



EUROPEAN PARLIAMENT

2009 - 2014

Plenary sitting

A7-0315/2013

1.10.2013

*****I**
REPORT

on the proposal for a regulation of the European Parliament and of the Council on establishing a Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020 (COM(2012)0782 – C7-0417/2012 – 2012/0364(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Theodor Dumitru Stolojan,

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

In amendments by Parliament, amendments to draft acts are highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the draft act which may require correction when the final text is prepared – for instance, obvious errors or omissions in a language version. Suggested corrections of this kind are subject to the agreement of the departments concerned.

The heading for any amendment to an existing act that the draft act seeks to amend includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend. Passages in an existing act that Parliament wishes to amend, but that the draft act has left unchanged, are highlighted in **bold**. Any deletions that Parliament wishes to make in such passages are indicated thus: [...].

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a regulation of the European Parliament and of the Council on establishing a Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020 (COM(2012)0782 – C7-0417/2012 – 2012/0364(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2012)0782),
 - having regard to Article 294(2) and Article 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0417/2012),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the opinion of the European Economic and Social Committee of 20 March 2013¹,
 - having regard to Rule 55 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 (A7-0315/2013),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Draft legislative resolution
Paragraph 1 a (new)

Draft legislative resolution

Amendment

1a. Points out that the financial envelope specified in the legislative proposal constitutes only an indication to the

¹ OJ C 161, 6.6.2013, p. 64.

legislative authority and cannot be fixed until agreement is reached on the proposal for a regulation laying down the multiannual financial framework for the years 2014-2020; stresses the need, therefore, to create close linkage between the financing programme and the objectives of the reform of the recipient bodies, in the interests of the Union;

Amendment 2

Proposal for a regulation Recital 2

Text proposed by the Commission

(2) The crisis in the financial markets which has unfolded since 2008 has put the issue of financial reporting and auditing at the centre of the Union's political agenda. A well-functioning common financial reporting framework is essential for the internal market, for the effective functioning of the capital markets and for the realization of the integrated market for financial services in the EU.

Amendment

(2) The crisis in the financial markets which has unfolded since 2008 has put the issue of financial reporting and auditing at the centre of the Union's political agenda. A well-functioning common financial reporting framework is essential for the internal market, for the effective functioning of the capital markets and for the realization of the integrated market for financial services in the EU. ***In light of the preliminary findings from the UK Competition Commission of the Statutory Audit market for FTSE 350 companies on 22 February 2013, auditors, in particular, should ensure they are strictly independent from issuers in order to facilitate the effective functioning of Union capital markets and work on behalf of the shareholder, not of the issuer management.***

Amendment 3

Proposal for a regulation Recital 2 a (new)

Text proposed by the Commission

Amendment

(2a) As well as playing a central role in ensuring that investors are equipped with

important information relating to the balance sheet, the profit and loss statement and cash flow, accounts represent a major element of the corporate governance framework. Article 17 of Directive 2012/30/EU of the European Parliament and of the Council¹ provides that directors can make distributions only out of unqualified accounts for which the paramount requirement is that they give the 'true and fair view', or, where the accounts are qualified, they give the 'true and fair view', subject to matters not material to the lawfulness of a distribution. In accordance with that Directive, directors and auditors can only sign off accounts which give the 'true and fair view' of a company's finances, which is an objectively measurable standard.

¹ *Directive 2012/30/EU of the European Parliament and of the Council of 25 October 2012 on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 54 of the Treaty on the Functioning of the European Union, in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent (OJ L 315, 14.11.2012, p. 74).*

Amendment 4

Proposal for a regulation Recital 2 b (new)

Text proposed by the Commission

Amendment

(2b) It is important to recognise the fundamental differences between the US and Union accounting traditions. The

US's rules-based system, introduced in 1933, is based on the narrower view that accounts are only about providing timely and reliable information about a company's finances to the capital markets. The Union's principles-based system not only has this requirement but also plays a much more central role in ensuring that directors do not sign off accounts illegally. It should be noted that there has never been a requirement for accounts to be true and fair in US's Generally Accepted Accounting Principles (GAAP) and there is no such requirement in the Conceptual Framework of the International Accounting Standards Board's, despite being the overriding principle of Union accounting law. Although attempts have been made in the current IASB to introduce a principles-based system, there is some disagreement as to whether convergence with a legally different system is possible.

