

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

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Preamble

The IFRS Foundation (the Foundation), through its independent standard-setting body, the International Accounting Standards Board (IASB), 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 IASB, together with its interpretative body, the IFRS Interpretations Committee (Interpretations Committee), work to support the consistent application of those 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 (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.

The Foundation and ESMA have, for many years, cooperated to support the consistent application of IFRS. This cooperation has included contributions by ESMA to the 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 Foundation and ESMA are currently cooperating and to identify areas in which the two organisations can further develop and enhance their interactions.

Existing cooperation

The Foundation and ESMA meet regularly to share information and experience relevant to the consistent application of IFRS, exchange views on the development of IFRS, and discuss any matters of mutual interest, including regulatory developments, and the status of each organisation's projects.

Supporting the development of IFRS

- ESMA staff is invited to participate in IASB working groups as appropriate.
- ESMA submits comment letters to the IASB on proposed new standards and amendments, in response to exposure drafts (EDs) published by the IASB. In providing comments to the IASB, ESMA includes enforcers' views with a focus on the enforceability of the proposed standard or amendment.
- ESMA coordinates the fatal-flaw review by European enforcers of the IASB's near-final drafts of new standards and amendments, when appropriate.

Supporting the consistent application of IFRS

- ESMA makes submissions to the Interpretations Committee on areas of application of IFRS where it has noted diversity in practice and where it judges to be beneficial that the Interpretations Committee provides guidance / clarification.
- ESMA coordinates the response from European enforcers to outreach requests from Interpretations Committee 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 Interpretations Committee staff.
- ESMA submits comment letters to the Interpretations Committee on draft Interpretations and, where appropriate, tentative agenda decisions. In submitting comments ESMA includes its views on the consequences of the draft Interpretation or tentative agenda decision on the consistent application and enforceability of IFRS.
- As part of the planning phase of a post-implementation review (PiR), IASB staff approach selected parties for input to help the IASB determine the focus of the PiR. IASB staff undertakes outreach to ESMA as part of this planning phase. IASB staff can also consider for that purpose ESMA's published enforcement decisions relevant to the standard being reviewed. ESMA provides feedback to the IASB during the outreach phase of the PiR.

Enforcement coordination and support

- IASB members and staff meet with the European Enforcers Coordination Sessions (EECS) regularly, and as necessary for urgent matters, to discuss current enforcement issues, and to discuss current developments at the Interpretations Committee.
- Periodically ESMA host or co-host seminars or workshops for staff of securities regulators and others involved in enforcement. ESMA invites IASB members and staff to attend and contribute to such seminars and workshops.
- As part of its regulatory work and as appropriate, ESMA consults with the IASB before issuing its publications that relate to IFRS application in the EU.

Future interactions and cooperation

The Foundation and ESMA commit to develop their operational cooperation with regard to the consistent application of IFRS and intend to do so as follows:

- IASB staff will interact with ESMA as part of ESMA's assessment of the IFRS Taxonomy in the context of its mission of drafting Regulatory technical Standards for use in electronic filings by EU listed entities.
- IASB staff will explain what pressure points they anticipate are most likely to arise in the implementation of its new or significantly amended standards.
- ESMA will bring to the IASB's attention emerging financial reporting issues arising from financial innovation and other new developments.

Review of protocol

The Foundation and ESMA will review this protocol after two years to assess the need for any revisions.