



CEAOB International Equivalence and Adequacy Subgroup

Terms of Reference

Introduction

This document supplements the CEAOB Rules of Procedure, which state that the sub-groups shall operate according to their own terms of reference, which shall be in line with the CEAOB Rules of Procedure and subject to the CEAOB's approval. The document has been drafted by the CEAOB International adequacy and equivalence sub-group (hereafter "the sub-group") and adopted by the CEAOB plenary meeting on 24 October 2018.

1. Legal basis

The sub-group is established on the basis of Article 30(12) of Regulation 537/2014¹ for the purpose of carrying out the tasks referred to in point (c) of Article 30(7) of the Regulation.

2. Mandate

The purpose of the sub-group is to contribute to the technical assessment of the equivalence of the systems of public oversight, quality assurance, investigation and penalties of third countries. The sub-group will also contribute to the technical assessment of the adequacy of third countries' audit oversight authorities to exchange audit working papers with their European counterparts. The sub-group's technical advice will feed into the Commission's assessment in view of the adoption of a Commission Decision granting equivalence or adequacy to a third-country oversight system as provided for in Art 46(2) and 47(3) of Directive 2006/43/EC.

The sub-group will also further enhance international cooperation between audit oversight authorities within the EU equivalence and adequacy regulatory framework.

The final goal is to promote investor protection globally to the benefit of cross-border investment and high-quality audits.

3. Composition

The composition of the sub-group is published on the CEAOB website.

Chair

The Chair of the sub-group (ESMA) is appointed according to Article 30(12).

¹ Regulation (EU) No 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC

Members

All organisations that are represented by a member at the CEAOB, are entitled to be a member of the sub-group, including ESMA. Members may appoint a representative of their organisation to participate in the sub-group according to their level of expertise.

Observers

The European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) are invited to participate in the subgroup meetings as observers. European Economic Area (EEA) authorities' representatives may be invited as observers, subject to the approval of the CEAOB members. Rule 6 of the CEAOB's Rules of Procedure shall apply *mutatis mutandis*.

CEAOB Chair and Vice-Chair

The CEAOB Chair and Vice-Chair (or appropriate Vice-Chair representative from the European Commission) will be invited to join subgroup meetings and contribute to its work.

4. Working arrangements

In light of the above, the members of the subgroup hereby agree to the following terms:

Coordination and organisation

The Chair will organise the meetings, chair the meetings, prepare the agenda and minutes, coordinate the work and prepare an annual work plan. Members of the sub-group may suggest topics for the agenda to be considered and included, where possible, by the Chair.

Sub-group meetings

Meetings will be organised by conference calls on a regular basis and where necessary, by physical meetings depending on the circumstances. Meetings will be hosted, on a voluntary basis, by a member of the CEAOB or the European Commission. If deemed necessary, meetings may be linked to other subgroup meetings or CEAOB plenary meetings.

Confidentiality

The Confidentiality rules applicable within the CEAOB are also applicable within this sub-group (including those referred to in Rule 16 (3) of the CEAOB's Rules of Procedure).

Decision making arrangements

The Chair shall aim to seek consensus on all topics put forward for approval to the sub-group members. If matters for approval cannot be decided by consensus, decisions shall be taken by vote during subgroup meetings by a simple majority of the subgroup members with voting rights. Each of the members of the sub-group have one vote each. The sub-group Chair, the CEAOB Chair, the CEAOB Vice-Chair and the observers do not have voting rights.

Decisions may also be taken by written procedure. Rule 12 of the CEAOB's Rules of Procedure shall apply *mutatis mutandis*.

Reporting to CEAOB

The Chair will report to the CEAOB plenary meetings on the subgroup work on a regular basis.

Communications with other CEAOB sub-groups

As certain matters discussed by the sub-group may be of interest to other CEAOB subgroups, the Chair of the sub-group will liaise with other sub-groups to identify common areas where synergies can be built up. In particular, it is envisaged that the sub-group will be interested in the interactions of the Inspection and Enforcement sub-group in relation to developments with third-country auditors' oversight authorities.

External communications

Any external communication or document to be published requires approval of the CEAOB membership in compliance with Rule 11. Sub-group communications without any CEAOB or sub-group view or position, such as press notices can be published by approval of the sub-group. Documents to be published will be sent to the CEAOB Secretariat for inclusion on the CEAOB website.