

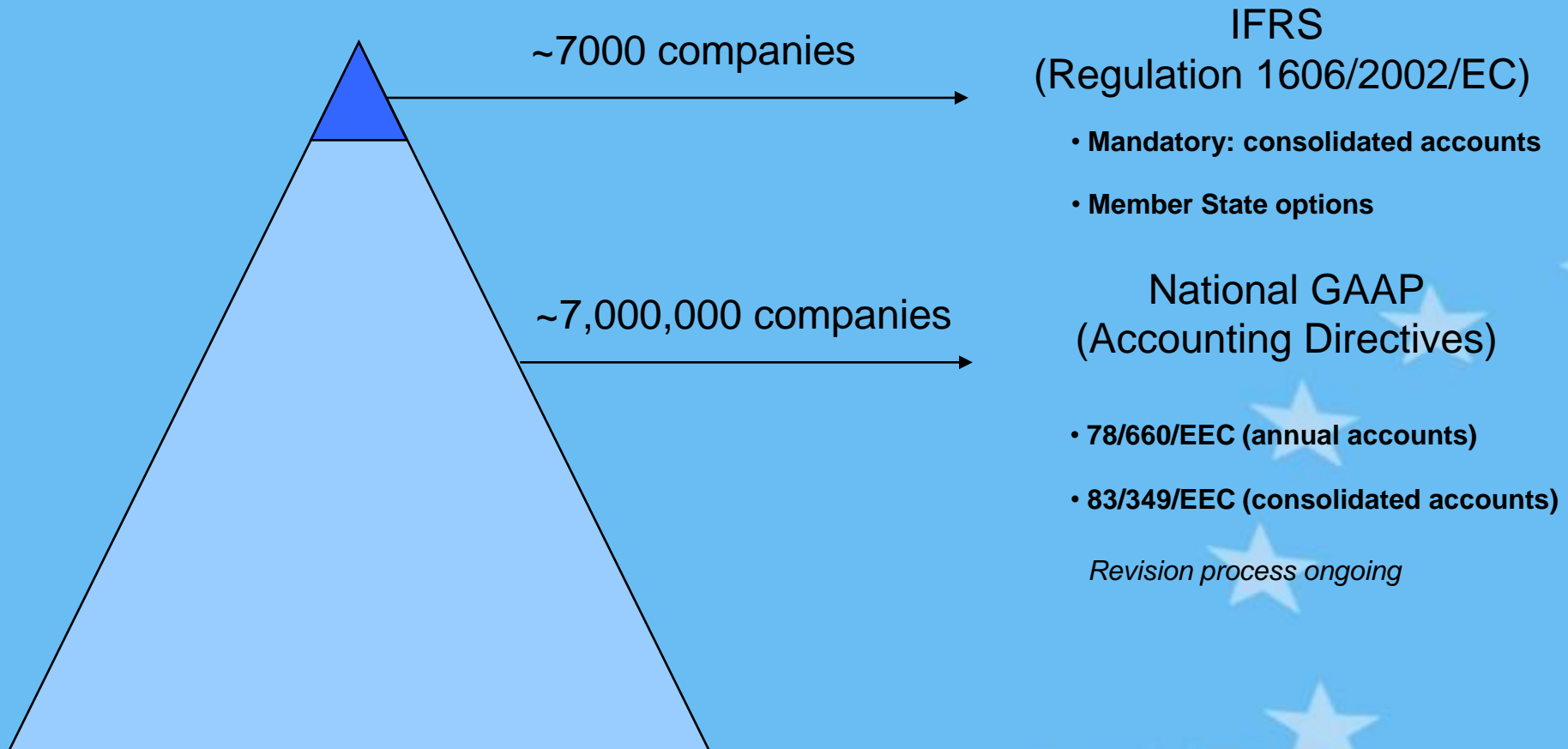
# Session 3 – IFRS: Strong Processes For Good Standards – A European Perspective

