



Memorandum of Understanding

for mutual cooperation between

THE BASEL COMMITTEE ON BANKING SUPERVISION

and

THE IFRS FOUNDATION

5 September 2017

I. Introduction

The Basel Committee on Banking Supervision has a mandate to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability.

The IFRS Foundation's ("Foundation") objectives and mission includes the development of, in the public interest, a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards ("IFRS Standards"¹) that bring transparency, accountability and efficiency to financial markets around the world. The Foundation's work serves the public interest by fostering trust, growth and long-term financial stability within the global economy. The IFRS Standards are set by the Foundation's standard-setting body, the International Accounting Standards Board ("the Board").

The BCBS and the Foundation have a shared objective in that financial information, prepared in accordance with high-quality accounting standards, is used as a basis for the calculation of regulatory capital and other regulatory measures. The transparency created by appropriate disclosures as a result of rigorous accounting standards promotes financial stability and enhances market discipline.

II. Objectives of this Memorandum of Understanding

The BCBS and the Foundation agree to formalise their mutual interaction at the strategic and working level on IFRS Standards, focusing on both the development of IFRS Standards and on the manner in which they are applied in practice by banks across the world. This Memorandum of Understanding:

- recognises the nature of the cooperation between the BCBS and the Foundation;
- identifies areas of mutually supportive work; and
- provides for continued strengthening of future cooperation between the BCBS and the Foundation.

This Memorandum of Understanding does not intend to change the relationship between the parties but rather seeks to formalise the existing relationship and strengthen it. This Memorandum of Understanding therefore serves to ensure mutual respect for the

¹ IFRS Standards include all the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations.



independence of each organisation both in form and in substance but does not create any legally binding obligations or enforceable rights.

III. Provisions of this Memorandum of Understanding

Strategic discussions and development of IFRS Standards and interface with the BCBS Framework

Objectives of interactions: foster the sharing of information and the BCBS members' views in support of work in the development of IFRS Standards. Share information to support understanding of interactions between IFRS Standards and the BCBS Framework.

The BCBS and the Foundation have a common interest in ensuring that the body of IFRS Standards is comprehensive, is well developed and maintained, is both auditable and enforceable and supports financial stability. Accordingly:

- A. The BCBS Accounting Experts Group Chair and members of that group intend to meet periodically with representatives of the Foundation to educate, discuss and share mutual perspectives on strategic and technical matters related to IFRS Standards, financial stability, related regulatory matters and their respective influence on financial markets.
- B. In the case of the BCBS, such discussions may include commenting, providing input and sharing perspectives on:
 - the Foundation's and the Board's initiatives;
 - the Board's standard-setting projects;
 - the IFRS Interpretations Committee's projects;
 - Post-Implementation Reviews, effects analyses and other support relevant to the implementation and application of IFRS Standards;
 - the Board's proposed new standards and amendments to existing standards relevant to banks and banking groups, noting in particular their operation, suitability, enforceability and impact on capital and banking and financial stability; and
 - where relevant and possible, the Foundation's and the Board's comments in the normal course of its work.
- C. In the case of the Foundation and the Board, such discussions may include commenting, providing input and sharing perspectives on:
 - the BCBS's documents and initiatives on prudential regulation and capital adequacy; financial stability and transparency; and related regulatory matters, to the extent that they are relevant to the Foundation's standard setting. Such comments are to be of a private and informal nature;
 - specific BCBS projects relevant to IFRS Standards;
 - general education and information on the work of the Foundation and the Board, and the interface between IFRS Standards, prudential regulation and capital adequacy; financial stability and transparency; and related regulatory matters and their respective influence on financial markets; and
 - where relevant and possible, the BCBS's comments in the normal course of its work.



- D. Where appropriate, both the BCBS and the Foundation may invite the other party (or representatives thereof) as an observer or a member in the BCBS's and the Board's consultative groups, committees and/or task forces, recognising these compositions are determined on a case-by-case basis.

Implementation of IFRS Standards

Objective of interactions: foster the sharing of information to support both parties in their work in the application of IFRS Standards on a globally consistent basis.

The BCBS and the Foundation agree to share information, as appropriate, to support both parties in their interest to encourage the consistent and high-quality application of IFRS Standards, financial stability, related regulatory matters and their respective influence on financial markets. Consequently, they continue to discuss the progression in the use of IFRS Standards globally and implementation issues or evidence of diversity in the application of IFRS Standards that are identified. Such issues could include submitting a request to the IFRS Interpretations Committee to consider the matter.

IV. Review

Both the BCBS and the Foundation believe that their respective roles will continue to evolve. Accordingly, both parties intend to review, when necessary or as requested by either party, this Memorandum of Understanding with the aim of enhancing its functioning and effectiveness.

V. Non-endorsement

For the avoidance of doubt, nothing in this Memorandum of Understanding will be construed as amounting to either party endorsing the other's work. Each organisation takes sole responsibility for the drafting and dissemination of its professional materials, and any supporting documentation.

VI. Principal contacts

- A. The principal points of contact at the Foundation will be a designated member of the Board and a Technical Staff Director.
- B. The principal points of contact at the BCBS will be a designated member of the BCBS's Accounting Experts Group and the Chair of that Group as determined from time to time by the BCBS.

VII. General terms

- A. In all the interactions between the BCBS and the Foundation, each organisation will apply its normal policies and practices for transparency and confidentiality.
- B. Nothing in this Memorandum of Understanding will be construed as undermining the independence of the parties.



- C. No variation to this Memorandum of Understanding will be given effect unless expressly agreed in writing by authorised representatives of both parties.

This Memorandum of Understanding will be effective as of 5 September, 2017.

Signed for:



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**Basel Committee on Banking
Supervision**

**Stefan Ingves
Chairman of the Basel Committee**

Signed for:



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The IFRS Foundation

**Michel Prada
Chair of the Trustees**