

**REGULATION (EU) 2017/827 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL  
of 17 May 2017**

**amending Regulation (EU) No 258/2014 establishing a Union Programme to support specific  
activities in the field of financial reporting and auditing for the period of 2014-20**

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee <sup>(1)</sup>,

Acting in accordance with the ordinary legislative procedure <sup>(2)</sup>,

Whereas:

- (1) On the basis of Regulation (EU) No 258/2014 of the European Parliament and of the Council <sup>(3)</sup>, the International Financial Reporting Standards Foundation (the 'IFRS Foundation'), which is the legal successor to the International Accounting Standards Committee Foundation, and the Public Interest Oversight Board (PIOB) benefit from Union co-financing in the form of operating grants until 31 December 2020.
- (2) The European Financial Reporting Advisory Group (EFRAG), on the basis of Regulation (EU) No 258/2014, benefitted from Union co-financing in the form of operating grants until 31 December 2016.
- (3) On 12 November 2013, the Commission published the report of Philippe Maystadt, special advisor to the Commissioner responsible for internal market and services (the 'special advisor's report'), in which he outlined potential reforms to EFRAG's governance aimed at reinforcing the Union's contribution to the development of international accounting standards.
- (4) The Commission closely monitored the implementation of the reform of EFRAG's governance and duly informed the European Parliament and the Council of the progress in that regard. On that basis, it is appropriate to continue the financing of EFRAG for the period 2017 to 2020 in order to meet the long-term objectives of the Union programme to support specific activities in the field of financial reporting and auditing.
- (5) The Board of EFRAG, reflecting a balanced representation of both public and private interests, should ensure that its Board members commit to act in the European public interest. The European Securities and Markets Authority, the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Central Bank are invited to contribute actively to the work of the Board of EFRAG, as far as possible.
- (6) The Commission should report annually to the European Parliament and the Council on EFRAG's main achievements and activities in the previous year. That report should also examine developments in respect of the expanded public good criterion and provide a detailed overview of the developments in the field of International Financial Reporting Standards (IFRS). Accounting standards should neither jeopardise financial stability in the Union nor hinder the economic development of the Union.

<sup>(1)</sup> OJ C 303, 19.8.2016, p. 147.

<sup>(2)</sup> Position of the European Parliament of 27 April 2017 (not yet published in the Official Journal) and decision of the Council of 11 May 2017.

<sup>(3)</sup> Regulation (EU) No 258/2014 of the European Parliament and of the Council of 3 April 2014 establishing a Union Programme to support specific activities in the field of financial reporting and auditing for the period of 2014-20 and repealing Decision No 716/2009/EC (OJ L 105, 8.4.2014, p. 1).

- (7) As regards the development of IFRS, of PIOB and of EFRAG, the Commission's annual report should also refer to the follow-up to and the implementation of the recommendations of the European Parliament. In addition, the IFRS Foundation, PIOB and EFRAG are encouraged to participate regularly, at least annually, in hearings organised by the European Parliament in order to provide a full account of the development of international financial reporting and auditing standards.
- (8) The Commission should provide the European Parliament and the Council with more regular information on the joint endeavours of the IFRS Foundation, of PIOB and of EFRAG, given that those three bodies are co-funded by the Union and are working towards the same objectives.
- (9) The Commission should also consider possible changes to the functioning and the private legal status of EFRAG in the long term.
- (10) Regulation (EU) No 258/2014 should therefore be amended accordingly.
- (11) Since the objective of this Regulation, namely increasing the budget of a Union programme for the period 2017 to 2020 in order to support the activities of EFRAG which contribute to the achievement of the policy objectives of the Union in relation to financial reporting, cannot be sufficiently achieved by the Member States, but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.
- (12) To ensure the continuity of the funding for EFRAG, this Regulation should enter into force on the day of its publication and should apply as of 1 January 2017,

HAVE ADOPTED THIS REGULATION:

#### *Article 1*

Regulation (EU) No 258/2014 is amended as follows:

- (1) in Article 3(1)(a), point (i) is replaced by the following:

‘(i) EFRAG;’

- (2) Article 6 is amended as follows:

- (a) paragraph 1 is replaced by the following:

‘1. The financial envelope for the implementation of the Programme for the period 2014 to 2020 shall be EUR 57 007 000 in current prices.’;

- (b) in paragraph 3, point (a) is replaced by the following:

‘(a) for EFRAG: EUR 23 134 000;’;

- (3) Article 9 is amended as follows:

- (a) the following paragraph is inserted:

‘4a. With regard to the IFRS Foundation and the IASB, the report referred to in paragraph 3 shall also assess their governance, in particular in terms of transparency, the prevention of conflicts of interest and the diversity of experts, and the steps that have been taken to ensure broad representation of interests and public accountability.’

In addition, with a view to ensuring high-quality accounting standards and high standards of transparency, accountability and integrity, the report shall identify and assess actions taken within the IFRS Foundation which, inter alia, concern public access to documents, open dialogue with European institutions and various stakeholders, rules on transparency of stakeholders' meetings, and the establishment of transparency registers.;

(b) paragraph 5 is replaced by the following:

'5. With regard to PIOB and its successor organisation, the report referred to in paragraph 3 shall cover developments in the diversification of funding and shall assess how the work of PIOB contributes to the enhancement of audit quality, including the integrity of the auditing profession. If funding by the IFAC in a given year reaches more than two thirds of the total annual PIOB funding, the Commission shall propose to limit its annual contribution for that year to a maximum of EUR 300 000.;

(c) the following paragraph is inserted:

'6a. With regard to EFRAG, the report referred to in paragraph 3 shall assess as of 2018:

- (a) whether the expanded public good criterion as recommended in the special advisor's report has been respected during the endorsement process undertaken during the previous year;
- (b) whether the European Parliament and the Council have been involved at an early stage when developing financial reporting standards, in general, and in the endorsement process in particular;
- (c) whether the EFRAG financing structure is sufficiently diversified and balanced to enable it to accomplish its public interest mission in an independent and efficient manner; and
- (d) the governance of EFRAG, in particular in terms of transparency, and the steps that have been taken to ensure broad representation of interests and public accountability.

In addition, it shall identify and assess the actions taken within EFRAG in order to ensure high standards of democratic accountability, transparency, and integrity which, inter alia, concern public access to documents, open dialogue with European institutions and various stakeholders, the establishment of mandatory transparency registers and rules on transparency of stakeholders' meetings as well as internal rules, in particular prevention of conflict of interests.;

## Article 2

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2017.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Strasbourg, 17 May 2017.

*For the European Parliament*  
*The President*  
A. TAJANI

*For the Council*  
*The President*  
C. ABELA