

## **EFRAG Financial Instruments Working Group**

### **TERMS OF REFERENCE**

*Approved EFRAG TEG 26 May 2016*

#### ***Objective***

The role of the EFRAG Financial Instruments Working Group is to support EFRAG TEG in providing its technical advice to the EFRAG Board on the development of IFRS and IFRS Interpretations on financial instruments specific matters and their application within Europe.

The role of the Working Group includes providing specialised knowledge to enhance EFRAG TEG's understanding of financial instruments specific issues and technical assessment of proposals by performing activities such as advising and supporting EFRAG TEG in developing the following:

- Pro-active contribution to the work of IASB and IFRS Interpretations Committee on financial instruments specific issues;
- Technical assessment of IFRS and IFRS Interpretations on financial instruments specific matters including liaison with the EFRAG Insurance Accounting Working Group on matters of mutual interest;
- Identification of interpretation and implementation issues on financial instruments specific matters;
- Assistance in the preparation and execution of field work activities;
- Preparation of endorsement advices to the European Commission on final pronouncements issued by the IASB;
- Advice on changes to the relevant EU Accounting Directive(s), if requested by the European Commission; and
- Input on other financial instruments related matters.

Where appropriate, the members of the Working Group should liaise with parties active in the financial reporting debates within the remit of the Working Group, including preparers, users, industry organisations, Standard Setters, auditors and regulators. The aim should be to ensure that the views from European stakeholders interested in financial reporting are properly taken into account in discussions at EFRAG TEG and, ultimately, the EFRAG Board.

The Working Group's output always takes the form of input to EFRAG TEG. The Working Group is not an EFRAG decision-making body, but advisory in nature. The Working Group does not express its views publicly in any way.

#### ***Preferred composition of the Working Group***

The Working Group should consist of members with particular experience of financial instruments accounting. There should be a good mix of different backgrounds, e.g. preparers, auditors, users, academics and Standard Setters. Members should have

strong technical expertise on financial instruments issues. The composition of the Working Group should also provide a good mix of country background.

The size of the Working Group is limited to up to 16 members including the Chairman of the Working Group if he is not an EFRAG TEG member and excluding the EFRAG TEG members participating in the Working Group.

The appointment of the members is proposed by the EFRAG TEG Chairman for approval by EFRAG TEG in accordance with EFRAG's procedures for appointments of members to EFRAG Working Groups as included in article 28 of the EFRAG Internal Rules. The members are appointed in their personal capacity and may not be represented by alternates.

At least one EFRAG TEG member is appointed as a member of the Working Group. Generally, an EFRAG TEG member chairs the Working Group. However, in specific cases another person can be appointed in accordance with EFRAG's procedures as laid down in article 28 of the EFRAG Internal Rules.

Representatives of the European Commission, the IASB, ESMA, EBA, ECB, IASB and other interested organisations may be invited to attend the meetings of the Working Group as observers with speaking rights.

### ***Meetings***

The Working Group is expected to meet one day every three months or more or less frequently as necessary. Advice and other input will also sometimes be sought via email, telephone, video conferencing or other electronic means.

The work and meetings of the Working Group are conducted in English.

All meetings are expected to take place at the EFRAG offices in Brussels, organised in such a way that most members are able to travel to and from Brussels on the same day. Working Group members are expected to bear their own travel and other costs in participating in the activities.

The Working Group can, through its Chairman and in coordination with the EFRAG TEG Chairman, invite specialists to its meetings for specific agenda items.

All meetings of the Working Group are closed sessions, i.e. not open to public observers.

### ***Relationship with EFRAG TEG***

The EFRAG TEG Chairman, the EFRAG Technical Director and other EFRAG Staff participate in the discussions as appropriate. EFRAG TEG members can and are encouraged to attend the meetings of the Working Group to raise questions to improve their understanding of the issues at stake and the recommendations of the Working Group.

The Working Group provides, through EFRAG Secretariat, regular updates to EFRAG TEG on the outcome of their discussions, including any diverging views between the members or preferred alternatives, with the underlying arguments.

Working Group members receive, for information purposes, a copy of the papers submitted to EFRAG TEG on the specific topics on which the Working Group advises EFRAG TEG.

Working Group members are duly and timely informed about the draft consultation documents submitted by EFRAG Staff to EFRAG TEG on the specific topics on which the Working Group advises EFRAG TEG, with the invitation to provide input.

Working Group members are duly and timely informed about the draft consultation documents submitted by EFRAG TEG to the EFRAG Board and the technical advice of EFRAG TEG provided to the EFRAG Board for its finalisation and approval of the EFRAG positions on the specific topics on which the Working Group advises EFRAG TEG, with the invitation to provide input.

A delegation of the Working Group participates in the EFRAG TEG meetings as observer with speaking rights when the specific topics on which the Working Group advises EFRAG TEG are discussed. The composition of the delegation is proposed by the Chairman of the Working Group and validated by the EFRAG TEG Chairman. In case the Chairman of the Working Group is not an EFRAG TEG member, he is allowed to vote on the specific topics on which the Working Group advises EFRAG TEG following the majority view held in the Working Group.

The Working Group receives, through EFRAG Secretariat, feedback from EFRAG TEG on the issues where EFRAG TEG decides to deviate from the Working Group advice and preferred position.

### ***Methods of working***

The administrative support of the Working Group is provided by EFRAG Secretariat.

EFRAG Secretariat prepares the papers for the Working Group meetings. Members of the Working Group can submit papers they want to share or be discussed to EFRAG Secretariat, who assess that the papers do not duplicate others and are sufficiently understandable.

In preparing papers, maximum use is made of papers prepared by IASB Staff, where appropriate, to avoid redundancies and interpretation issues.

EFRAG Secretariat endeavours to make the meeting papers available not less than five working days before the meeting of the Working Group.

EFRAG Secretariat endeavours to make the draft minutes of a meeting of the Working Group available not later than ten working days after the meeting.

The Working Group receives, through EFRAG Secretariat, regular updates on the deliberations of various IASB advisory groups relevant for its activities and should take them into consideration.

The Chairman of the Working Group is invited to participate in the relevant sessions of the EFRAG User Panel.

### ***Internal rules***

The EFRAG Internal Rules as approved by the EFRAG General Assembly on 16 June 2014, in particular article 28, apply to all EFRAG working groups.

Brussels, 26 May 2016