers and users from jurisdictions where IFRS are mandatory, to deliver annually a report on the functioning of international accounting standard setting to the governing bodies of the IASCF/IASB;
 - (b) such an oversight body could be responsible for selecting and appointing the trustees in a transparent procedure ensuring both the competences of the candidates and a balanced geographical representation of all stakeholders; this would help make the appointment procedure more transparent and significantly enhance the legitimacy of the trustees;
 - (c) guaranteeing that the composition of the IASB, the Standards Advisory Council (SAC) and the International Financial Reporting Interpretations Committee is improved and that the trustees ensure that the appointment procedure is transparent and due account is taken of the interests of various interest groups;
 - (d) increasing the involvement of the trustees in supervising the IASB and its work plan, in particular as regards the way in which the work plan is drawn up and mandates are granted to the IASB;
 - (e) ensuring that the IASCF constitution provides for the IASB to develop accounting solutions that are not only technically correct but also reflect what is necessary and possible from the point of view of all users (investors and supervisors) and preparers; and
 - (f) carrying out impact assessments for all projects, so as to check the costs and benefits (including those for user firms) of draft texts and, in particular, to highlight the implications for financial stability;
9. Notes that in the abovementioned statement of 7 November 2007, the Commission seeks — as it did when it concluded a roadmap with the US authorities in April 2006 — to pre-empt solutions where it would be preferable, in the interests of effectiveness and legitimacy, to conduct an open consultation process and debate, to which this resolution could be a contribution;

Thursday 24 April 2008

10. Urges that improvements to accountability and governance of the IASCF/IASB must not create excessive bureaucracy and must ensure that technical issues are not unnecessarily politicised;
11. Considers that, before embarking on the development of a standard, the IASB must take account of actual needs and of the relevant information which users (auditors, investors and supervisors) consider that they require;
12. Urges the IASB, before adopting a new standard, to carry out impact studies on all interested parties, taking account of regional diversity and market structures; welcomes the announcement of the IASCF trustees that they will refer to post-implementation reviews and feedback statements in their 2007 annual report;
13. Asks that accounting standards be drafted or modified only when a clear and beneficial need has been established, and after a thorough preliminary consultation process has been conducted;
14. Considers that, in this field, the Commission's right of initiative should be combined with an appropriate prior consultation process;
15. Agrees with the Council that the measures decided on to improve the IASB governance structure must be implemented in accordance with an appropriate work plan; is of the opinion that the same considerations should apply to any measures proposed by Parliament;
16. Considers that Parliament should be seriously consulted in good time about the work plan and the setting of priorities and direction of new standard setting projects; calls in this regard for an early-phase consultation of Parliament;
17. Takes the view that the funding structure of the IASCF/IASB, which is currently largely based on voluntary contributions, inter alia from undertakings and audit firms, raises questions; calls on the IASCF/IASB in this context to examine how the funding system could be amended to ensure, first, that all user groups are adequately involved in funding, second, that no conflict of interests arises between financiers and users, and third, that there is universal access to the accounting standards; calls on the Commission to examine whether and under what conditions it might consider contributing to that funding;
18. Takes the view that transparent and stable funding of the IASCF/IASB is of crucial importance; asks the Commission to consider whether and how a uniform EU funding method could be constructed;

Implementation of IFRS in the European Union

19. Considers it essential that the Community express itself more coherently to ensure it has maximum influence at all stages of the process of drafting, interpreting and implementing accounting standards;
20. Notes the contribution that IFRS have made by ensuring that financial statements are more comparable across countries, across competitors within the same industrial sector and across industrial sectors;
21. Notes the merits of the IFRS, which do not just concern technical accounting aspects but also bring benefits to capital markets and to the European Union as a world leader;
22. Notes that the Roundtable for the consistent application of the IFRS in the European Union ⁽¹⁾, launched by the Commission in 2004 at the beginning of the current legislative period, did not live up to expectations about its ability to give clear expression to the EU point of view and interests;
23. Stresses that consistency in adoption and application is essential to the success of the IFRS, but recalls that these are principle-based standards and that, therefore, consistency should not be pursued to the detriment of professional judgement;

⁽¹⁾ The Roundtable comprises representatives of the IASB, the Committee of European Securities Regulators, the EFRAG, the *Fédération des Experts Comptables Européens*, *BusinessEurope*, auditing firms and the Commission; it is a forum for discussions of key issues without in any way providing interpretations of existing standards.

