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THE CHAIRPERSON

Philippe Maystadt
Special adviser to Commissioner Michel Barnier
European Commission
Internal Market and Services
Rue de la loi 200
1048 Brussels

11 October 2013

Dear Mr Maystadt

The EBA welcomes your draft report “Should IFRS standards be more European?” and appreciates the opportunity to share our views on some of the issues it discusses.

Overall we share the report’s support of IFRS as the global accounting standards. At the same time we believe it is very important to have a debate in Europe around the different issues the report covers with the final objective to strengthen the EU voice and as a result to improve the EU influence in the IASB and in the accounting standard setting process.

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 and contribute to financial stability.

Endorsement process

In our EBA contributions to the IASB due process¹ we regularly stress that financial stability and prudence considerations should be given appropriate weight in standard setting and, to achieve this objective there should be i) a wider engagement of prudential and financial stability authorities in the standard setting process and ii) an assessment of the economic and financial environment – and potential consequences – in the standard setting decisions. From that perspective we would welcome giving further consideration to these aspects in the context of the endorsement process of IFRS Standards at EU level.

Against this background, we believe that in the discussions about how to strengthen the European contribution to the IASB, the EBA should be considered as one of the contributing actors, given its role as a public authority directly concerned with the stability of the financial sector to which banks are a major component, and with significant interest in accounting standard setting. Indeed, financial statements are an important source of information for prudential supervisors.

¹ EBA Comment Letter on the *IFRS Foundation public consultation paper Status of Trustees’ Strategy Review*, 24 February 2011; EBA Comment Letter on the *Consultative Report on the Review of the IFRS Foundation’ Governance*, 8 April 2011; and EBA Comment Letter on the *Report of the Trustees’ Strategy Review – IFRS as the Global Standard: Setting a Strategy for the Foundation’s Second Decade*, 25 July 2011.

We consider that some of the aspects discussed in the report would benefit from a more detailed analysis. In this regard, we have the following comments which should help ensure the appropriate governance of the body that will provide advice to the European Commission on the endorsement of the IFRS standards.

Endorsement advice

We believe that the report should further analyse the question of who must advise the Commission on the adoption of the standards. The endorsement advice should be provided with the objective to respect the public interest according to the IAS Regulation and, therefore, the body entrusted with this mission should serve the needs of the public interest.

We have some reservations to have a body as the report proposes under option 1 (transformation of EFRAG) where the decisions are taken by a Supervisory Board composed of members representing public and private interest. In particular, we have some concerns of how a body with this mix will be able to make decisions on a consensus basis. We would also be concerned if in that body a situation could arise where the public authorities are outvoted by the private interest.

We therefore prefer either a modification of this option by having a body with a Supervisory Board composed of members representing public and private interest in which the decisions of the endorsement advice are taken by the public authorities represented in the body taking into consideration the input of the members representing the private interest; or a separate independent body responsible for providing the endorsement advice (public authority).

Member states and stakeholders

The body representing the EU voice should have the capacity to encompass all member states' interest and should also be able to consider the view of all stakeholders with an interest in financial reporting.

Independence

Finally, the report mentions current concerns about the experts' independence. We believe that to have the appropriate legitimacy, the independence of the members of this body should be ensured.

I remain at your disposal if you would like to have further exchange of views on the different areas covered in your report.

Yours sincerely

(signed)

Andrea Enria

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