



Brussels, 3 February 2017
(OR. en)

5720/17

LIMITE

DRS 5
ECOFIN 48
EF 13
SURE 1
CODEC 113

**Interinstitutional File:
2016/0110 (COD)**

'I' ITEM NOTE

From:	General Secretariat of the Council
dated:	3 February 2017
To:	Permanent Representatives Committee
No. Cion doc.:	COM (2016) 202 final
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL 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 <i>- Mandate for negotiations with European Parliament</i>

I. INTRODUCTION

1. On 13 April 2016, the Commission submitted a Proposal for a Regulation of the European Parliament and of the Council 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.
2. The Financing Regulation (EU) No 258/14 extends the European Parliament and the Council Community Programme, established in 2009 to support specific activities in the field of financial services, financial reporting and auditing, for the period 2014-2020. The beneficiaries of the Programme are the International Financial Reporting Standards Foundation (IFRS Foundation), the European Financial Reporting Advisory Group (EFRAG) and the Public Interest Oversight Board (PIOB).

3. However, the Financing Regulation (EU) No 258/14 prolongs the financing for the period 2014-2020 only for the IFRS Foundation and PIOB. Concerning EFRAG, the co-legislators decided to limit its financing period until the end of 2016 and called on the Commission to submit a legislative proposal, if appropriate, to continue financing it after 31 December 2016. In the meantime, the governance reform of EFRAG was implemented on 31 October 2014. Consequently, the purpose of this regulation is to extend the Union co-financing of EFRAG for the period 2017-2020 under the Union programme established by the Financing Regulation (EU) No 258/14.
4. In line with the Financing Regulation, EFRAG was allocated an amount of EUR 9.303.000 for the period 2014-2016. The proposed Regulation allocates to EFRAG an additional amount of EUR 13 831 000 for the period 2017-2020 (for a total amount of EUR 23 134 000 for the 2014-2020 period). In order to ensure the operational continuity of EFRAG it is necessary to maintain the EU co-financing given that it accounts for approximately 60% of EFRAG's budget. The proposal (doc. 8138/16) presents the budgetary implications.

II. STATE OF PLAY

5. The Presidency was granted a negotiating mandate by the Committee of Permanent Representatives on 22 June 2016 on the basis of the Annex to doc.9943/1/16 REV1. The Council has not made any amendments to the Commission proposal.
6. On 14 October 2016, the European Parliament's Plenary voted its report and mandated the Economic and Monetary Affairs Committee (ECON) to enter into negotiations. The rapporteur is Mr Stolojan (EPP/RO) who was the rapporteur for Regulation (EU) No 258/14.
7. On the basis of the amendments voted, examined at a Working Party meetings (24 October and 7 November 2016), the Slovak Presidency started the trilogues.
8. Dates for trilogues were postponed three times by the European Parliament under the Slovak Presidency. The first informal trilogue could be held only on 15 December 2016. Next informal trilogue could take place on 14 February 2017 in Strasbourg, but it remains to be confirmed by the European Parliament side.

9. The first informal trilogue was mostly introductory in nature. It was used to identify the provisions on which positions are similar, or on which an agreement could be found by alternative drafting, as well as to identify the respective areas of divergence. On 25 January 2017, the Presidency debriefed the Company Law Working Party (Attachés) on the outcome of the first informal trilogue.
10. A technical meeting took place on 26 January 2017 in order to address some of the technical issues. Its outcome was discussed during the Company Law Working Party (Attachés) on 3 February 2017. The elements of the draft compromise were broadly supported by delegations and form the basis of the compromise text set in the fourth column of the Annex.
11. All delegations and the Commission agree that a rapid agreement should be found on this file in order to allow for the continuity of financing of EFRAG. The Presidency thus submits to the Permanent Representatives Committee its suggested compromise text and asks for a revised mandate. The Presidency compromise text is to serve as a basis for finalising negotiations with the European Parliament with a view to reaching an overall balanced compromise agreement.

Changes compared to doc.9943/1/16 REV1 (original mandate) are marked in ***bold italics***, **bold underlined** and ~~strike through~~.

III. CONCLUSION

The Permanent Representatives Committee is invited to revise the mandate of the Presidency in view of the second and possibly final informal trilogue with the European Parliament on the basis of the compromise package set out in the fourth column of the Annex.

PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (E) 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

COM(2016)0202 (2016/0110 (COD))

Document dated: 3 February 2017

Nr.	Ref.	Commission	Council	Parliament	Compromise
1.		<p>Proposal for a</p> <p>REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL</p> <p>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</p> <p>(Text with EEA relevance)</p>	<p>Proposal for a</p> <p>REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL</p> <p>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</p> <p>(Text with EEA relevance)</p>	<p>Proposal for a</p> <p>REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL</p> <p>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</p> <p>(Text with EEA relevance)</p>	<p>Proposal for a</p> <p>REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL</p> <p>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</p> <p>(Text with EEA relevance)</p>
2.		THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE	THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE	THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE	THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE

Nr.	Ref.	Commission	Council	Parliament	Compromise
		EUROPEAN UNION,	EUROPEAN UNION,	EUROPEAN UNION,	EUROPEAN UNION,
3.	Cit. 1	Having regard to the Treaty on the Functioning of the European Union, and in particular Art. 114 thereof,	Having regard to the Treaty on the Functioning of the European Union, and in particular Art. 114 thereof,	Having regard to the Treaty on the Functioning of the European Union, and in particular Art. 114 thereof,	Having regard to the Treaty on the Functioning of the European Union, and in particular Art. 114 thereof,
4.	Cit. 2	Having regard to the proposal from the European Commission,	Having regard to the proposal from the European Commission,	Having regard to the proposal from the European Commission,	Having regard to the proposal from the European Commission,
5.	Cit. 3	After transmission of the draft legislative act to the national parliaments,	After transmission of the draft legislative act to the national parliaments,	After transmission of the draft legislative act to the national parliaments,	After transmission of the draft legislative act to the national parliaments,
6.	Cit. 4	Having regard to the opinion of the European Economic and Social Committee ¹ ,	Having regard to the opinion of the European Economic and Social Committee ² ,	Having regard to the opinion of the European Economic and Social Committee ³ ,	Having regard to the opinion of the European Economic and Social Committee ⁴ ,
7.	Cit. 5	Acting in accordance with the ordinary legislative procedure,	Acting in accordance with the ordinary legislative procedure,	Acting in accordance with the ordinary legislative procedure,	Acting in accordance with the ordinary legislative procedure,
8.		Whereas:	Whereas:	Whereas:	Whereas:
9.	Rec. 1	(1) On the basis of Regulation	(1) On the basis of Regulation	(1) On the basis of Regulation	(1) On the basis of Regulation

¹ OJ C , , p. .

² OJ C , , p. .

³ OJ C , , p. .

⁴ OJ C , , p. .

Nr.	Ref.	Commission	Council	Parliament	Compromise
		(EU) No 258/2014 of the European Parliament and of the Council ⁵ , the International Financial Reporting Standards Foundation (the IFRS Foundation), which is the legal successor to the International Accounting Standards Committee Foundation (IASCF), and the Public Interest Oversight Board (PIOB) benefit from Union co-financing in the form of operating grants until 31 December 2020.	(EU) No 258/2014 of the European Parliament and of the Council ⁶ , the International Financial Reporting Standards Foundation (the IFRS Foundation), which is the legal successor to the International Accounting Standards Committee Foundation (IASCF), and the Public Interest Oversight Board (PIOB) benefit from Union co-financing in the form of operating grants until 31 December 2020.	(EU) No 258/2014 of the European Parliament and of the Council ⁷ , the International Financial Reporting Standards Foundation (the IFRS Foundation), which is the legal successor to the International Accounting Standards Committee Foundation (IASCF), and the Public Interest Oversight Board (PIOB) benefit from Union co-financing in the form of operating grants until 31 December 2020.	(EU) No 258/2014 of the European Parliament and of the Council ⁸ , the International Financial Reporting Standards Foundation (the IFRS Foundation), which is the legal successor to the International Accounting Standards Committee Foundation (IASCF), and the Public Interest Oversight Board (PIOB) benefit from Union co-financing in the form of operating grants until 31 December 2020.
10.	Rec. 2	(2) The European Financial Reporting Advisory Group	(2) The European Financial Reporting Advisory Group	(2) The European Financial Reporting Advisory Group	(2) The European Financial Reporting Advisory Group

⁵ 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).

⁶ 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 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).

⁸ 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).

