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European Commission
F.a.o. Mr Olivier Guersent
DG-FISMA
Financial Stability, Financial Services and Capital Markets Union
1049 Brussels
Belgium

16 May 2017

Re: EC Public Consultation “The operations of the European Supervisory Authorities”

Dear Mr Guersent,

OIC is pleased to provide its comments on question 15 regarding the endorsement process and ESMA’s role, suggesting to strengthen its function in the endorsement phase, giving it an advisory role.

We are surprised that the European Commission is repeating this proposal considering that, on the one hand, in occasion of the Maystadt consultation in 2013 and as said in the Maystadt report, this option found a “*massive opposition from stakeholders, for various reasons*”. Furthermore, the current endorsement process was confirmed also by the subsequent review of the functioning of the IAS Regulation carried out by the European Commission.

On the other hand, we note that the reform of EFRAG, as recommended by Maystadt, happened only two years ago and has been fully implemented only recently with the appointment of the President of the Board by the EC.

In order to reply to this consultation, the question was discussed in our Boards, the Executive Board and the Supervisory Boards, composed of representatives from all categories of stakeholders (preparers, accounting profession, auditors, users,

academics and financial market) and we believe appropriate to call your attention to their remarks.

Our stakeholders see no reason to consider a new reform after such a short period of time, especially without any evidence of inefficiencies that require the concrete need to change the endorsement process. Indeed, the paper provides no argument that clarifies and justifies why the current process is considered not sufficiently effective and efficient.

EFRAG is working well and improvements continue to be put in place for ensuring more transparency, involving more some categories of stakeholders, like users, and increasing the representativeness. The structure of the EFRAG Board composed by all stakeholders - European stakeholders' organisations and National Standard Setters – reaches the objective to strengthen the European voice towards the IASB, through the integration of different views. Moreover, in this structure, ESMA together with the other ESA already provide their contribution to the endorsement process being involved in EFRAG as observers.

EFRAG is the best solution in order to involve all the interested parties, first in the standard-setting process, given that it follows the development of standards from the initial phase, and then in the endorsement process.

These two phases (standard-setting and endorsement advice) are strictly linked. In order to have high-quality IFRSs, meeting the European needs and so fit for the endorsement, the continuous interaction with the IASB is fundamental from the early phase of the standard-setting process, representing the European positions and working to ensure that the interest of Europe is well understood. In this regard, the work of EFRAG is deeply appreciated and disconnecting it from the endorsement advice, it would compromise EFRAG's capability to influence the decisions of the IASB.

On the contrary, changing the current set-up would not be desirable. In particular:

- separating the technical advice on a standard from its assessment to be respondent to the European public good would result in an inefficient process;
- if the endorsement advice was given to ESMA and therefore EFRAG was replaced, the technical debate and the wide consultation that EFRAG permits as well as its proactive activity would be lost too;

Furthermore, combining the endorsement advice of standards with their enforcement could have no positive consequences due to the risk of pressing the IASB towards a rule-based approach to the standard-setting. This because an Authority entitled with the power of enforcement with which checks the application of standards, prefers to have more rule-based standards so facilitating the enforcement.

If you have any queries concerning our comments, please do not hesitate to contact us.

Angelo Casò
(OIC Executive Board Chairman)