



EFRAG
European Financial Reporting Advisory Group

EFRAG: PAST – PRESENT – FUTURE

EFRAG celebrated its 10th anniversary on 13 October 2011. The seminar provided an overview of the organisation with reflections on past milestones and achievements, and whether EFRAG has met its objectives. It was also an opportunity to look ahead to the challenges EFRAG is likely to face. The event was a tribute to all the individuals that have contributed, or are currently contributing, to EFRAG by providing knowledge, advice, support, and funding all of which help in achieving a common purpose.

PAST



In the mid-nineties Europe was confronted with the challenge of finding a 'European' set of standards to meet the needs of a single capital market. Major companies, notably in Germany, used US GAAP. At that stage, the IASC had an important governance reform leading to the creation of the IASB. Göran Tidström, the first Chairman of the EFRAG Supervisory Board and currently the IFAC President said "with this reform in place, IAS became a real alternative to the development



of new EU Directives or European standards and provided the opportunity to defend Europe from a US GAAP takeover". Karel Van Hulle, at the time, the Head of the Accounting Unit of DG Internal Market of the EC, and at present Head of Insurance and Pensions Unit, underlined that the introduction of IAS developed by a private organisation was not legally possible without some kind of a two-tier endorsement process scrutinising every standard and interpretation issued by the IASB, at both political and technical levels. The European Commission asked FEE to explore the ways and means to set up a technical advisory group drawn from all the interested parties: EFRAG was born, supported by ten Founding Fathers!



The first EFRAG Technical Expert Group, under the Chairmanship of Johan van Helleman, successfully met the first technical demands of Europe and created the due process and draft comment letter concept that are still at the core of EFRAG's activities today. The rationale of having a specialised body and a well-elaborated consultation process became only too clear, when the financial sector raised concerns on IAS 39, leading to the well-known carve-outs. The carve-outs were the price paid for the successful adoption of IAS in Europe. The difficulties around the en bloc endorsement led to the first governance enhancement of EFRAG which included the decision to have a full-time Chairman responsible for EFRAG. Shortly thereafter, Stig Enevoldsen, was appointed Chairman of EFRAG. During his chairmanship, EFRAG grew in size, visibility and impact.



Stig Enevoldsen, who has returned to his position as a Partner in Deloitte in Denmark, said that "to better utilize the scarce resources in Europe and to create debate and to influence IASB's long-term work in 2005 I got the

support of the National Standard Setters..." and that is how Proactive Activities in Europe (PAAinE) were started. He also emphasized that at that time, Europe was the only region that had taken a decision to actively stimulate the global accounting debate. He continued: "EFRAG has become more important over the years, while we started as little brother to the standard-setters in France, Germany and the UK, today EFRAG is at least equal, and it remains important to work in partnership".

PRESENT and FUTURE



The cooperation and partnership with standard-setters enhanced over time with the Chairmen of

National Standard-Setters of France, the UK, Germany and Italy being appointed members of EFRAG Technical Expert Group and of EFRAG Planning and Resource Committee. From 2010 onwards, the focus on proactive activities increased even further and the partnership with National Standard-Setters led to projects being run by fully integrated European teams.

Alberto Giussani, Vice Chair of the Technical-Scientific Committee of the OIC (the Italian Standard Setter), witnessed "indeed OIC like other National Standard-Setters considers itself as partner of EFRAG and the work done in these 10 years has really been beneficial to both the National Standard-Setters and EFRAG... EFRAG cannot operate the way it does without the support of National Standard-Setters. Today, EFRAG and the National Standard-Setters working in isolation are less effective as counterpart of the IASB".



objective to ensure that the final IFRS are appropriate for Europe. Sir David Tweedie, former Chairman of the IASB, would refer to the relationship with EFRAG as 'constructive' with EFRAG 'sometimes being very critical friend'. Philippe Danjou believes from his experience as an IASB Board member and before that the independence and technical competence and expertise are essential attributes of EFRAG. The importance of IFRS will be impacted by the forthcoming SEC decision on the use of IFRS by US issuers. This may also have implications for the importance of the European influence. Hans Hoogervorst, Chairman of IASB, noted that in his personal opinion he was convinced that the SEC



would make a positive decision, hoping that the conditions in which IFRS are to be integrated into US GAAP will, in practice, be similar to our endorsement mechanism in Europe. Given the increasing use of IFRS worldwide, the IASB is adding to its present communication channels a closer link with the group of regional bodies, so as to create a platform helping the IASB reach decisions that are to the benefit of capital markets around the world.