Nr.	Ref.	Commission	Council	Parliament	Compromise
		(EFRAG), on the basis of Regulation (EU) No 258/2014, benefits from Union co-financing in the form of operating grants until 31 December 2016.	(EFRAG), on the basis of Regulation (EU) No 258/2014, benefits from Union co-financing in the form of operating grants until 31 December 2016.	(EFRAG), on the basis of Regulation (EU) No 258/2014, benefits from Union co-financing in the form of operating grants until 31 December 2016.	(EFRAG), on the basis of Regulation (EU) No 258/2014, benefits from Union co-financing in the form of operating grants until 31 December 2016.
11.	Rec. 3	(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 governance aimed at reinforcing the Union’s contribution to the development of international accounting standards.	(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 governance aimed at reinforcing the Union’s contribution to the development of international accounting standards.	(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 governance aimed at reinforcing the Union’s contribution to the development of international accounting standards.	(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 governance aimed at reinforcing the Union’s contribution to the development of international accounting standards.
12.	Rec. 4	(4) The Commission closely monitored the implementation of the reform of EFRAG governance and informed duly the European Parliament and the Council of the progress in its implementation. The Commission found that	(4) The Commission closely monitored the implementation of the reform of EFRAG governance and informed duly the European Parliament and the Council of the progress in its implementation. The Commission found that EFRAG successfully	(4) The Commission closely monitored the implementation of the reform of EFRAG governance and informed duly the European Parliament and the Council of the progress in its implementation. ■	TT 26/1 (4) The Commission closely monitored the implementation of the reform of EFRAG governance and informed duly the European Parliament and the Council of the progress in its implementation. The

Nr.	Ref.	Commission	Council	Parliament	Compromise
		EFRAG successfully implemented the conclusions of the special advisor's report, by implementing a new governance structure, which has increased the legitimacy and representativeness of EFRAG. Therefore it is appropriate to continue financing of EFRAG for the period 2017-2020 in order to meet the long-term objectives of the Union programme to support specific activities in the field of financial reporting and auditing.	implemented the conclusions of the special advisor's report, by implementing a new governance structure, which has increased the legitimacy and representativeness of EFRAG. Therefore it is appropriate to continue financing of EFRAG for the period 2017-2020 in order to meet the long-term objectives of the Union programme to support specific activities in the field of financial reporting and auditing.		Commission found that EFRAG successfully implemented the conclusions of the special advisor's report, by implementing a new governance structure, which has increased the legitimacy and representativeness of EFRAG. Therefore <u>On this basis,</u> it is appropriate to continue financing of EFRAG for the period 2017-2020 in order to meet the long-term objectives of the Union programme to support specific activities in the field of financial reporting and auditing.
13.	Rec. 4 a (new)			<i>(4a) Account should be taken of the under-representation of public as opposed to private interests in the various EFRAG executive bodies, something that should be remedied under its new administration.</i>	TT 26/1 <i>Comment: the EFRAG Board is the only executive body.</i> <u>(4a) The EFRAG Board, reflecting a balanced representation of interests, should ensure that its Board members should-commit to acting in the European</u>

Nr.	Ref.	Commission	Council	Parliament	Compromise
					<p><u>public interest.</u></p> <p><u>ESMA, EBA, EIOPA and ECB are invited to actively contribute to the work of the EFRAG Board as far as possible.</u></p> <p><i>Comment: It was agreed at the first trilogue that the recital could be kept provided that it would be a general message of a balanced representation and that the wording should be found during the technical trilogue. The text above is a first compromise drafted with EP.</i></p>
14.	Rec. 4 b (new)			<p><i>(4b) Art. 9(3) of Regulation (EU) No 258/2014 requires the Commission to prepare an annual report on the activity of the IFRS Foundation as regards the development of IFRS, of PIOB and of EFRAG. That annual report should also refer to the follow-up and implementation of the recommendations and</i></p>	<p>TT 26/1</p> <p><i>Comments: EP prefers its text, however agrees to include the part from line 34 as proposed by the Council:</i></p> <p><i>“Accounting standards should neither jeopardise financial stability in the Union nor hinder the economic development of the</i></p>