Thursday 24 April 2008

24. Agrees with the Council on the point that the conclusions of the abovementioned Roundtable must be taken into account to a much greater extent in the IASB work on standards;
25. Notes that there are numerous players involved in the Community endorsement procedure; points out, in particular, that the Commission receives input from a number of players whose competences clearly overlap; points out that that overlap offers potential for enhancing efficiency and transparency;
26. Considers that the forums in which the Community is able to make known its views (the Accounting Regulatory Committee or the EFRAG) do not allow it to interact on an equal footing with states that have structures founded on the centralised powers of regulators and supervisors (such as the Financial Accounting Standards Board and SEC in the USA or the Accounting Standards Board and Financial Services Agency in Japan);
27. Takes the view that creating a more streamlined EU structure, taking into account national structures for accounting issues, could, especially if, where appropriate, some existing bodies were abolished, contribute to simplification and thereby also strengthen the role that the European Union should play at global level; calls on the Commission to develop and put forward a proposal, in consultation with Parliament, the Member States and Committee of European Securities Regulators to establish an EU structure constituting a legitimate international partner and guaranteeing uniform interpretation and application of standards;
28. Expresses satisfaction with the way in which it has exercised its authority in this field and points out that, within the framework of the revised comitology procedure, Parliament will be even more involved in the development and endorsement of the IFRS; notes, however, that Parliament is formally involved only in the last phase of the endorsement procedure; calls for a guarantee, as a time-saving measure, that Parliament will already be *seriously* consulted in the procedure when the IASB work programme is drawn up and a draft new accounting standard is considered, in order to avoid the emergence of an EU-specific version of the IFRS or the need for subsequent modifications;
29. Believes that it would be detrimental to EU publicly traded companies if carve-outs from the IFRS are used other than as a last resort;
30. Takes the view that particular attention should be paid to at least the following:
- (a) IASB framework (conceptual basis of the work of the IASB): points out that financial statements are drawn up not only for capital market investors but also for a range of other players, such as, inter alia, creditors, employees, public authorities, owners and customers;
 - (b) IAS/IFRS branding (presentation of financial statements): points out that the IASB should achieve solutions that take account of the needs of the various jurisdictions which have made IFRS mandatory;
 - (c) IAS 32 and IAS 39: calls on the IASB to incorporate in IAS 32 a definition of 'own funds', which will enable all forms of company, including, in particular, cooperative societies and partnerships, to declare capital provided by shareholders as own funds in the balance sheet, and to adopt a solution for hedge accounting based on the actual risk management practices of banking organisations;
 - (d) business combinations (accounting for acquisition of another business): points out that the IASB should draw up solutions regarding the scope of application of the fair-value principle;
 - (e) fair-value measurement: is of the view that the IASB should take its decision on the basis of the outcome of the consultations and, given the apparent impact of such a process limit the scope of the fair-value principle;
 - (f) service concessions (agreements under which an entity — the concession operator, by way of contract with a concession provider, which is usually a government — receives a right and incurs an obligation to provide public services): points out that balanced solutions must be found; and
 - (g) performance reporting (display and presentation of all recognised changes in assets and liabilities from transactions or other events except those related to transactions with owners): points out that balanced solutions must be found.

Thursday 24 April 2008

31. Takes the view that the application of the fair-value principle can be costly for companies and can lead to unrealistic valuations: for example, in the absence of an assessment by actual markets, the application of the fair-value principle may not be indicative of the true value of companies; considers, moreover, that account must be taken of the fact that the application of the fair-value principle to financial assets and liabilities does not always produce realistic valuations;
32. Considers, in view of the potential links between the IFRS and taxation, that the drafting, entry into force and interpretation of these standards could have an immense impact on the Member States;
33. Welcomes the practice, developed since the beginning of this legislative period by its Committee on Economic and Monetary Affairs, of holding an annual hearing with the Chairperson of the IASB and informal meetings with members of the IASCF, and calls, in future, for the chairpersons of the IASB and the IASCF to address an annual report to Parliament on all matters relevant to Parliament (including their work programme, staff decisions, funding and any controversial standards);
34. Expresses concern, while supporting the intention of the IASB to improve existing standards, about the fact that making continual adjustments, and even small changes, can be costly and result in expensive changes for large companies; believes that any changes should happen only when they are deemed necessary following a cost-benefit analysis;