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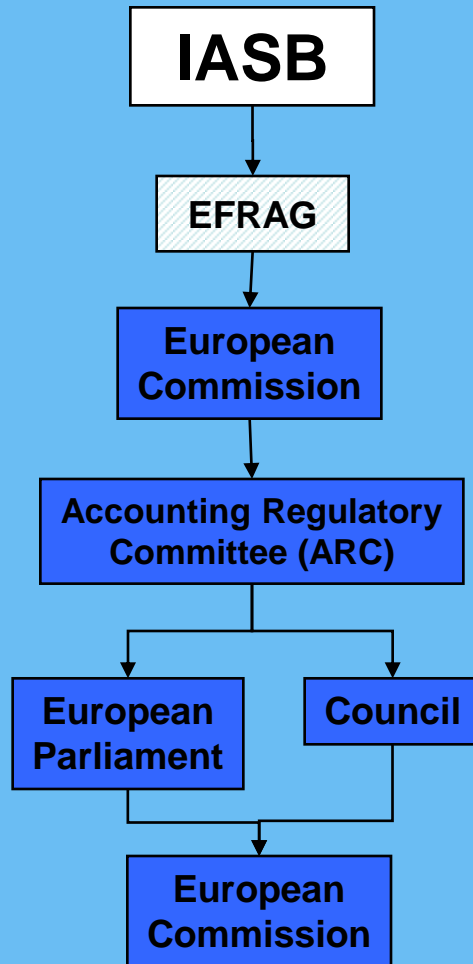
*Deputy Head of Unit*

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# EU legal framework



# Endorsement process



*The IASB adopts a standard (IFRS, IFRIC or amendments).*

*EFRAG provides technical advice to the EC concerning the compliance of IFRS with the endorsement criteria set-out in the IAS Regulation.*

*The European Commission proposes A draft Regulation.*

*The ARC votes on an opinion about the European Commission's draft Regulation.*

*The Parliament and Council exercise their right of scrutiny.*

*The European Commission adopts a Regulation.*

# Implementation

- All IAS, IFRS & IFRICs adopted in EU, with exception of some specific/limited rules on hedge accounting for financial instruments (a few paragraphs out of ~2000 pages).
- Introduction of IFRS went smoothly (studies on implementation in 2005 & 2006) although specific issues require attention.
- Financial crisis raised concerns about specific requirements concerning financial instruments, e.g.:
  - *pro-cyclicality of “incurred loss” approach to impairment;*
  - *application of fair value accounting rules;*
  - *currently being addressed in IASB’s financial instruments project (IFRS 9).*
  - *EU will assess IFRS 9 as a whole.*

# Benefits

- EU capital market integration
  - Introduction of IFRS in EU was part of wider Financial Services Action Programme
  - Greater comparability for investors across the EU
  - Easier to manage for EU-wide groups (although this depends on options used by Member States)
- Global capital market integration
  - Introduction of IFRS has lead to *de facto* or *de jure* equivalence with other jurisdictions

# Current issues

- Governance of the IASB
  - accountability & independence
- IASB agenda-setting process
  - consultation expected in near future
- IASB due process
  - impact assessments, field testing, post-implementation review;
  - Basic issue: ensure that technical choices consider all possible impacts and are well explained
- International context
  - Many countries moving towards IFRS, but position of US not clear: decision expected in 2011.

# What is in it for you?

- Accounting standards have a major impact on all economic actors and society at large – that is why politicians get so excited about them!
- Get involved and do so early! Don't wait passively for standards to be adopted.
- Use your national or European trade association.
- EFRAG: focal point for EU input to IASB, but can only work if it has sufficient resources – including from national funding mechanisms.

# For more information

DG Internal Market and Services website:

[http://ec.europa.eu/internal\\_market/accounting/index\\_en.htm](http://ec.europa.eu/internal_market/accounting/index_en.htm)

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