Nr.	Ref.	Commission	Council	Parliament	Compromise
				<p><i>demands made in the European Parliament's resolution of 7 June 2016 on International Accounting Standards (IAS) evaluation and the activities of the IFRS Foundation, EFRAG and PIOB, as well as recommendations and demands made in future resolutions of the European Parliament. As beneficiaries of funding awarded under the Union Programme, the IFRS Foundation, PIOB and EFRAG should report annually on the implementation of Union policies in the field of financial reporting and auditing, in particular by referring to the follow-up and implementation of the recommendations and demands made in past or future resolutions of the European Parliament. In addition, the IFRS Foundation, PIOB and EFRAG are encouraged to participate regularly, at least</i></p>	<p>Union.”</p> <p><i>Comment: The following Council text will be submitted to the EP negotiating team as alternative. It integrates text from line 34 to be aligned when an agreement on the Articles is reached.</i></p> <p><u>(4b) The Commission should report on an annual basis to the European Parliament and the Council on EFRAG's main achievements and activities in the previous year. Furthermore, the report should examine developments in respect of the expanded public good criterion (i.e.: accounting standards should neither jeopardise financial stability in the Union nor hinder the economic development of the Union) and provide a detailed overview on the development in the field of international financial</u></p>

Nr.	Ref.	Commission	Council	Parliament	Compromise
				<i>annually, in hearings organised by the European Parliament in order to provide a full account on the development of international financial reporting and auditing standards.</i>	<u>reporting standards.</u> <i>NB: Auditing standards are outside EFRAG's remit.</i>
15.	Rec. 4 c (new)			<i>(4c) The European Commission should provide the European Parliament and the Council with more regular information on the joint work of the IFRS Foundation, the EFRAG and the PIOB, given that those three agencies are funded by the Union and are working for the same purpose.</i>	TT 26/1 <i>(4c) The European Commission should provide the European Parliament and the Council with more regular information on the joint <u>endeavours</u> work of the IFRS Foundation, the EFRAG and the PIOB, given that those three agencies <u>bodies</u> are <u>co-</u> funded by the Union and are working for <u>towards</u> the same objectives.</i>
16.	Rec. 5	(5) Regulation (EU) No 258/2014 should therefore be amended accordingly.	(5) Regulation (EU) No 258/2014 should therefore be amended accordingly.	(5) Regulation (EU) No 258/2014 should therefore be amended accordingly.	(5) Regulation (EU) No 258/2014 should therefore be amended accordingly.
17.	Rec. 5 a (new)			<i>(5a) EFRAG's field of activity is currently limited to that which is described in the</i>	<i>Not acceptable to the Council.</i> <i>EFRAG is the advisor to the</i>

Nr.	Ref.	Commission	Council	Parliament	Compromise
				<i>special advisor's report and, considering the multiple additional tasks and responsibilities that have been attributed to EFRAG in the European Parliament's resolution of 7 June 2016, EFRAG should ensure that those additional tasks and responsibilities are actively monitored and reported upon.</i>	<i>COM and not to the EP. The COM answered this resolution (published on EP website on 18/11/2016). The COM has the obligation as per the Inter Institutional Framework of 20/11/2010 to answer any EP resolution (Article 16).</i>
18.	Rec. 6	(6) 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 Art. 5 of the Treaty	(6) 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 Art. 5 of the Treaty	(6) 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 Art. 5 of the Treaty	(6) 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 Art. 5 of the Treaty

Nr.	Ref.	Commission	Council	Parliament	Compromise
		on European Union. In accordance with the principle of proportionality, as set out in that Art., this Regulation does not go beyond what is necessary in order to achieve that objective.	on European Union. In accordance with the principle of proportionality, as set out in that Art., this Regulation does not go beyond what is necessary in order to achieve that objective.	on European Union. In accordance with the principle of proportionality, as set out in that Art., this Regulation does not go beyond what is necessary in order to achieve that objective.	on European Union. In accordance with the principle of proportionality, as set out in that Art., this Regulation does not go beyond what is necessary in order to achieve that objective.
19.		HAVE ADOPTED THIS REGULATION:	HAVE ADOPTED THIS REGULATION:	HAVE ADOPTED THIS REGULATION:	HAVE ADOPTED THIS REGULATION:
20.	Art. 1 – introductory part	Regulation (EU) No 258/2014 is amended as follows:	Regulation (EU) No 258/2014 is amended as follows:	Regulation (EU) No 258/2014 is amended as follows:	Regulation (EU) No 258/2014 is amended as follows:
21.	Art 1 – point 1 Art. 3 – para. 1 – point a – point i	(1) in Art. 3(1)(a), point (i) is replaced by the following:" (i) EFRAG;"	(1) in Art. 3(1)(a), point (i) is replaced by the following:" (i) EFRAG;"	(1) in Art. 3(1)(a), point (i) is replaced by the following:" "(i) EFRAG;"	(1) in Art. 3(1)(a), point (i) is replaced by the following:" "(i) EFRAG;"
22.	Art. 1 – point 2	(2) Art. 6 is amended as follows:	(2) Art. 6 is amended as follows:	(2) Art. 6 is amended as follows:	(2) Art. 6 is amended as follows:
23.	Art. 1 –point 2 point a Art. 6 – para. 1	(a) paragraph 1 is replaced by the following: "1. The financial envelope for the implementation of the Programme for the period	(a) paragraph 1 is replaced by the following: "1. The financial envelope for the implementation of the Programme for the period	(a) paragraph 1 is replaced by the following: "1. The financial envelope for the implementation of the Programme for the period	(a) paragraph 1 is replaced by the following: "1. The financial envelope for the implementation of the Programme for the period