Amendment 5

Proposal for a regulation Recital 2 c (new)

Text proposed by the Commission

Amendment

(2c) As well as accounts playing vital roles in protecting shareholder and creditor interests, they form the bedrock of prudential regulation in the sense that all major financial services' legislative initiatives rely on company accounts, including, Regulation (EU) No 648/2012¹ and Regulation (EU) No 575/2013² of the European Parliament and of the Council, . Regulators rely on accounting terminology to understand what risks a company is taking and therefore what is required of that company.

¹ *Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ L 201, 27.7.2012, p. 1).*

² *Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).*

Amendment 6

Proposal for a regulation Recital 3

Text proposed by the Commission

(3) In a global economy, there is a need for a global accounting language. International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board (IASB) are adopted and used in many jurisdictions around the world. Such international accounting standards need to be developed under a transparent and democratically accountable process. To ensure that the interests of the Union are respected and that global standards are of high quality and compatible with Union law, it is essential that the interests of the Union are adequately taken into account in that international standard-setting process.

Amendment

(3) In a global economy, there is a need for a global accounting language, ***while taking into account the many different accounting traditions and languages already used. The G20 has repeatedly called for global accounting standards and for the convergence of existing and future accounting standards.*** International Financial Reporting Standards (IFRS) developed by the IASB are adopted and used in many jurisdictions around the world, ***although there are no processes currently in place to ensure that the IFRS have been fully implemented in those jurisdictions.*** Such international accounting standards need to be developed under a transparent and democratically accountable process. To ensure that the interests of the Union are respected and that global standards are of high quality and compatible with Union law, it is essential that the interests of the Union are adequately taken into account in that international standard-setting process. ***Those interests include the maintenance of the principle that accounts should give the 'true and fair view', working towards***

a standardised definition, and usage, of 'going concern'.

Amendment 7

Proposal for a regulation Recital 4

Text proposed by the Commission

(4) According 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, IFRS should be incorporated into Union law to be applied by companies with securities listed on a regulated market in the Union, provided that the IFRS meet the criteria set out in that regulation. IFRS therefore play a major role in the functioning of the internal market and thus the Union has a direct interest in ensuring that the process through which IFRS are developed and approved delivers standards that are consistent with the requirements of the legal framework of the internal market.

Amendment

(4) According 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, IFRS should be incorporated into Union law to be applied by companies with securities listed on a regulated market in the Union, ***only if*** the IFRS meet the criteria set out in that regulation, ***including the requirement that accounts give the 'true and fair view' as laid down in Article 4(3) of Directive 2013/34/EU of the European Parliament and of the Council¹***. IFRS therefore play a major role in the functioning of the internal market and thus the Union has a direct interest in ensuring that the process through which IFRS are developed and approved delivers standards that are consistent with the requirements of the legal framework of the internal market. ***The criteria laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council², incorporating the IASB Conceptual Framework has been subject to a number of significant amendments, in particular with regard to the concept of 'prudence', which includes not booking unrealised profits, and stewardship, which includes the capital maintenance.***

¹ ***Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive***

2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

² Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.9.2002, p. 1).

Amendment 8

Proposal for a regulation

Recital 5

Text proposed by the Commission

(5) IFRS are issued by the IASB and related interpretations are issued by the IFRS Interpretations Committee, two bodies within the International Financial Reporting Standards Foundation. It is therefore important to establish appropriate funding arrangements for the IFRS Foundation.

Amendment

(5) ***The*** IFRS are issued by the IASB and related interpretations are issued by the IFRS Interpretations Committee, two bodies within the International Financial Reporting Standards Foundation. It is therefore important to establish appropriate funding arrangements for the IFRS Foundation. ***Those funding arrangements depend on whether the IFRS Foundation and IASB implement the proposals of the Union regarding their governance; whether the Union accounting concepts, in particular with regard to 'prudence' and the requirement for the 'true and fair view' are appropriately considered in the revision of the Conceptual Framework; whether the IASB decides not to include those concepts in the revised Conceptual Framework; and whether the IASB provides reasons for its decision, including publishing the details of the jurisdictions, non-governmental organisations, undertakings or other stakeholders, which objected to those concepts.***

