

**ACCA debate "Evaluating the impact of IFRS in the EU" hosted by
Theodor Dumitru Stolojan, MEP, 25 September 2014, Brussels**

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Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

I would like to thank MEP Stolojan for hosting this event, ACCA, one of FEE member bodies, for organizing this very timely debate.

I would also like to thank the European Commission (EC) – or to commend the EC for undertaking this exercise.

The EC is right to do an evaluation of the IAS regulation.

I am a great promoter of **impact assessment** (IA). IA is a good public policy practice. It is good both ex-ante and ex-post. It can help stakeholders see that some of the drama they had predicted is not taking place or the EC see that the policy they had imagined do not exactly work the way they anticipated.

Usually in IA there is much talk about cost – and little about benefits which are often more intangible and more difficult to measure – but should not be forgotten. Today our panel of experts struggled a bit to clearly identify the costs – but they were very clear in saying that the **benefits outweigh the costs**. It was also outlined that some of these costs are not related to IFRS but indeed to other sources such as local regulation. However it seems that this does not prevent a few people to blame IFRS.

The important point with IA or with this evaluation is that it should always be **objective and independent**; this is difficult on an emotional subject such as this one as MEP Stolojan reminded us. By the way, I fail to understand why the IFRS debate often becomes so emotional. It should be dispassionate, objective and factual; it should not be hijacked to pursue objectives that are not related to improving transparency and quality of companies' financial information.

It is good to consult on this matter but feedback will have to be interpreted with caution. Although the panel today was very consensual, there is a risk of over-representation of "unhappy customers" which should not lead to frustrating the silent majority – silent majority that expressed itself loudly today.

We are in a parliament, so we should put this debate into a broader political context:

Europe drastically needs **growth and jobs**:

- it needs financing i.e. integration of its capital markets;
- it needs foreign investment and has a large debt to place on financial markets
- therefore it needs international standards and benefits from them.

10 years ago we were saying: European business need to seize the opportunities of the internal market – today, they need to seize the opportunities of **global markets**: this is valid for exporters of goods and services, for foreign investors as well as for recipients of foreign investment.

10 years ago we were unable to agree on accounting in Europe and it was the right move to outsource the matter to an **independent third party: the IASB**.

- Without that we would still be talking and talking...
- As Mark Vaessen reminded us, without that we would probably be using American standards (at the time the largest European listed companies were moving toward US GAAPs)

Today, the debate we just had in this Parliament on the **accounting directive** has proved once again that externalising is still the right thing to do: more than 6 years of debate resulted in a text that contains more than a 100 options i.e. more than a 100 instances where Europe was unable to agree with itself. IFRS is the only game in town.

Listening to the discussion today, I am pleased to see there is growing realization and consensus that IFRS have improved quality and transparency (Vincent Papa talking on behalf of the investors made this clear). The objectives of this evaluation that the EC reminded us therefore appear to be achieved.

There are however a few concerns around complexity and “understandability”

Complexity is mostly inherent to the type of entities and transactions. We should not confuse the cause and the consequence, or shoot the messenger, for instance: IFRS is trying to portray the financial impact of complex financial instruments; it is not “making” these instruments complex. (The same reproach of complexity could be made to many pieces of legislation coming out of this House).

This is not to say that all is fine and nothing should change. Things do change and Europe succeeds in influencing the IASB and the IASB is listening:

A few years ago, EFRAG under the chairmanship of Stig Enevoldson who I see here in the room managed to open the debate on what some saw as a disclosures tsunami coming out of the IASB and progress is being made. But we have also heard investors outlining the usefulness of disclosures: it is always too little or too much.

We at FEE provide constructive criticism when we think it is required; we do not complain and bash, we look for solutions. For instance, we are working on a project on the future of corporate reporting to see how reporting can provide value in the 21st century.

There is also much debate on “flexible endorsement”

Some are calling for a “more specific version of IFRS (EFRS)”: the result will be **sub-global standards i.e. sub-optimal standards**. It means less consistency, less comparability, less transparency and more cost e.g. reconciliation cost. And thinking of you Mr Stolojan, it also means more opportunities for unhelpful controversy, tinkering and isolating Europe. It will also lead to lengthening the already too long endorsement process.

The best approach is to contribute and influence as early as possible. We have a new instrument to do this: **EFRAG**. Under Mr Maystadt leadership EFRAG has reformed itself and is now more inclusive and more effective. This means Europe may be able to speak with one voice (which, in all honesty, is quite exceptional); there may also be an opportunity to simplify the endorsement process. The EC and EFRAG should be in the driving seat here; compared to some of the other players they have the vision and skills to do so, more importantly they both thrive for the European common interest, not for any lobby or for any country. So let’s give it a chance.

If I were to conclude not today's discussion but the whole evaluation, I think I would conclude that the EC and the EP can be satisfied that 10 years ago they made the right move. MEP Stolojan rightly noted that more and more countries follow the EU leadership.

They can be satisfied that during this period they have positively influenced the IASB and that we continue progressing on this track.

They can be satisfied that Europe has high quality financial reporting contributing to more transparent, more robust and more effective capital markets: and this is critical to the jobs and growth agenda that we are all working for.

We need to continue moving forward – not backwards.