



To: Mr. Theodor Dumitru Stolojan
European Parliament Committee on
Economic and Monetary Affairs (ECON)
European Parliament
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Dear Rapporteur,

Re: Draft report and proposed amendments on the Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020

We are writing to inform the debate on the EU programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020.

FEE (Fédération des Experts-comptables Européens - Federation of European Accountants) represents 45 professional institutes of accountants and auditors from 33 European countries, including all of the 28 EU Member States. It has a combined membership of more than 700.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy. FEE's ID number in the European Commission's Register of Interest Representatives is 4713568401-18.

Financial reporting matters primarily to users, amongst which investors remain the essential group although regulators and other users also use financial information. Preparers (i.e. business) are directly impacted and therefore also have a key interest. The accountancy profession and FEE look at this debate not only from the viewpoint of the technical quality of financial reporting but also from the public interest perspective.

The strategic dimension of global financial reporting standards should be taken into account

In 2002, the EU has shown clear leadership by adopting IFRS and leading the way toward global standards. The EU leadership is recognised on the world stage and should be maintained.

This matter should be considered from an economic and strategic perspective. Global standards are critical to enhance transparency and reduce cost to all market participants. From an EU standpoint, globally accepted standards contribute significantly to attracting foreign investment at a time it is most needed. Therefore further encouraging the global spread of IFRS is a legitimate objective and in Europe's benefit. Conversely, having specific EU financial reporting standards or different EU interpretations of IFRS would be detrimental to Europe.

These are important public interest reasons and the main motives why FEE has always supported global, high quality, principles-based standards.

The G20 Leaders have rightly acknowledged that global markets need global accounting standards and indications of a potential return to European or national standards would be a significant retrograde step.

This important public interest debate should be objective and duly informed

In addition to these broad critical strategic considerations, this debate should be fully informed and objective. It is highly regrettable that the debate on global financial reporting standards and the body that Europe has entrusted to set these standards (the IASB) is often compromised by matters that are only loosely related to the issue or are based on ill-informed and unsubstantiated arguments, promoted by a small but vocal minority. This is detrimental to a constructive dialogue and thus is not in the public interest.

It would be equally wrong to take a purely technical or dogmatic approach to this matter. We think that founded criticism is healthy and should be expressed. We have ourselves criticised the IASB on certain specific topics, but have always strived to provide robust, technically sound and factually correct arguments. This is the only way to win the argument and achieve long term credibility.

In this respect, we are concerned that some of the amendments proposed appear to be largely based on misunderstandings or misinterpretation of the facts; this may undermine not only the credibility of those who propose them, but also Europe's credibility on the world stage.

Consideration should also be given to the fact that the European Commission is fully involved in the governance of the IASB, as an influential member of the Monitoring Board of the IFRS Foundation. Similarly it is an observer at the EFRAG Supervisory Board, which comprises three public policy members. IFRS are endorsed in the EU which means they are assessed independently by the EU institutions, with the technical advice provided by EFRAG, against the criteria set by the 2002 Regulation.

It is counterproductive to undermine the IASB

It is also important to take a realistic and pragmatic stance and those who seem to aim at compromising the IASB's independence should reflect on the available alternatives.

The IASB is the only body that has the global credibility and expertise to set high quality standards. Developing an alternative solution, if at all possible, would consume a significant amount of time and resources. In addition, the independence of standards setters is essential to investors' confidence. A standard setter that would be exposed to industry lobbying or political tinkering would lose credibility.

Europe should not move backwards

A European standard setter producing European standards would not only be costly but more importantly it would isolate Europe on the world stage, which would not contribute to Europe's economic recovery.

It is unlikely to be successful and would move back the debate on financial reporting to a battle between national differences amongst the Member States. In practice, apart from IFRS, the EU has a poor record in harmonising accounting rules as shown by the recent debate on the accounting directives; as a telling example, the legislative debate has proved unable to reduce the number of Member States' options, although this was one of the stated political objectives. The choice of having global standards for Europe's listed companies was a highly positive move in the collective benefit of Europe.

IFRS have improved financial reporting and enhance transparency

There is no credible objective evidence that IFRS have contributed to the crisis¹. On the contrary, the use of fair value and comprehensive disclosures has helped to identify the problems that were building up in the financial system.

Financial reporting should not be used as a scapegoat for other problems. For instance, financial reporting contributes to improved corporate governance, but it does not replace it. It also does not and cannot preclude unethical attitude from management or others.

¹ See FEE Comments on the European Commission's Green Paper on Long-Term Financing of the European Economy: http://www.fee.be/images/20130624_FEE_comments_EC_GP_long_term_financing.pdf

The Parliament should provide legal certainty

Bodies such as the IASB and EFRAG are committed to working in the public interest. It is important that they have clarity and visibility on their financing over a sufficient period of time.

In addition to their in-depth expertise, their independence is an essential foundation of their added value. Therefore it would be highly inappropriate to make their funding conditional on them taking specific actions on the technical front, as this would severely compromise their independence.

The proposed amendments to the draft report on Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020 that were published on 13 June 2013 should take these principles into consideration

We have assessed the proposed amendments that are tabled on your report on the basis of the principles and arguments explained above.

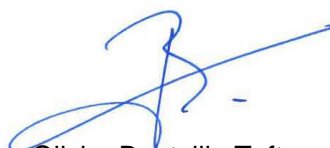
As a result, we are concerned that in particular the following proposed amendments go against the public interest and the European public good and we firmly believe they should be rejected: amendments 22 to 25, 27, 28, 30 to 32, 34 to 36, 40, 42, 46 to 51, 53, 56, 58 to 60, 64 to 69, 72, 73, 75, 76 and 77.

FEE is at your disposal and that of your colleagues in the ECON Committee (or of your assistants) to further inform this important debate and provide more technical details if needed. Should you wish to discuss any of these points in more details, please contact Mr. Olivier Boutellis-Taft, FEE CEO at +32 (0)2 285 40 85 or via email at obt@fee.be.

Yours sincerely,



André Killesse
President



Olivier Boutellis-Taft
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cc:

Mrs Sharon Bowles, Chair of ECON Committee, European Parliament
Mr. Syed Kamall, Member of ECON Committee, European Parliament
Mr. Sven Giegold, Member of ECON Committee, European Parliament
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