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<p style="text-align: center;"><b>TERMS OF REFERENCE ON THE ORGANISATION AND FUNCTIONING OF CESR-FIN</b></p>
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**MANDATE OF CESR-FIN**

1. CESR-Fin missions are:

- a. To coordinate the operational activities of EU National Enforcers in relation to the enforcement of compliance with IFRS. This includes notably:
  - i. Analysis and discussion of individual enforcement decisions under IFRS and emerging financial reporting issues under IFRS<sup>1</sup>.
  - ii. Identify issues which are not covered by financial reporting standards or which may be affected by conflicting interpretations for referral to standard setting or interpretive bodies such as IASB or IFRIC.
  - iii. Exchange of views and experiences on methods for supervising the financial information of companies offering publicly securities and/or having these securities listed on an EU regulated market.
- b. To pro-actively monitor and influence the regulatory developments in the area of accounting and auditing, including an active monitoring of the EU endorsement processes of international standards and the work of relevant EU accounting and/or auditing Committees.
- c. To identify issues in relation to the areas covered above that should be addressed by CESR through appropriate measures such as standards, guidelines or recommendations. CESR-Fin can also make proposals on best enforcement practices or for peer reviews among enforcers.
- d. To advise other CESR groups, such as the Prospectus Contact Group or the Transparency Expert Group, on technical accounting and auditing issues raised by these groups in relation to their area of activity or as a result of implementation issues identified in connection with CESR-Fin activities
- e. To establish and maintain the appropriate relationship with securities regulators from major capital markets outside Europe, in order to foster the operational cooperation between EU and non-EU regulators in the area of financial reporting.

**ORGANISATION AND FUNCTIONING OF CESR-FIN**

*Objective and general organisation of CESR-Fin*

2. CESR-Fin is responsible for the implementation of the mandate set out above by itself and through the EECS.

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<sup>1</sup> This does not include specific issues raised in relation to the implementation of the Prospectus Regulation. In this regard, see paragraph 13.d.



3. CESR-Fin will consist of representatives nominated by CESR members having a senior position in their organisation and having day to day responsibilities in the field of accounting, auditing and/or enforcement of compliance with financial reporting under IFRS. The criteria for appointment of the representatives should take into account the following required characteristics: expertise, awareness, authority, availability, and continuity (see CESR guidelines for expert groups CESR/03-149c). In addition, they should report and consult within their organisation on the progress of work in the group. They should also liaise with their colleagues participating in other CESR groups (such as the Prospectus Contact Group or the Transparency Expert Group) on issues that are of common interest for the two groups.

4. CESR-Fin should decide by mutual agreement. This principle is to be understood in accordance with the CESR guidelines for expert groups (CESR/03-149c).

5. CESR-Fin will hold at least four meetings a year. Additional meetings will be called if needed. The agenda and working documents for CESR-Fin meetings will normally be distributed 10 working days in advance of CESR-Fin meetings to permit necessary preparation of meetings. Minutes of the meetings will be prepared.

6. The Secretariat of CESR will provide support to the work of CESR-Fin and will facilitate the coordination between CESR-Fin and other CESR groups.

#### *Relationship between CESR-Fin and CESR/Chairs meetings*

7. CESR will appoint the Chairperson of CESR-Fin for a two year period. As indicated below, the CESR-Fin Chairperson will nominate, among CESR-Fin Members, the Chairperson of the EECS and CESR-Fin observers to or representatives in external bodies after consultation of the Chair of CESR. These appointments will be reported to CESR.

8. CESR-Fin is entitled to send letters or other appropriate documents to relevant external bodies on ordinary issues, in the framework of its mandate or within policy lines previously agreed by CESR. CESR will be consulted for ex ante approval of draft letter or document relating to significant issues and/or issues likely to represent a new policy orientation. CESR will be systematically consulted in case of doubt.

9. The Chairperson of CESR-Fin will periodically report to CESR on the activities and realisations of CESR-Fin, including a report on instances where paragraph 21 was used. CESR-Fin will present for approval to CESR an annual work program implementing the foregoing missions (Par. 1).