Nr.	Ref.	Commission	Council	Parliament	Compromise
		2014 to 2020 shall be EUR 57 007 000 in current prices.";	2014 to 2020 shall be EUR 57 007 000 in current prices.";	2014 to 2020 shall be EUR 57 007 000 in current prices.";	2014 to 2020 shall be EUR 57 007 000 in current prices.";
24.	Art. 1 – point 2 – point b Art. 6 – para. 3 – point a	(b) in paragraph 3, point (a) is replaced by the following: "(a) for EFRAG: EUR 23 134 000;"	(b) in paragraph 3, point (a) is replaced by the following: "(a) for EFRAG: EUR 23 134 000;"	(b) in paragraph 3, point (a) is replaced by the following: "(a) for EFRAG: EUR 23 134 000;"	(b) in paragraph 3, point (a) is replaced by the following: "(a) for EFRAG: EUR 23 134 000;"
25.	Art. 1 – point 2 a (new)			<i>(2a) Article 9 is amended as follows:</i>	<i>(2a) Article 9 is amended as follows:</i>
26.	Art. 1 – point 2 a (new) – point a (new)			<i>(a) the following paragraph is inserted:</i>	
27.	Art 1 – point 2 a (new) – point a (new) Art. 9 – para. 4 a (new)			<i>"4a. With regard to the IFRS Foundation, the report referred to in paragraph 3 shall also assess whether further progress has been made as regards the governance of the IFRS Foundation and the IASB, in particular in terms of transparency, prevention of conflicts of interest and diversity of hired experts, and</i>	<i>Council position:</i> <i>In the framework of this draft Regulation (financing of EFRAG), extending the scope of the COMM report to IFRS Foundation and PIOB is politically out of scope.</i> <i>In view of a possible balanced overall compromise package, some language could be considered in a Commission</i>

Nr.	Ref.	Commission	Council	Parliament	Compromise
				<i>whether and what steps have been taken to ensure broad representation of interests (such as consumer representation agencies and finance ministries) and public accountability in order to guarantee high-quality accounting standards. In addition, it shall identify and assess the actions undertaken within IFRS in order to enhance democratic legitimacy, transparency, accountability and integrity which, inter alia, are related to public access to documents, open dialogue with diverse stakeholders, the establishment of mandatory transparency registers and rules on transparency of lobby meetings as well as internal rules, in particular the prevention of conflicts of interest."</i>	<i>statement. Should this not be possible, a Recital could be considered as a fallback position.</i>
28.	Art. 1 – point 2 a (new) – point b			<i>(b) paragraph 5 is replaced by the following:</i>	

Nr.	Ref.	Commission	Council	Parliament	Compromise
	(new)				
29.	Art 1 – point 2a (new) – point b (new) Art. 9 – para. 5			<p>"5. With regard to PIOB or its successor organisation, the report referred to in paragraph 3 shall cover developments in the diversification of funding and it shall assess the efforts undertaken to ensure integrity in 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."</p>	<p>TT 26/1</p> <p><i>Comment: Council and Commission prefer this addition to be included in a Commission statement. Should this not be possible, a Recital could be considered as a fallback position.</i></p> <p>"5. With regard to PIOB or its successor organisation, the report referred to in paragraph 3 shall cover developments in the diversification of funding and it shall assess <u>how the PIOB work contributes to the enhancement of the audit quality, including the integrity, in of the auditing profession.</u> 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."</p>

