

EFRAG working group: **Financial Instruments****TERMS OF REFERENCE**

- EFRAG has decided to set up a working group on financial instruments. The work programme should cover
 - current issues, e.g. potential solutions for the carve-out areas in IAS 39,
 - wider issues for longer-term revision of IAS 39
 - other related matters.

- Composition of the working group
 - The group should consist of members from the financial sector, e.g. banks, securities houses and insurance companies, and also from non-financial industries. There should be a good mix of different backgrounds, e.g. preparers of F/S of banks and insurance companies, auditors, users, academics and standard setters.
 - Members should have strong technical expertise on financial instruments and accounting issues
 - The group should also provide a good mix of country background

- The size of the group is planned to be limited to 10 members in total
 - Chairman (EFRAG TEG member)
 - 8 working group members
 - 1 staff member
 - the chairman of EFRAG TEG/Technical Director will participate in the discussion whenever appropriate

- Kick off meeting should be in December 2004 if possible or January 2005

- Frequency of meetings: every 2 months or more often if necessary
 - plus email/telephone contact
 - Travel time should be limited to the amount necessary

- Regular updates to EFRAG and liaising with relevant bodies
 - EFRAG will monitor the outcome of the group's discussion on a regular basis in order to give input and feedback on the general direction
 - The working group should be regularly updated on the deliberations at various IASB advisory groups and should take them into consideration
 - The group shall liaise with EFRAG's insurance working group
- Objective of the working group: The group should prepare papers
 - as a discussion basis with the aim of ensuring that European views are taken into account at the IASB
 - as preliminary views of EFRAG (after approval by EFRAG TEG)
 - Should be seen as pro-active work by EFRAG and relevant groups in Europe
 - Exposure of preliminary views together with round-table discussions may be necessary
 - Could be used as discussion basis for EFRAG Advisory Forum
- Outcome of the working group
 - The working group should be able to provide relevant and timely input to EFRAG
- Next steps
 - Approve terms and references
 - Advertise for applications for membership
 - Specify the work programme

Brussels, 8 November 2004