IFRS for SMEs

35. Notes that the IASB is carrying out broad-based consultation and field tests as regards its exposure draft IFRS for SMEs; requests that, in future, more serious attention be paid to the results obtained from such consultations and field testing than has been the case with the exposure draft IFRS for SMEs; underlines that this is necessary if the European Union should ever begin considering taking account of the IFRS for SMEs or adopting EU standards for SMEs with the aim of converging these with the IFRS for SMEs;
36. Considers that there is a widely shared view among SMEs that the IFRS for SMEs proposed by the IASB is far too complicated for them and, in addition, refers in many places to the full IFRS; takes the view that the obligations regarding appendices are too comprehensive and that the burden in relation to the requirement to provide information is disproportionate to any benefits arising therefrom; is concerned that the draft was designed with relatively large SMEs (of over fifty employees) in mind and asserts that most SMEs are smaller in size; notes that SMEs are also concerned that the IASB intends to change the standard every two years; nevertheless, notes it could be a useful optional transition for larger, expanding SMEs, but underlines that this must not be a way station on the road to enforced harmonisation;
37. Takes the view that promoting (or encouraging) the voluntary use of the IFRS is not without risks; takes the view that, should a few Member States decide to apply the final IFRS for SMEs in the form decided by the IASB, that could lead to the fragmentation of the internal market and could even prejudice accounting for SMEs across the entire European Union;
38. Underlines that no political mandate has been conferred on the IASB to develop an IFRS for SMEs; notes that the endorsement procedure applies only to international accounting standards and interpretations for publicly traded companies; notes further that the endorsement procedure may not be used for the recognition of the IFRS for SMEs;
39. Would propose to assess first whether SMEs in the European Union will derive any benefits from a standard developed by the IASB; notes that, generally, the IASB considers itself as a standard setter in the interest of capital market investors; acknowledges that the IASB confirms in its 'basis for conclusions' that SMEs face different requirements to those for capital market investors; questions whether the balance relating to SMEs is currently sufficient in the IASB; acknowledges though that from other parts of the world there may be a request to develop a standard for SMEs and proposes that a more precise assessment of that demand be made; underlines that this is without prejudice to the EU acceptance of a subsequent standard;

Thursday 24 April 2008

40. Points out that the Fourth and Seventh Company Law Directives provide the legal framework for the annual accounts of SMEs in the European Union and that the question how the IFRS for SMEs, as proposed by the IASB, relates to the Fourth and Seventh Company Law Directives remains to be clarified; considers that the Fourth and Seventh Company Law Directives could be the basis for accounting requirements for EU SMEs, including partnerships;

41. Considers that the European Union should carefully assess the respective benefits of committing to an IFRS for SMEs or developing its own independent and comprehensive solution for SMEs; takes the view, furthermore, that any such an EU solution could fit into the IFRS conceptual framework without requiring SMEs to use the full IFRS;

42. Takes the view that accounting requirements for SMEs in the European Union must be tailored to the needs of users; advises, against this background, that user needs be analysed in detail once again;

43. In the light of the foregoing, encourages the Commission to continue its activities with regard to the simplification of company law, accounting and auditing for SMEs via the relevant legislative acts, in particular the Fourth and Seventh Company Law Directives;

44. Points out that accounting rules exert a very strong influence on the whole field of commercial law, and that a new IFRS for SMEs will have a wide-ranging effect on SMEs and that, in particular, it would have a major impact in practice on national legislation concerning company taxation; notes that an IFRS for SMEs based on the fair-value principle runs counter to the principle of capital maintenance which predominates in other jurisdictions, and is not always in the best (tax) interests of SMEs;

45. Takes the view that an IFRS for SMEs must take into consideration the fact that there are different forms of undertaking in the European Union (such as partnerships and cooperatives); believes, therefore, that such an IFRS must contain a clear definition of 'own funds', which takes account of the particular needs of SMEs;

46. Regrets that the draft IFRS for SMEs does not take adequate account of the fact that the addressees of SMEs' accounts are mainly personal shareholders, creditors, business partners and employees rather than anonymous investors, as in the case of public companies, and that those addressees are interested in a long-term business relationship rather than a short-term investment;

