

IFRS Foundation and ESMA statement of protocols for cooperation on International Financial Reporting Standards

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(Revised 06 September 2016)

Preamble

The International Financial Reporting Standards Foundation (“the IFRS Foundation”), through its independent standard-setting body, the International Accounting Standards Board (“the IASB or the Board”), is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. The Board, together with its interpretative body, the IFRS Interpretations Committee (“the Interpretations Committee”), works to support the consistent application of IFRS Standards.

The European Securities and Markets Authority (“ESMA”) is an independent EU Authority that contributes to enhancing the protection of investors and promoting stable and well-functioning financial markets in the European Union (“the EU”). ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU. ESMA contributes to the regulation of financial services firms with a pan-European reach, either through direct supervision or through the active co-ordination of national supervisory activity. One of ESMA’s areas of responsibility is to promote the effective and consistent application of the European Securities and Markets legislation with respect to financial reporting, notably IFRS Standards.

The IFRS Foundation and ESMA have, for many years, cooperated to support the consistent application of IFRS Standards. This cooperation has included contributions by ESMA to the IFRS Foundation’s mission of developing a single set of high quality, understandable, enforceable and globally accepted accounting standards. This cooperation reflects their shared objectives of promoting the reporting of financial information that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the reporting entity.

In all of the interactions between the two organisations, each organisation applies its normal policies for transparency and confidentiality.

The purpose of this statement is to recognise the basis on which the IFRS Foundation and ESMA are cooperating and provides for further development and enhancement of their interactions.

Provisions of the statement of protocols

Senior representatives of the Foundation and ESMA meet periodically, as deemed appropriate to:

- share perspectives on strategic matters related to globally accepted financial reporting standards,
- further the development and consistent application of IFRS Standards, and
- discuss matters of mutual interest, including regulatory developments, and the status of each organisation’s projects.

Supporting the development of IFRS

ESMA and the IFRS Foundation share a common interest in ensuring that IFRS Standards are comprehensive, well developed and maintained, and are auditable and enforceable. In particular:

- ESMA staff is invited to participate in the Board's working groups, as appropriate.
- ESMA submits comment letters to the Board, in response to due process documents, including exposure drafts, published by the Board. In providing comments to the Board, ESMA includes enforcers' views with a focus on the enforceability of the proposed standard or amendment.
- As and when required, ESMA coordinates the fatal-flaw review by European enforcers of the Board's due process documents before their publication.

Supporting the consistent implementation and application of IFRS

ESMA and the IFRS Foundation have a common interest that IFRS Standards are consistently implemented and applied in practice across the EU. In this respect ESMA staff is invited to periodically discuss IFRS initiatives and Standard-setting projects in cooperation with the IFRS Foundation. Timely communication between ESMA and IASB staff enables earlier identification of implementation issues and thus can limit or prevent diversity in practice from developing. Consistently with this objective:

- The IASB staff highlights those aspects of new or significantly amended IFRS Standards that are expected to be of most interest to regulators
- The IFRS Foundation informs ESMA of the nature of any particularly time-sensitive implementation matters regarding IFRS Standards that IASB staff assesses as urgently requiring input from European securities regulators. ESMA promptly gathers and provides the appropriate related regulatory input from European enforcers and securities regulators. ESMA makes submissions to the Interpretations Committee on areas of application of IFRS Standards where it has noted diversity in practice and where it judges to be beneficial that the Interpretations Committee provides guidance or clarification.
- ESMA coordinates the response from European enforcers to outreach requests from the IASB staff about the prevalence of new issues submitted to the Interpretations Committee and diversity observed in practice. ESMA also responds to other ad-hoc informal outreach requests from IASB staff.
- ESMA submits comment letters to the Interpretations Committee on draft IFRIC Interpretations and, where appropriate, tentative agenda decisions. In submitting comments ESMA includes its views on the consequences of the draft IFRIC Interpretation or tentative agenda decision on the consistent application and enforceability of IFRS Standards.
- The Board members and IASB staff meet with the European Enforcers Coordination Sessions (EECS) periodically, and as necessary for urgent matters, to discuss current enforcement issues, and to discuss current developments at the Interpretations Committee.
- The IASB staff interacts with ESMA as part of the development and maintenance of the IFRS Taxonomy as relevant for the use in electronic filings by EU listed entities.

- ESMA brings to the Board’s attention emerging financial reporting issues arising from financial innovation and other new developments.
- As part of its regulatory work and as appropriate, ESMA consults with the Board before issuing its publications that relate to the application of IFRS Standards in the EU.
- As part of the planning phase of a Post Implementation Review (“PiR”), the IASB staff approach selected parties for input to help the Board determine the focus of the PiR. The IASB staff undertakes outreach to ESMA as part of this planning phase. The IASB staff can also consider for that purpose ESMA’s published enforcement decisions relevant to the standard being reviewed. ESMA provides feedback to the Board during the outreach phase of the PiR and, where appropriate, performs a specific review of accounting practices in the EU.
- Periodically ESMA host or co-host seminars or workshops for staff of securities regulators and others involved in enforcement. ESMA invites Board members and IASB staff to attend and contribute to such seminars and workshops. Reciprocally, the IFRS Foundation invites ESMA staff to attend and contribute to IFRS Conferences in Europe, as appropriate.
- Each party provides, without prior request, to each other any information that it considers is likely to be of assistance to the other.

Review of protocols

Both parties intend to review these protocols when significant changes or reviews occur in either of the organisations, in order to assess the need for any enhancements or revisions.

Michel Prada
Chairman
IFRS Foundation Trustees

Steven Maijoor
Chair
European Securities and Markets Authority