Amendment 9

Proposal for a regulation

Recital 6

Text proposed by the Commission

(6) The European Financial Reporting Advisory Group (EFRAG) was founded in 2001 by European organisations representing issuers, *investors* and the accountancy profession involved in the financial reporting process. In accordance with Regulation (EC) No 1606/2002, EFRAG provides the Commission with opinions on whether an accounting standard issued by the IASB or an interpretation issued by the IFRS Interpretations Committee, which is to be endorsed, complies with the endorsement criteria set out in that Regulation. ***EFRAG is also taking up the role of the ‘single European accounting voice’ in the global arena. In that capacity, EFRAG provides input to the IASB’s standard-setting process.***

Amendment

(6) The European Financial Reporting Advisory Group (EFRAG) was founded in 2001 by European organisations representing issuers and the accountancy profession involved in the financial reporting process. In accordance with Regulation (EC) No 1606/2002, EFRAG provides the Commission with opinions on whether an accounting standard issued by the IASB or an interpretation issued by the IFRS Interpretations Committee, which is to be endorsed, complies with the endorsement criteria set out in that Regulation.

Amendment 10

Proposal for a regulation

Recital 6 a (new)

Text proposed by the Commission

Amendment

(6a) Based on working Arrangements with the Commission (2006) and the 2010-2013 financing decision, EFRAG is taking up the role of the single European accounting voice in the global arena. In that capacity, EFRAG provides input to the IASB’s standard-setting process. In order for EFRAG to fulfil such a role, it should be exposed to all possible views held in the Union in the course of due process, whereby national standard-setters and regulators as well as other stakeholders, play an essential role given the significant differences of opinion that already exist between Member States and various stakeholders. All interactions of EFRAG with the IASB should be fully

transparent and any decision taken by EFRAG should be after fully consulting national standard-setters.

Amendment 11

Proposal for a regulation

Recital 7

Text proposed by the Commission

(7) Taking into account EFRAG's **key** role in **supporting internal market law and policy and in representing European interests in the standard-setting process at international level**, it is necessary for the Union to ensure EFRAG's stable financing and thus contribute to its funding.

Amendment

(7) Taking into account EFRAG's role in **assessing whether IFRSs comply with the requirement of Union company and policy, as laid out in Regulation (EC) No 1606/2002**, it is necessary for the Union to ensure EFRAG's stable financing and thus contribute to its funding. ***Because EFRAG is taking up more responsibilities in terms of influencing the IASB in addition to fulfilling its basic task required by Regulation (EC) No 1606/2002, the Commission should put forward a legislative proposal by 31 March 2014, based also on the conclusions of the special adviser to the Commissioner for Internal Market and Services. That legislative proposal should refer to the changes needed with regard to the governance of EFRAG, the role of providing input to the IFRS, the relationship between EFRAG, the national standard-setters and the ARC. The long-term financing arrangements for EFRAG should be confirmed when the changes contained in the legislative proposal are made.***

Amendment 12

Proposal for a regulation

Recital 10

Text proposed by the Commission

(10) Bodies working in the field of accounting and auditing are highly

Amendment

(10) Bodies working in the field of accounting and auditing are highly

dependent on funding and play major roles in the Union which are decisive for the functioning of the internal market. The proposed beneficiaries of the Programme established by Decision No 716/2009/EC have been co-financed by operating grants from the Union budget, which has allowed them to increase their independence from private-sector and ad-hoc **funding**, thereby raising their capacity and credibility.

dependent on funding and play major roles in the Union which are decisive for the functioning of the internal market. The proposed beneficiaries of the Programme established by Decision No 716/2009/EC have been co-financed by operating grants from the Union budget, which has allowed them to increase their **financial** independence from private-sector and ad-hoc **sources**, thereby raising their capacity and credibility. **Public funding in itself however should not be seen as having confirmed such independence from the private sector. In particular, greater transparency with regard to membership of the boards of, inter alia, the IASB and the EFRAG should be required to ensure that all stakeholders are represented in the endorsement process. All employees of EFRAG and the IASB should be required to declare other relevant financial or job interests or commitments.**

Justification

It is important to emphasise that public funding does not necessarily mean that the beneficiaries are no longer 'captured' by private sector interests.