Nr.	Ref.	Commission	Council	Parliament	Compromise
30.	Art. 1 – point 2 a (new) – point c (new)			<i>(c) in paragraph 6, the second subparagraph is replaced by the following:</i>	
31.	Art. 1 point 2 a (new) – point c (new) Art. 9 – para. 6 – second subpara.			"If appropriate, the Commission shall submit a legislative proposal to transform EFRAG into a public agency in the long term; "	<i>Comment: The technical independence of EFRAG has to be ensured in the long term. A possible drafting could be considered in Recitals (possibly a new (4d)):</i> <u>"If appropriate, the Commission should also consider possible changes to the[legal] status of EFRAG in the long term."</u>
32.	Art. 1 – point 2 a (new) – point d (new)			<i>(d) the following paragraph is inserted:</i>	<i>(d) the following paragraph is inserted:</i>
33.	Art. 1 – point 2 a (new) – point d (new) Art. 9 – para. 6 a			"6a. With regard to EFRAG, the report referred to in paragraph 3 shall assess whether:	TT 26/1 "6a. With regard to EFRAG, the report referred to in paragraph 3 shall <u>assess as of 2018</u> whether:

Nr.	Ref.	Commission	Council	Parliament	Compromise
	(new)				
34.	<p>Art. 1 – point 2 a (new) – point d (new) -point a (new)</p> <p>Art. 9 – para. 6 a (new) – point a (new)</p>			<p><i>(a) the 'expanded public good' criterion as defined in the special advisor's report (i.e. that accounting standards should neither jeopardise financial stability in the Union nor hinder the economic development of the Union), has been fully respected during the endorsement process undertaken during the previous year;</i></p>	<p>TT 26/1</p> <p><i>(a) <u>whether</u> the 'expanded public good' criterion as <u>recommended</u> defined in the special advisor's report (i.e. that accounting standards should neither jeopardise financial stability in the Union nor hinder the economic development of the Union) has been [fully] respected during the endorsement process undertaken during the previous year;</i></p> <p><i>NB: deleted text in parenthesis above moved to recital 4b in line 14.</i></p>
35.	<p>Art. 1 – point 2 a (new) – point d (new) -point b (new)</p> <p>Art. 9 – para. 6 a (new) –</p>			<p><i>(b) 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; and</i></p>	<p>TT 26/1</p> <p><i>b) <u>whether</u> the European Parliament and the Council have been involved <u>informed</u> at an early stage when developing financial reporting standards in general and in the</i></p>

Nr.	Ref.	Commission	Council	Parliament	Compromise
	point b (new)				<i>endorsement process in particular; and</i>
36.	Art. 1 – point 2 a (new) – point d (new) -point c (new) Art. 9 – para. 6 a (new) – point c (new)			<i>(c) a more diversified and balanced financing structure, including on the basis of fees and public sources has been achieved and whether formal steps have been undertaken in order to encourage Member States that do not already have a National Funding Mechanism to establish one.</i>	<p><i>Many delegations do not support this European Parliament amendment.</i></p> <p>TT 26/1</p> <p><i>Comment: New compromise text is aligned to recital 16 of the amended Regulation</i></p> <p><i><u>(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.</u></i></p>
36a.					<p><i>EP amendment from line 42.</i></p> <p><i>(d) whether further progress has been made as regards governance, in particular in terms of transparency, and what steps have been taken to ensure broad representation of interests and public accountability; and;</i></p>

Nr.	Ref.	Commission	Council	Parliament	Compromise
37.	Art. 1 – point 2 a (new) – point d (new) – second subpara. (new) Art. 9 – para. 6 a (new) – second subpara. (new)			<i>In addition, it shall identify and assess the actions undertaken within EFRAG in order to enhance democratic legitimacy, transparency, accountability and integrity which, inter alia, concern public access to documents, open dialogue with diverse stakeholders, the establishment of mandatory transparency registers and rules on transparency of lobby meetings as well as internal rules, in particular prevention of conflict of interests."</i>	TT 26/1 <i>In addition, it shall identify and assess the actions undertaken within EFRAG in order to enhance <u>ensure high standards of democratic</u> legitimacy, transparency, accountability and integrity which, inter alia, concern public access to documents, open dialogue with <u>European institutions and</u> diverse stakeholders, including European institutions the establishment of mandatory transparency registers and rules on transparency of lobby <u>stakeholders'</u> meetings as well as internal rules, in particular prevention of conflict of interests."</i>
38.	Art. 1 – point 2 a (new) – point e (new)			<i>(e) the following paragraph is added:</i>	
39.	Art. 1 – point 2 a (new) –			<i>"9a. From 2017, the IFRS Foundation, PIOB and</i>	<i>There are no direct reporting obligations on the three</i>