EFRAG is a private entity with a public interest objective, and is recognised by European institutions. EFRAG is accountable to the public at large and to European institutions through its due process and governance. Sharon Bowles, Chair of the Economic and Monetary Affairs Committee of the European Parliament commented that



organisations serving public interest like EFRAG are essential to the European Parliament, the importance of Europe having a credible voice in the European accounting debate cannot be underestimated now and in the future.



Influencing the international debate on accounting matters from a European perspective is EFRAG's primary

To help European views emerge from the financial reporting debate, EFRAG encourages Europeans to fully participate in the technical assessment of IASB's proposals or of the existing IFRS financial reporting practice. Moving to more interactive communication with constituents on specific technical matters further enhances this process. This includes outreach events and field testing in close cooperation with European National Standard Setters. EFRAG aims at developing its relationship with the academic community. In the coming decade EFRAG will focus more on its proactive work. The discussion papers, prepared in partnership with National Standard-Setters, aim at stimulating the debate in Europe and influencing the IASB agenda.

The European Commission has played, and continues to play, a crucial role throughout the life of EFRAG, reinforced by the decision to contribute to the funding of EFRAG without impeding its independence. The collective objective is to position IFRS as the global accounting language. The G20 called for convergence in accounting standards. Nadia Calviño, Deputy Director-General, DG Internal Market of the European Commission, emphasised that "it is now high time for other major jurisdictions to make the move by adoption of IFRS rather than convergence. This is not just a technical decision, it has to do with vision, political will and leadership. We want the IASB to focus on high quality standards for those jurisdictions applying IFRS. Jurisdictions which have not yet completed the adoption of IFRS should not have the same weight in the governance structure and technical bodies of the IASB as jurisdictions which have implemented IFRS. The European Commission is convinced that EFRAG together with National Standard-Setters will continue to contribute to establishing the best accounting standards for companies in Europe and throughout the rest of the world. What really matters is having a consistent approach: we have to speak with



one voice, if not our message will not be heard... The lessons we are now learning from the financial crisis is that global solutions are in the long-run inevitable, be it in banking, derivatives or financial reporting. In the global arena, the European voice is only one of many. Therefore we need to make sure we are heard as one voice".

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The acknowledgement of EFRAG as major player on the international scene is also demonstrated by the best wishes expressed by Leslie Seidman (FASB), Ikuo Nishikawa (ASBJ), Yang Min (Chinese Standard Setter), Tricia O' Malley (Global National Standard Setters), Kevin Stevenson (AASB) and Paul Cherry (IFRS Advisory Council) as quoted below.

"On behalf of the U.S. Financial Accounting Standards Board, congratulations on the ten-year anniversary of EFRAG! We look forward to working together on the Disclosure Framework project and other initiatives in the coming years."

Leslie F. Seidman
Chairman, FASB

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"...with deep respect for the EFRAG's contribution to the setting process of IFRSs as high quality global financial reporting standards ..., as well as its contribution to the world via constructive comments and proactive researches. We would like to enhance the coordination between EFRAG and ASBJ and the AOSSG, to further contribute to the development and promotion of IFRSs."

Ikuo Nishikawa
Chairman, Accounting Standards Board of Japan

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"On behalf of the Ministry of Finance and China Accounting Standards Committee, I would like to congratulate the EFRAG 10th anniversary. After one decade's effort, I think no one will doubt that the EFRAG has achieved a great success not only in harmonising the accounting policies and views among the EU members,

but also in actively participating the IFRS setting. Therefore, EFRAG has made a significant contribution to a single set of global high quality accounting standards setting. Under your leadership, I believe the EFRAG will embrace another ten years' glorious future. Congratulation again!"

Yang Min
Secretary-General, China Accounting Standards Committee

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"In its ten short years, EFRAG has gone from a standing start to being a thoughtful and influential contributor to the international discussions of accounting standard setters. All my colleagues in the International Forum of Accounting Standard Setters and I congratulate EFRAG on reaching this milestone."

Tricia O'Malley
Chair, Global National Standard Setters

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"I was present [on behalf of the IASB] at the EFRAG meetings from an early point. The transformation over the 10 years since has been remarkable and is epitomised by the collaborative project on disclosure with the FASB to find positive, new answers to difficult, longstanding issues. I wish EFRAG well in the next 10 years."

Kevin Stevenson
Chairman, AASB

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"In ten years EFRAG has established itself as a leading regional forum on IFRS issues. Other regions elsewhere in the world are now following Europe's lead. The challenge in the next decade will be to harness our collective resources to promote truly global standards of financial reporting applied on a consistent basis."

Paul Cherry
Chairman, IFRS Advisory Council



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