Amendment 13

Proposal for a regulation

Recital 11

Text proposed by the Commission

(11) Experience has shown that Union co-financing ensures that beneficiaries benefit from clear, stable, diversified, sound and adequate funding and it contributes to enabling the beneficiaries to accomplish their public interest mission in an independent and efficient manner. Therefore, sufficient funding should continue to be provided by means of a Union contribution towards the functioning of international accounting and auditing standard-setting, and in particular to the IFRS Foundation, EFRAG and the PIOB.

Amendment

(11) Experience has shown that Union co-financing ensures that beneficiaries benefit from clear, stable, diversified, sound and adequate funding and it contributes to enabling the beneficiaries to accomplish their public interest mission in an independent and efficient manner. Therefore, sufficient funding should continue to be provided by means of a Union contribution towards the functioning of international accounting and auditing standard-setting, and in particular to the IFRS Foundation, EFRAG and the PIOB.

Those funding arrangements depend on whether the IFRS Foundation, IASB and EFRAG implement proposals of the Union regarding their governance; whether the Union accounting concepts, in particular with regard to 'prudence' and the requirement for the 'true and fair view', are appropriately considered in the revision of the Conceptual Framework; whether the IASB decides not to include them in the revised Conceptual Framework; and whether the IASB provides reasons for its decision, including publishing the details of the jurisdictions, NGOs, undertakings or other stakeholders, which objected to those concepts. The beneficiaries should ensure the economical use of public money.

Amendment 14

Proposal for a regulation Recital 12

Text proposed by the Commission

(12) In addition to changing their funding patterns, the IFRS Foundation and EFRAG have undergone governance reforms to ensure that through their structure and processes they accomplish their public interest mission in an independent, efficient, transparent and democratically accountable manner. In relation to the IFRS Foundation, the Monitoring Board was created in 2009 to ensure public accountability and oversight, the effectiveness of the Standards Advisory Council has been enhanced, transparency has been improved and the role of impact assessments has been formalised as part of the due process of the IASB.

Amendment

(12) In addition to changing their funding patterns, the IFRS Foundation and EFRAG have undergone governance reforms to ensure that through their structure and processes they accomplish their public interest mission in an independent, efficient, transparent and democratically accountable manner. In relation to the IFRS Foundation, the Monitoring Board was created in 2009 to ensure public accountability and oversight, the effectiveness of the Standards Advisory Council has been enhanced, transparency has been improved and the role of impact assessments has been formalised as part of the due process of the IASB. ***Efforts to improve the way in which those bodies are governed will continue. The***

Commission should propose changes in the governance of EFRAG, taking also into account the recommendation of the special adviser to the Internal Market Commissioner and in the governance of the IFRS Foundation and the IASB based on the recommendation of the independent experts engaged by the Commission to provide a general analysis of the impact of eight years of use of IFRSs in the Union in the preparation and use of financial statements by the private sector. That analysis will be one of the inputs that the Commission will use for its evaluation of the IAS Regulation during 2014. Given that the convergence project with the US has stalled, it would be appropriate for the IASB to reassess the US's presence in the IASB.

Amendment 15

Proposal for a regulation

Recital 15

Text proposed by the Commission

(15) The co-financing programme to be established by this Regulation is expected to contribute to the objectives of ensuring comparability and transparency of company accounts throughout the EU, to the global harmonization of financial reporting standards **by promoting** the international acceptance of IFRS and **to promoting** convergence and high quality international standards for auditing in all Member States. This programme also contributes to the Europe 2020 strategy by reinforcing the single market of financial services and capital, and contributes to the strategy's external dimension as well.

Amendment

(15) The co-financing programme to be established by this Regulation is expected to contribute to the objectives of ensuring comparability and transparency of company accounts throughout the EU, to **making the needs of the Union heard in the context of** the global harmonization of financial reporting standards. **Speaking with a single European voice would help promote** the international acceptance of IFRS and **to promote** convergence and high quality international standards for auditing in all Member States. This programme also contributes to the Europe 2020 strategy by reinforcing the single market of financial services and capital, and contributes to the strategy's external dimension as well.

Amendment 16

Proposal for a regulation Recital 16

Text proposed by the Commission

(16) This Regulation should provide for the possibility of co-financing activities of certain bodies pursuing an objective forming part of and supporting the Union policy in the field of designing standards, endorsing standards or supervising standard-setting processes related to financial reporting and auditing.

