

**16 October 2012**

## **AN EU PERSPECTIVE ON THE MOVE TOWARDS GLOBAL ACCOUNTING STANDARDS**

On 11 October, EFRAG and the Trustees of the IFRS Foundation held a joint conference to discuss an EU perspective on the move towards global accounting standards. The conference featured introductory speeches by Pedro Solbes, Chairman of the EFRAG Supervisory Board, and Michel Prada, Chairman of the IFRS Foundation, followed by a key note speech by Olivier Guersent, Head of Cabinet of Michel Barnier, Commissioner Internal Market and Services. An interactive Roundtable was held and moderated by Adam Jones, Financial Times journalist, and featured prominent speakers: Nadia Calviño, Deputy Director General, European Commission Directorate General Internal Market and Services; Françoise Flores, EFRAG Chairman; Hans Hoogervorst, Chairman of the IASB; Sven Hayn, Ernst & Young; Wolf Klinz, MEP; Elisabetta Magistretti, non-executive independent Director in listed Italian companies and Peter Malmqvist, Board member of the European Federation of Financial Analysts Societies.

The decision of the European Union on the adoption of IAS for the consolidated accounts of listed companies catalysed the global move towards the adoption of IFRS. Today, IFRS are the financial reporting language for more than two thirds of the G20 countries. Since the adoption in 2002, the European Union has been supporting the objective of one single set of high quality globally applied accounting standards, ensuring a level-playing field for companies worldwide, and enhancing the comparability and transparency of financial information. The message was made that the European Union's aim is to adopt all IFRS issued by the IASB, provided that they are acceptable to and meeting the needs of European constituents. Europe needs to express its views early in the standard-setting process.

European Commission representatives expressed disappointment with the financial reporting developments in the US and made clear that frustration in the EU was growing. The SEC staff paper was indeed perceived as a negative outcome. However it was made clear that the momentum for global standards could perhaps be slowed down by a final negative decision in the US, but could no longer be stopped. Convergence with US GAAP has been driving the international standard-setting process for many years and participants expressed frustration over the lack of an SEC decision on IFRS. There was general agreement that convergence is a means but should not be a goal in itself, and should not be at the expense of a timely solution in setting a standard. EFRAG and its partners, the National Standard Setters in Europe, have repeatedly said one should not sacrifice high-quality financial reporting to convergence. Improvement of financial reporting should be a priority and indeed the sole objective of the global standard-setting process.

The European Commission said that 2013 is the "year of truth" regarding US participation in IFRS. In this respect, it has announced a high level political debate on

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the role of the European Union and its institutions in the IFRS process, starting with a debate among the finance ministers of the 27 Member States in the ECOFIN Council in the autumn. The European Commission said that there is no realistic alternative to IFRS. Europe has to make every effort to have IFRS accepted by its stakeholders. The way the European Union expresses and conveys its interests to the IASB is important. The European Commission underlined that Europe needs to speak with one voice: one message, conveyed by one messenger, during the development of a standard: EFRAG. The European Commission called to ensure that the governance of EFRAG makes it transparent, impartial and accountable, and seen as such, and thereby is a guarantee for further strengthening the European influence in the international standard-setting process.

Technical standard setting is not free from political input and may have wider political implications. The financial and economic crisis has illustrated the importance of a robust and legitimate independent international accounting standard-setting process, which is responsive to the public interest. Several contributions to the conference called for the improvement of financial reporting to be the sole objective of international standard setting. A shared due process between the IASB, regional and national accounting bodies, demonstrating the evidence of such improvement is critical, not only in making the European Union IFRS policy politically sustainable but also in enhancing the adoption of IFRS worldwide. The view was expressed that EFRAG, in cooperation with the National Standard Setters in Europe, are the best chance for Europe to exercise its influence in the international standard-setting process.

The full text of the key note speech of Olivier Guersent, Head of Cabinet of Michel Barnier, Commissioner Internal Market and Services, can be downloaded from the news item.

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**Note for editors:**

1. *About EFRAG ([www.efrag.org](http://www.efrag.org))*

EFRAG, the European Financial Reporting Advisory Group, was set up principally for the purpose of:

- Providing pro-active advice to IASB (the International Accounting Standards Board);
- Advising the European Commission on the acceptability of International Financial Reporting Standards (IFRS) for endorsement for use in Europe in the consolidated accounts of all listed companies;
- Stimulating, coordinating and carrying out proactive accounting activities;
- Advising the European Commission on any resulting changes to be made to the accounting directives and related topics.

2. *Press enquiries*

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