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Michel Prada
Chairman of the Trustees
IFRS Foundation
30 Cannon Street
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30 November 2015

Request for Views: Trustees' Review of Structure and Effectiveness: Issues for the Review

Dear Mr Prada

The European Banking Authority (EBA) welcomes the opportunity to comment on the IASB's consultation paper *Request for Views: Trustees' Review of Structure and Effectiveness: Issues for the Review* (RfV). The EBA has a strong interest in promoting sound and high quality accounting and disclosure standards for the banking and financial industry, as well as transparent and comparable financial statements that would strengthen market discipline.

The EBA welcomes the development of the *Strategic Overview* for the period 2015-17, which identifies four primary strategic goals for the organisation in support of its mission after the review of the report of the Trustees' second *Strategy Review* published in February 2012 on which the EBA has also commented¹.

Overall, we support the focus of the RfV in the particular areas of enhancing the governance and standard-setting process of the International Financial Reporting Standards (IFRS) Foundation and strengthening consistency of application and relevance of IFRS. This should allow the IASB to address on a more timely basis those issues which are of more urgency.

The EBA believes that the main focus of the IASB should remain on developing standards for the private sector for-profit entities. The focus of the IASB since its establishment has been to develop standards for the private sector and in order to achieve that, the IASB developed its current governance structure and the necessary expertise. Expanding to other types of entities (public sector or for entities in private, not-for-profit sectors) and other purposes (corporate reporting) would absorb the already constrained resources which could otherwise be allocated to meet the current primary scope of the activities of the IASB particularly in the aftermath of the financial crisis. Thus, at this stage the EBA would urge the timely completion of the current projects of the IASB rather than expanding the activities of the IASB to other types of entities or purposes.

¹<http://www.eba.europa.eu/documents/10180/16535/2011-07-25-EBA-CL-IFRS-F-strategy-review-report.pdf>

In addition, we support the strategic goals for enhancing consistency of IFRS application and implementation and would welcome increasing the focus of the IASB activities on addressing application and implementation issues on a timely basis.

Our comments on the RfV are set out in the Annex. We have not explicitly addressed the specific questions raised in the RfV.

If you have any questions regarding our comments, please do not hesitate to contact us.

Yours sincerely

(signed)

Andrea Enria

Annex

Development of a single set of standards: scope of activities of the IASB

The EBA believes that the main focus of the IASB should remain on developing standards for the private sector for-profit entities.

The IASB was established in 2001 to develop standards for the private sector and in order to achieve that, the IASB developed its current governance structure and the necessary expertise. Furthermore, the need for consistent application and implementation is of utmost importance at this stage of IFRS development in order to ensure that the existing accounting framework meets its objectives. In this regard, it could be questioned whether the IASB has adequate resources to extend its remit to areas which will require the development of additional knowledge and expertise, knowing that the completion of some of the current projects of high priority will require significant resources (e.g. Insurance Contracts standard, Dynamic Risk Management, post-implementation reviews (PIR), application issues).

The EBA believes that monitoring the developments in wider corporate reporting should be sufficient at this stage and therefore we agree with the Trustees' view that the IASB should keep the current approach of co-operation with those engaged in other areas of the wider corporate reporting but its primary main focus should be on financial reporting.

Regarding the development of alternative performance measures, it is arguable to what extent these measures may address weaknesses of the current IFRS. If this is the case, then the primary focus should be on improving the existing IFRS, rather than developing additional standards for reporting of non-financial information. In this regard, we concur with the Trustees' view that the reporting of other non-financial information in financial statements should be addressed by improving the existing IFRS, such as the current work of the IASB on the targeted amendments to existing standards (e.g. IAS 1 within the Disclosure Initiative in December 2014).

Consistency of application and implementation

The EBA believes that banking regulators should also be considered as possible parties for the IASB to work with, in promoting the use and rigorous application of IFRS to ensure consistent application of IFRS internationally ('Co-operation with others' as mentioned in paragraph 53 in the Trustees' review).

We acknowledge the IASB's efforts in developing principle-based standards that are supported by appropriate guidance and education material. In addition, we support streamlining the interaction between the IASB and the IFRS Interpretations Committee and increasing the issuance of IFRIC decisions. Furthermore, we encourage the use of any other suitable tool in order to address more emerging implementation issues and on a more timely basis. This should promote effective and consistent application of IFRS which is crucial to the perceived quality and credibility of IFRS.

In addition to that, we agree with the Trustees' view that education activities and PIRs are key items to improve the consistency and quality of the application of standards. We are of the view that PIRs are an efficient way to verify whether standards have met the expected objective of improving the quality of financial reporting.

IFRS taxonomy

We take note of the IASB's current strategy to focus more on the taxonomy itself and leaving to others with more appropriate expertise the development of the computer language (XBRL). We agree that taxonomy considerations should not dictate the standard-setting process and we understand this shift should enable a more efficient allocation of the IASB's resources.