Amendment

(16) This Regulation should provide for the possibility of co-financing activities of certain bodies pursuing an objective forming part of and supporting the Union policy in the field of designing standards, endorsing standards or supervising standard-setting processes related to financial reporting and auditing. ***That co-financing should be given to the bodies in question only if it is clear that Union accounting concepts, in particular with regard to 'prudence' and the requirement for the 'true and fair view', are appropriately considered in the revision of the Conceptual Framework.***

Amendment 17

Proposal for a regulation Recital 17

Text proposed by the Commission

(17) Union funding is proposed for a well-defined and limited number of the most important bodies in the field of financial reporting and auditing. Within the current institutional framework, the funding arrangements should ensure stable, diversified, sound and adequate funding to enable the relevant bodies to carry out their Union-related or public interest mission in an independent and efficient manner.

Amendment

(17) Union funding is proposed for a well-defined and limited number of the most important bodies in the field of financial reporting and auditing. Within the current institutional framework, the funding arrangements should ensure stable, diversified, sound and adequate funding to enable the relevant bodies to carry out their Union-related or public interest mission in an independent and efficient manner. ***Those bodies should benefit from European funding only if they report annually to the European Parliament and to the Commission in a fully transparent way about other funding sources.***

Amendment 18

Proposal for a regulation Recital 19

Text proposed by the Commission

Amendment

(19) In order to promote the Union's interests in the fields of financial reporting and auditing and flexibly adapt to eventual governance and institutional changes in those fields, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of selecting new beneficiaries for the Programme. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

deleted

Amendment 19

Proposal for a regulation Recital 20 a (new)

Text proposed by the Commission

Amendment

(20a) A review should be carried out by 31 March 2014 to identify whether or not existing IFRS and, in particular, the IASB's Conceptual Framework fulfils the requirements of Union company law. In that review, the Commission should explore the possibility of introducing tougher liability standards for directors and auditors and a legally binding 'true and fair' override so that if the accounts prepared in accordance with IFRS do not give the 'true and fair' view, they cannot be signed off. The review should also ensure that existing governance

arrangements in IASB are overhauled in order that all private sector interests and commitments are made public in full.

Amendment 20

Proposal for a regulation Article 1 – paragraph 2

Text proposed by the Commission

2. The Programme covers the activities of *developing or providing input to the development of standards, applying, assessing or monitoring standards or overseeing standard-setting processes in support* of the implementation of Union *policies* in the field of financial reporting and auditing.

Amendment

2. The Programme covers the activities of *the IFRS Foundation, which, through the IASB, develops IFRS, EFRAG which assesses whether or not an IFRS standard complies with Union company law as part of the endorsement process of the Union and provides inputs to the development of standards, and PIOB, which oversees international audit, ethics and education standards for the accounting profession in support* of the implementation of Union *policies* in the field of financial reporting and auditing.

Amendment 21

Proposal for a regulation Article 1 – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2a. Bodies working in the field of accounting and auditing which receive Union funding through the Programme shall have a duty of care in ensuring their independence and the economical use of public money, irrespective of the diverse funding streams they may receive.

Amendment 22

Proposal for a regulation Article 2 – paragraph 1

Text proposed by the Commission

Amendment

1. The objective of the Programme is to improve the conditions for the functioning of the internal market by supporting transparent and independent development of international financial reporting and auditing standards.

1. The objective of the Programme is to improve the conditions for the functioning of the internal market, ***to enable regulators to enforce prudential regulation and to strengthen corporate governance*** by supporting transparent and independent development of international financial reporting and auditing standards.

Amendment 23

Proposal for a regulation Article 2 – paragraph 2

Text proposed by the Commission

Amendment

2. This objective will be measured in particular through the number of countries using International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA).

deleted

Justification

Such a number serves no useful purpose and cannot be regarded as an effective benchmark to illustrate the successes of IFRS or ISAs.

Amendment 24

Proposal for a regulation Article 3 – paragraph 2

Text proposed by the Commission

Amendment

2. The Commission shall be empowered to adopt delegated acts in accordance with Article 9 to select new beneficiaries for the Programme and to amend paragraph 1 accordingly.

deleted

Amendment 25

Proposal for a regulation Article 3 – paragraph 3

Text proposed by the Commission

3. Any new *beneficiary shall be a non-profit making legal person pursuing an objective forming part of and supporting the Union policy in the field of financial reporting and auditing and shall be a direct successor of* one of the beneficiaries listed in paragraph 1.