47. Calls on the Commission to arrange a thorough consultation procedure concerning an accounting framework for SMEs in the European Union along the lines of ordinary legislative proposals, and to withdraw its commitment to implementing and adopting an IFRS for SMEs, thus preventing parallel application of standards in the European Union, for so long as the EU internal process has not been concluded; encourages the Commission to consider the opportunity for reduction of administrative burden for SMEs in the field of accounting and auditing;

48. Acknowledges, however, that there is an overall need for simplification of accounting and auditing measures for SMEs, while recalling that SMEs are creators of jobs and a motor of economic growth;

Road map for convergence and equivalence

49. Recalls that the ultimate aim of all international stakeholders must be the adoption of the IFRS; acknowledges the tension between the intention of achieving maximum convergence and the desire to preserve the European Union's full competence to deviate from the consensus that is globally achievable; emphasises that deviations from global standards should be restricted to the minimum necessary both in the European Union and in other parts of the world; takes the view that third countries should deal with the European Union as a single entity and not treat the 27 Member States differently and that the ongoing processes of convergence with existing systems can only be accepted as intermediate stages;

50. Notes the importance and desirability of the establishment of global standards and convergence and recognises that global convergence of accounting standards is proceeding at an ever-increasing pace;

51. Supports the idea of convergence and equivalence; emphasises, however, that convergence with certain third-country standards must be based on a prior assessment of the merits and impact of such a change on EU preparers and users of financial statements and especially on SMEs, and calls on the IASB to bear this in mind when proceeding;

Thursday 24 April 2008

52. Notes that the work on convergence is progressing, and anticipates the danger that mainly large third countries' economic and company law frameworks are likely to be taken into account in this process, while EU frameworks play a lesser role;

53. Notes that on 20 June 2007 the SEC submitted a proposal to the effect that financial statements by foreign issuers should be approved without reconciliation being required, provided that they had been prepared on the basis of the English version of the IFRS adopted by the IASB; stresses that the objective is that the IFRS incorporated by the European Union into existing law be recognised by the SEC;

54. Welcomes the progress made in the EU-US Accounting Roadmap and the recent announcement from the SEC to allow foreign private issuers to submit financial statements in accordance with the IFRS without reconciliation to US GAAP; supports the approach outlined by the Commission in its letter to the SEC of 26 September 2007;

55. Recalls that the European Union's determination to require all publicly traded companies to use the IFRS in their consolidated financial statements from the beginning of 2005 was a key element in the increased global interest in the IFRS;

56. Recalls that on 30 April 2007 the Presidents of the USA, the President-in-Office of the European Council and the President of the European Commission signed a Joint EU-US statement following their annual summit, which, on the issue of financial reporting, states: 'Financial markets. Promote and seek to ensure conditions for the US Generally Accepted Accounting Principles and International Financial Reporting Standards to be recognised in both jurisdictions without the need for reconciliation by 2009 or possibly sooner';

57. Recalls the outstanding issue concerning the competence of the different jurisdictions applying the IFRS for establishing the definitive interpretation thereof, which entails the risk that conflicting interpretations will result; points out that only European authorities and courts are competent definitively to interpret an EU-specific IFRS and calls on the Commission to ensure that that remains the case; considers that the Commission, working together with the Member States and Parliament, must develop a system that will guarantee that the IFRS is interpreted and applied uniformly throughout the European Union;

*

* *

58. Instructs its President to forward this resolution to the Council, the Commission, the Committee of European Securities Regulators, the International Accounting Standards Committee Foundation and International Accounting Standards Board.

Zimbabwe

P6_TA(2008)0184

European Parliament resolution of 24 April 2008 on Zimbabwe

(2009/C 259 E/18)

The European Parliament,

— having regard to its resolutions on Zimbabwe of 16 December 2004 ⁽¹⁾, 7 July 2005 ⁽²⁾, 7 September 2006 ⁽³⁾ and 26 April 2007 ⁽⁴⁾,

⁽¹⁾ OJ C 226 E, 15.9.2005, p. 358.

⁽²⁾ OJ C 157 E, 6.7.2006, p. 491.

⁽³⁾ OJ C 305 E, 14.12.2006, p. 263.

⁽⁴⁾ OJ C 74 E, 20.3.2008, p. 791.