

The EU is to ask IASB to change its priorities to inclu...

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Green MEP Sven Giegold tabled a question to the European Commission in July asking about the EU's position on the IASB's revision to its constitution that has downgraded its obligation to anyone but those people who use accounts to make investment decisions. I [discussed that issue here](#).

Now the Commission [has replied as follows](#):

Answer given by Mr Barnier on behalf of the Commission

The Commission shares the view of the Honourable Member regarding the importance of properly taking into account the public interest in the IFRS standards setting.

In its written contribution to the first consultation on the strategy Review undertaken by the Trustees of the IFRS Foundation, the Commission stressed that legitimate public policy objectives must be given appropriate consideration ex ante in the standard-setting process, while recognising that the primary objective of accounting standards is to deliver decision-relevant information to investors, other participants in the world's capital markets and other users of financial information. A key challenge is to ensure that the IASB's mission of producing high-quality accounting standards should not undermine other important policy objectives. These include prudential regulation and financial stability. The Commission suggested that this may imply a revision of the respective provisions in both the IFRS Foundation's constitution and in the IASB's conceptual framework in order to give due consideration to such public policy objectives, including a revision of the current definition of the public interest within the Constitution of the IFRS Foundation. The Commission will repeat this message in its contribution to the second consultation document published by the Trustees.

In any case, as required by Article 3(2) of the EU Regulation on the application of international accounting standards(1), the Commission adopts international accounting standards issued by the IASB if they are conducive to the European public good. However, the regulation does not foresee the possibility for the Commission to set accounting standards itself. This would undermine the objective of achieving a single

set of global high quality international financial reporting standards.

In diplomatic speak that's pretty clear: the EU is saying that they've got the conceptual framework wrong and public policy issues need to feature much more prominently.

And rightly so.

And don't ignore the significance of this. The IASB has basically said such public policy matters are no concern of its - it has even said that accounts prepared using International Financial Reporting Standard should not be considered suitable for tax purposes without giving any indication in that case which accounts might be. If the EU is saying that this gross irresponsibility on the part of the International Accounting Standards Board should end, then I welcome it.

And remember, in this context, one reason (maybe the major reason) why the European Union will be proposing adoption of country-by-country reporting this autumn is that they're so frustrated with the failure of the International Accounting Standards Board to do so.

Now will they listen, or do they think themselves above such tedious issues as accountability?