Amendment

3. Any *financing of new beneficiaries, even if they are direct successor(s) to* one of the beneficiaries listed in paragraph 1, *shall be subject to approval by the European Parliament and the Council in accordance with Article 294 TFEU.*

Amendment 26

Proposal for a regulation Article 4 – paragraph 1

Text proposed by the Commission

Financing under the Programme shall be provided in the form of operating grants.

Amendment

1. Financing under the Programme shall be provided in the form of operating grants, *shall be awarded on an annual basis, and shall be conditional on compliance with criteria relating to the objectives and content of the standards, and with criteria concerning developments in Union governance, namely regarding EFRAG, the IFRS Foundation and IASB.*

2. *The criteria relating to the standards and governance shall be based on the following principles:*

(a) regarding EFRAG and other Union accounting standard stakeholders:

(i) the requirement to comply with the Union interest and the requirement of the 'true and fair view' laid down in Article 4(3) of Regulation (EC) No 1606/2002, to be reviewed as soon as possible based on a proposal from the Commission, by 31 March 2014, and not only to scrutinise the quality of the standards on the basis of the IASB's own criteria, to check that they are evidence-based and responding to Union needs, taking into account the

diversity of accounting and economic models and views in the Union, and therefore to assess their impact on the economy and financial stability;

(ii) the requirement to diversify expert groups such as EFRAG's Technical Expert Group (TEG) (Maystadt recommendation);

(iii) the requirement that EFRAG limit itself to IFRS standards (Maystadt recommendation); and

(b) regarding IFRS Foundation and IASB, the requirement to reincorporate, where appropriate, into the Conceptual Framework which is now in the process of being amended, the principles of prudence and reliability, combined with any changes to the standards to reflect these revisions to the conceptual framework, in order, in particular, to better represent the actual business models based on economic facts rather than concepts, thus avoiding complexity, and not to introduce any short-term and volatility biases in the financial statements.

3. The Commission shall conduct, annually, an assessment of whether the criteria set out in paragraph 1 are fulfilled and whether the beneficiaries have achieved the goals laid out in the Programme. The Commission shall report on those assessments in its annual work programmes, referred to in Article 7(2), and in its legislative proposal regarding governance of EFRAG, as referred to in paragraph 2(a)(i). Regarding EFRAG and other accounting standards stakeholders in the EU the Commission shall further assess if the Union interests are adequately taken into account in the international standard-setting process and in the enforcement process. Those interests shall include the principle of 'prudence', the maintenance of the requirement of the 'true and fair view', and the taking into account the impact on

financial stability and economy. The Commission's assessment shall be presented and need to be approved by the European Parliament.

Amendment 27

Proposal for a regulation Article 5 – paragraph 1

Text proposed by the Commission

Any beneficiary of funding awarded under the Programme shall indicate in a prominent place, such as a website, a publication or an annual report, that it has received funding from the budget of the European Union.

Amendment

1. Any beneficiary of funding awarded under the Programme shall indicate in a prominent place, such as a website, a publication or an annual report, that it has received funding from the budget of the European Union *as well as a detailed overview of the other funding from alternative sources.*

Amendment 28

Proposal for a regulation Article 5 – paragraph 1 a (new)

Text proposed by the Commission

Any beneficiary of funding awarded under the Programme shall indicate in a prominent place, such as a website, a publication or an annual report, that it has received funding from the budget of the European Union.

Amendment

1a. *Travel and related expenses shall also be published. Reimbursement using Union funds shall only permit business class air travel for journeys over four hours.*

Amendment 29

Proposal for a regulation Article 6 – paragraph 1

Text proposed by the Commission

The financial envelope for the implementation of this Regulation over the period 2014-2020 shall be EUR 58 010 000 in current prices.

Amendment

The financial envelope for the implementation of this Regulation over the period 2014-2020 shall be EUR 58 010 000 in current prices. ***That figure may be reduced or adjusted if the Commission***

finds that the beneficiaries have not achieved the goals referred to in Article 4(1).