#### *Liaison with external bodies*

10. In order to fulfil its mission, CESR-Fin will maintain contacts with various bodies involved in the field of accounting and auditing as indicated in the following paragraphs. Subject to approval by CESR, it will in the future establish regular link with other bodies as deemed necessary.

11. **The European Commission (EC)** will be invited to attend all meetings of CESR-Fin as an Observer, except when individual cases are discussed.

12. CESR is observer in the **Accounting Regulatory Committee (ARC)** and in the **Audit Regulatory Committee (AuRC)**. As agreed with CEBS and CEIOPS, CESR will normally coordinate the representation of the 3L3 in the meetings of the AuRC. The Chairperson of CESR-Fin will be the observer of CESR-Fin to the ARC and AuRC.

13. CESR is also observer in the **European Financial Reporting Advisory Group (EFRAG)**. The Observer of CESR-Fin to EFRAG will be nominated among CESR-Fin Members by the Chairperson of CESR-Fin for 2 years after consultation of the Chair of CESR. This appointment will be reported to CESR.

14. After consultation of Member States through the ARC, the European Commission decided to set up an **EU Accounting Roundtable** to discuss emerging and potentially problematic accounting issues



in relation to consistent application of IFRS in the EU. CESR-Fin is given two seats in this Roundtable and is expected to participate actively in accordance with its mandate and with CESR rules of procedure (notably regarding confidentiality constraints). The Chairperson of CESR-Fin and the Chairperson of the EECs will normally represent CESR-Fin in the meetings of the Roundtable.

15. In October 2005, a representative of CESR-Fin became a member of the **IASB's Standards Advisory Council (SAC)**. In accordance with SAC Terms of reference, the members of the SAC are appointed by IASB's Trustees for an initial term of three years and, depending upon the need to maintain a proper balance and for continuity, may be asked to remain for up to a further period of three years. A maximum period of service of six years is permitted. CESR will seek to maintain its representation in the SAC and will subsequently propose candidate(s) to be appointed by the IASB's Trustees as representative of CESR-Fin in the IASB's SAC. Candidates will be chosen among CESR-Fin Members by the Chairperson of CESR-Fin after consultation of the Chair of CESR. The process will be reported to CESR.

16. It is noted that the IOSCO SC1 has observers in the **International Financial Reporting Interpretation Committee (IFRIC)**, one or more of them being also members of CESR-Fin.

17. CESR-Fin will give a mandate to its Observers in the above mentioned external bodies and these Observers will periodically report back to CESR-Fin and will promptly inform CESR-Fin Members in case of urgent and/or significant issue.

18. CESR-Fin will, within the mandate, be responsible for contacts with **CEBS and CEIOPS** and with the **European Group of Auditors' Oversight Bodies (EGAOB)** with a view to foster coordination of activities in areas of common interest.

19. CESR-Fin will establish and maintain the appropriate relationship with **securities regulators from major capital markets outside Europe (in particular the US SEC)**, in order to foster the operational and regulatory cooperation in the area of financial reporting.

20. In order for CESR to obtain the maximum impact for its views, as well as to collect directly input from users and experts CESR-Fin may occasionally invite to its meetings representatives from **other European or international bodies**, such as IASB/IFRIC, FEE (European Federation of Accountants), ECG (European Contact Group of major Audit Firms), IFAC (International Federation of Accountants), IAASB (International Auditing Assurance Standard Board), IOSCO SC1 (Accounting and Auditing subcommittee), FESE (Federation of Stock Exchanges), EFFAS (financial analysts' federation) or UNICE (Confederation of trade associations).

#### *Project groups*

21. CESR-Fin can decide to make use of Project Groups, led by one or more coordinators, to develop individual areas of the work. The CESR-Fin Chairperson will report to CESR on the new Project Groups constituted and on the person nominated as co-ordinator.

22. The Project Groups should develop detailed proposals on the subject matter(s) covered by their mandate for presentation to, and agreement with, CESR-Fin. Working documents should be distributed sufficiently early, generally two weeks in advance of a CESR-Fin meeting. In addition, the co-ordinator of the Project Group will report at each CESR-Fin meeting on the progress of the work of his/her Group. Between CESR-Fin meetings, the coordinator will systematically report to and consult CESR-Fin members every time the Project Group reaches a significant stage in the realisation of its work or comes to significant conclusions (with or without unanimity).

