

**EFRAG  
Francoise Flores  
Square de Meeus 35  
1000 Brussels  
Belgium**

## **The IASB's Exposure Draft *Defined Benefit Plans: Employee Contributions***

Dear Ms Flores,

DEAR FRANCOISE,

The European Securities and Markets Authority (ESMA) thanks you for this opportunity to contribute to EFRAG's due process. We are pleased to provide you with the following comments aimed at improving the decision-usefulness of financial statements and the transparency and enforceability of IFRSs.

ESMA has considered EFRAG's draft response on the IASB's Exposure Draft (ED) *Defined Benefit Plans: Employee Contributions*. ESMA concurs with EFRAG regarding the support to the IASB proposal to clarify that contributions from employees or third parties that are linked solely to the employee's service rendered in the same period in which they are payable, shall be recognised as a reduction in the service cost in that period.

However, ESMA has the view that the proposed amendments should be understood as a clarification within the remits of the current standard rather than a relief of the current requirements. Therefore, if the Board so agrees, ESMA would ask the Board for including this in the Basis for Conclusions of the amended standard in order to make it clear that this practical expedient is currently available within the boundaries of the current text of paragraph 93 of IAS 19 – *Employee Benefits*.

Like the IFRS IC (see BC 2) ESMA believes that under the current version of IAS 19, employee contributions that are linked solely to the employee's service rendered in the same period in which they are payable might also be considered to reduce the cost of short-term benefits, with the consequences in terms of the application of the current standard. In this respect ESMA doubts that the text in BC 3 and BC 4 of the ED, is consistent with this observation.



ESMA also supports the proposal of the IASB to specify in paragraph 19.93 that the gross negative benefit from contributions should be attributed to periods of service in accordance with paragraph 70, unless the proposed practical expedient applies.

Finally, ESMA agrees with the transition requirements in paragraph 175.

Please do not hesitate to contact us should you wish to discuss any of the issues we have raised.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'S Maijoor', written over the printed name.

Steven Maijoor  
Chair

European Securities and Markets Authority