Amendment 30

Proposal for a regulation Article 7 – paragraph 2

Text proposed by the Commission

2. In order to implement the programme, the Commission shall adopt annual work programmes. They shall set out the objectives pursued, the expected results, the method of implementation and their total amount. They shall also contain a description of the actions to be financed, an indication of the amount allocated to each action and an indicative implementation timetable. They shall include for grants the priorities, the essential evaluation criteria and the maximum rate of co-financing.

Amendment

2. In order to implement the programme, the Commission shall adopt annual work programmes ***by means of delegated acts***. They shall set out the objectives pursued, the expected results, the method of implementation and their total amount. They shall also contain a description of the actions to be financed, an indication of the amount allocated to each action and an indicative implementation timetable. They shall include for grants the priorities, the essential evaluation criteria and the maximum rate of co-financing. ***That annual work programme shall also be based on a concise analysis of the previous annual work programme.***

Amendment 31

Proposal for a regulation Article 10 – paragraph 1 a (new)

Text proposed by the Commission

Amendment

1a. By 31 March 2014, the Commission shall submit a first report on necessary governance reforms in the area of accounting and financial information (EFRAG and ARC) based, inter alia, on the conclusions of the special advisor to the Commissioner for Internal Market and Services, expected no later than November 2013.

Amendment 32

Proposal for a regulation Article 10 – paragraph 1 b (new)

Text proposed by the Commission

Amendment

1b. The Commission shall evaluate Regulation (EC) No 1606/2002, taking also into account the general analysis of the impact of eight years of use of IFRSs in the Union. On the basis of that evaluation, the Commission shall submit, by 31 March 2014, a report to the European Parliament and to the Council, accompanied by a legislative proposal to amend Regulation (EC) No 1606/2002 and, where appropriate, by a legislative proposal on reform in the area of accounting and financial information.

Amendment 33

Proposal for a regulation Article 10 – paragraph 1 c (new)

Text proposed by the Commission

Amendment

1c. With regard to the PIOB (or its successor organisation), the Commission shall monitor developments in the diversification of funding observed, for the first time in 2013, and subsequently on an annual basis. In the event that funding by the International Federation of Accountants again reaches more than two-thirds of total funding, the Commission shall submit to the European Parliament and to the Council a proposal to limit its annual contribution to EUR 300 000 for each of the remaining years of the financing period.

Amendment 34

Proposal for a regulation Article 10 – paragraph 1 d (new)

Text proposed by the Commission

Amendment

1d. By June 2019, the Commission shall submit to the European Parliament and to the Council a report on the achievement of the Programme's objectives. In that report, the Commission shall appraise, inter alia, the overall relevance and coherence of the Programme, the effectiveness of its implementation and the overall and individual effectiveness of the beneficiaries' annual work programme in terms of achieving the objectives set out in Article 2.

5.6.2013

OPINION OF THE COMMITTEE ON LEGAL AFFAIRS

for the Committee on Economic and Monetary Affairs

on the proposal for a regulation of the European Parliament and of the Council on establishing a Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020
(COM(2012)0782 – C7-0417/2012 – 2012/0364(COD))

Rapporteur: Dimitar Stoyanov

SHORT JUSTIFICATION

In 2009, the European Parliament and the Council adopted a Community Programme to support specific activities in the field of financial services, financial reporting and auditing, under which sufficient funding should be provided by, means of a Community contribution, towards the functioning of the Committees of Supervisors and international accounting and auditing standard setting, and in particular to the International Accounting Standards Committee Foundation (IASCF), the European Financial Reporting Advisory Group (EFRAG) and the Public Interest Oversight Board (PIOB). That Programme will come to an end on 31 December 2013. The purpose of this proposal for a regulation is to renew that Programme for the next financial framework (2014-2020) and enable direct contributions to the funding of the Programme's beneficiaries from the Union budget in the next programming period. Community co-financing ensures that beneficiaries are able to accomplish their public interest mission in an independent and efficient manner by receiving clear, stable, diversified, sound and adequate funding allowing them to count on the necessary specialist experience when handling information and processing this to the highest quality standards. It is for this reason that the adoption of this Commission proposal for a regulation is especially important, with a view to improving the conditions for the functioning of the single market through support for the operations, actions and activities of the above-mentioned financial reporting and audit bodies.