23. Participation of CESR Members in Project Groups is voluntary. Although the size of the Project Groups needs to remain limited, each CESR-Fin Member will be entitled to join any Project Group at all time.

24. The Project Groups are not empowered to represent CESR-Fin vis-à-vis third parties or to write letters on behalf of CESR-Fin.



*European Enforcers Coordination Sessions (EECS)*

25. The EECS will act as a forum in which CESR-Fin Members and EU National Enforcers who are not members of CESR exchange views and discuss experiences on enforcement of financial information in order to achieve a high level of harmonization in enforcement decisions.

26. The main functions of the EECS are to:

- Analyse and discuss decisions taken or to be taken by EU National Enforcers on the enforcement of financial information requirements to achieve harmonisation and coordination of future decisions.
- Identify issues which are not covered by financial reporting standards or which may be affected by conflicting interpretations for referral to standard setting or interpretive bodies such as IASB or IFRIC.
- Share and compare practical experiences on methods for supervising the financial information of companies offering publicly securities and/or having these securities listed on an EU regulated market.
- Help identify and provide advice on enforcement issues that may require future CESR standards and guidelines.
- Advise CESR-Fin on public disclosure of information on selected decisions.
- Advise CESR-Fin on database management issues.

27. The Chairperson of CESR-Fin will appoint the Chairperson of the EECS for a two year period, after consultation of the Chair of CESR. This appointment will be reported to CESR. The Chairperson of the EECS will periodically report to CESR-Fin on the activities of the EECS.

28. All EECS Members (i.e. CESR-Fin Members and EU National Enforcers who are not CESR members) are committed to applying all CESR standards on enforcement of financial reporting and guidelines related to these, and the discussion process of EECS operates on the normal CESR principle of consensus.

29. Each EECS member should appoint one representative to EECS. That representative should be interested in actively participating in the EECS's work and is preferably a senior official directly concerned with the enforcement of financial information requirements.

30. The EECS member representative is expected to be appropriately briefed and therefore should not normally be accompanied by additional advisors. The Chairman of the EECS may, in exceptional circumstances agree to the attendance of additional advisors.

31. As indicated in Standard No 2, non-CESR members shall be subject to a confidentiality regime consistent with that applicable to CESR members.

32. EECS are expected to take place on average every month (except during summer break) but may take place more or less frequently depending on the circumstances.

33. The Chairman, assisted by an Agenda Group which will be responsible for preparing the agenda (including selecting decisions) for discussion by the EECS. The Agenda Group is expected to be comprised of a small number of EU National Enforcers representatives from different jurisdictions (in addition to the Chairman). Membership of the Agenda Group will rotate on an annual basis (excluding the Chairman). Rotation may be staggered to allow for an element of continuity.

34. Copies of the agenda and minutes of the EECS meetings will be systematically communicated to CESR-Fin. Working documents will normally be distributed 10 working days in advance of EECS to permit necessary preparation of meetings.

35. The EECS can create ad hoc Operational Project Groups to prepare part of its work. Such Projects Groups will follow the rules and procedures described above in Paragraph 21 and seq.



36. As long as it is in accordance with confidentiality constraints, the Chairperson of the EECS will be entitled to invite representatives of the IASB or IFRIC or other relevant external bodies to discuss emerging important accounting issues.

37. The Membership of the EECS, as well as the necessary arrangements for the exchange of confidential information, will be reviewed after January 2007 in light of the full implementation of the Prospectus and Transparency Directives.

*Coordination within CESR-Fin*

**38.** The Chairperson of CESR-Fin will take the necessary measures to ensure the coordination between the various activities of CESR-Fin, combined with appropriate reporting to CESR-Fin which is the decision making body. The Chairperson of CESR-Fin will act, in close liaison with the Project Groups coordinators and will be informed by those who represent CESR-Fin in other bodies. In light of the experience gained under the new Terms of Reference, the Chairperson of CESR-Fin will, as deemed necessary, make further organisational proposals in order to achieve the necessary coordination.

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