Nr.	Ref.	Commission	Council	Parliament	Compromise
	point e (new) –first subpara. (new) Art. 9 a (new) – first subpara. (new)			<i>EFrag shall prepare an annual report on the implementation of Union policies in the field of financial reporting and auditing and participate regularly, at least annually, in hearings organised by the European Parliament in order to give a full account of the development of international financial reporting and auditing standards.</i>	<i>beneficiaries of the financial programme in the current Regulation. Such direct reporting is not acceptable to the Council. Increased Commission reporting on EFRAG can be considered. For PIOB and IFRS Foundation, changes are out of the scope of this proposal.</i>
40.	Art. 1 – point 2 a (new) – point e (new) - second subpara. (new) Art. 9 a (new) – second subpara. (new)			<i>The report shall cover:</i>	
41.	Art. 1 – point 2 a (new) – point e			<i>(a) follow-up and implementation of the recommendations and</i>	<i>EP can organise hearings on its own initiative.</i>

Nr.	Ref.	Commission	Council	Parliament	Compromise
	(new) – second subpara (new)– point a (new) Art. 9 a (new) – second subpara. (new) – point a (new)			<i>demands made in past or future resolutions of the European Parliament;</i>	<i>Council and EP are co-legislators and a Regulation cannot write such a provision which is institutionally not acceptable.</i> <i>The COM has the obligation as per the Inter Institutional Framework of 20/11/2010 to answer any EP resolution (Article 16).</i>
42.	Art. 1 – point 2 a (new) – point e (new) – second subpara (new) – point b (new) Art. 9 a (new) – second subpara. (new) – point b (new)			<i>(b) whether further progress has been made as regards governance, in particular in terms of transparency, and what steps have been taken to ensure broad representation of interests and public accountability; and</i>	<i>Moved to new paragraph (6a) (d) as regards EFRAG and increased Commission reporting (line 36a).</i>
43.	Art. 1 – point 2 a (new) –			<i>(c) the identification of actions undertaken in order</i>	<i>Already covered in line 37.</i>

Nr.	Ref.	Commission	Council	Parliament	Compromise
	point e (new) - second subpara (new) – point c (new) Art. 9 a (new) – second subpara. (new) – point c (new)			<i>to enhance democratic legitimacy, transparency, accountability and integrity which, inter alia, concern public access to documents, transparency of lobby meetings as well as the prevention of conflicts of interest."</i>	
44.	Art. 2	<p>– Entry into force</p> <p>This Regulation shall enter into force on the day following that of its publication in the <i>Official Journal of the European Union</i>.</p> <p>It shall apply from 1 January 2017.</p> <p>This Regulation shall be binding in its entirety and directly applicable in all Member States.</p>	<p>– Entry into force</p> <p>This Regulation shall enter into force on the day following that of its publication in the <i>Official Journal of the European Union</i>.</p> <p>It shall apply from 1 January 2017.</p> <p>This Regulation shall be binding in its entirety and directly applicable in all Member States.</p>	<p>– Entry into force</p> <p>This Regulation shall enter into force on the day following that of its publication in the <i>Official Journal of the European Union</i>.</p> <p>It shall apply from 1 January 2017.</p> <p>This Regulation shall be binding in its entirety and directly applicable in all Member States.</p>	<p>– Entry into force</p> <p>This Regulation shall enter into force on the day following that of its publication in the <i>Official Journal of the European Union</i>.</p> <p>It shall apply from 1 January 2017.</p> <p>This Regulation shall be binding in its entirety and directly applicable in all Member States.</p>

Nr.	Ref.	Commission	Council	Parliament	Compromise
45.		Done at Brussels, (signatures)	Done at Brussels, (signatures)	Done at Brussels, (signatures)	Done at Brussels, (signatures)