AMENDMENTS

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

Amendment 1

Proposal for a regulation Article 5 – paragraph 1

Text proposed by the Commission

Any beneficiary of funding awarded under the Programme shall indicate in a prominent place, such as a website, a publication or an annual report, that it has received funding from the budget of the European Union.

Amendment

Any beneficiary of funding awarded under the Programme shall indicate in a prominent place, such as a website, a publication or an annual report, that it has received funding from the budget of the European Union, ***specifying the amount in real terms and as a percentage of total funding.***

Amendment 2

Proposal for a regulation Article 9 – paragraph 5

Text proposed by the Commission

(5) A delegated act adopted pursuant to Article 3(2) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of ***two*** months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by ***two*** months at the initiative of the European Parliament or of the Council.

Amendment

(5) A delegated act adopted pursuant to Article 3(2) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of ***three*** months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by ***three*** months at the initiative of the European Parliament or the Council.

Justification

The time limit for making objections needs to be increased, in order to enable Parliament and the Council to examine the delegated act in depth and to assess whether its adoption in that form is fitting and correct.

PROCEDURE

Title	Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020	
References	COM(2012)0782 – C7-0417/2012 – 2012/0364(COD)	
Committee responsible Date announced in plenary	ECON 15.1.2013	
Opinion by Date announced in plenary	JURI 15.1.2013	
Rapporteur Date appointed	Dimitar Stoyanov 22.1.2013	
Discussed in committee	19.3.2013	24.4.2013
Date adopted	30.5.2013	
Result of final vote	+: 22	-: 0
	0: 0	
Members present for the final vote	Raffaele Baldassarre, Luigi Berlinguer, Françoise Castex, Christian Engström, Marielle Gallo, Giuseppe Gargani, Sajjad Karim, Klaus-Heiner Lehne, Antonio López-Istúriz White, Antonio Masip Hidalgo, Jiří Maštálka, Alajos Mészáros, Bernhard Rapkay, Evelyn Regner, Rebecca Taylor, Alexandra Thein, Rainer Wieland, Cecilia Wikström, Tadeusz Zwiefka	
Substitute(s) present for the final vote	Mary Honeyball, Eva Lichtenberger, József Szájer, Axel Voss	

PROCEDURE

Title	Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020			
References	COM(2012)0782 – C7-0417/2012 – 2012/0364(COD)			
Date submitted to Parliament	19.12.2012			
Committee responsible Date announced in plenary	ECON 15.1.2013			
Committee(s) asked for opinion(s) Date announced in plenary	BUDG 15.1.2013	CONT 15.1.2013	JURI 15.1.2013	
Not delivering opinions Date of decision	BUDG 14.1.2013	CONT 30.1.2013		
Rapporteur(s) Date appointed	Theodor Dumitru Stolojan 14.1.2013			
Discussed in committee	20.3.2013	24.4.2013	7.5.2013	5.9.2013
Date adopted	24.9.2013			
Result of final vote	+: -: 0:	44 0 1		
Members present for the final vote	Marino Baldini, Jean-Paul Basset, Udo Bullmann, George Sabin Cutaş, Diogo Feio, Markus Ferber, Elisa Ferreira, Ildikó Gáll-Pelcz, Jean-Paul Gauzès, Sven Giegold, Sylvie Goulard, Syed Kamall, Othmar Karas, Wolf Klinz, Philippe Lamberts, Werner Langen, Astrid Lulling, Ivana Maletić, Marlene Mizzi, Sławomir Nitrás, Ivari Padar, Alfredo Pallone, Anni Podimata, Antolín Sánchez Presedo, Olle Schmidt, Peter Simon, Theodor Dumitru Stolojan, Ivo Strejček, Kay Swinburne, Sampo Terho, Marianne Thyssen, Ramon Tremosa i Balcells, Corien Wortmann-Kool, Pablo Zalba Bidegain			
Substitute(s) present for the final vote	Zdravka Bušić, Ashley Fox, Robert Goebbels, Enrique Guerrero Salom, Olle Ludvigsson, Petru Constantin Luhan, Astrid Lulling, Thomas Mann, Godelieve Quisthoudt-Rowohl, Andreas Schwab, Nils Torvalds			
Substitute(s) under Rule 187(2) present for the final vote	Rita Borsellino			
Date tabled	1.10.2013			