



MEMORANDUM OF UNDERSTANDING

BETWEEN

EXTERNAL REPORTING BOARD

AND

FINANCIAL MARKETS AUTHORITY

MEMORANDUM OF UNDERSTANDING

Dated 25 September 2024

Between **EXTERNAL REPORTING BOARD (XRB)**

And **FINANCIAL MARKETS AUTHORITY(FMA)**

Background

1. The XRB was established under the Financial Reporting Act 1993 and continues under the Financial Reporting Act 2013 (FRA). Under the FRA the XRB's functions include:
 - the preparation and issue of financial reporting standards, climate standards and auditing and assurance standards;
 - the preparation and issue of authoritative notices;
 - the development and implementation of strategies relating to the issue of those standards;
 - liaison with international or national organisations that perform functions corresponding with, or similar to those performed by the XRB.
2. The FMA was established under the Financial Markets Authority Act 2011. The FMA's main objective is to promote and facilitate the development of fair, efficient and transparent markets. Its functions include:
 - to promote confident and informed participation in the financial markets, including by:
 - issuing warnings, reports, or guidelines, or making comments about matters relating to those markets;
 - monitoring compliance with, investigating conduct that may involve a contravention of, and enforce, financial markets legislation (including the FRA) and other legislation;
 - providing, or facilitating the provision of, public information and education about any matter relating to the financial markets.
 - to monitor, and conduct inquiries and investigations relating to financial markets, financial markets participants, and other persons engaged in conduct relating to those markets;
 - to exempt under the Financial Markets Conduct Act 2013 persons or transactions or any classes of persons or transactions from compliance with the provisions of particular legislation.
3. The FMA and XRB note the importance of engagement and, where appropriate collaboration, between them in relation to their respective roles, consistent with their statutory independence, on matters of mutual

interest, and have agreed to enter into this Memorandum of Understanding to provide a framework for this engagement and collaboration.

Cooperation principles

4. The FMA and XRB commit to:
 - (a) communicate with each other in an open, honest and timely manner;
 - (b) respond promptly to requests by the other;
 - (c) exchange information and ideas to improve the efficiency and effectiveness of the performance of their respective objectives and functions;
 - (d) work together, so far as is practicable, to avoid duplication of expenditure of taxpayer funded resources. For example: co-ordinate activities such as stakeholder surveys, statistics collection, research work where mutually beneficial to do so;
 - (e) provide advance notice to each other of issues and work to be undertaken, or proposed to be undertaken, of which the other might reasonably expect to be advised;
 - (f) advise each other of any operational or policy concerns through the appropriate channels.

Guidance

5. The FMA and XRB each issue guidance, guides or guidelines (guidance material) as a part of their functions and consider it important that:
 - guidance material is consistent with the legislation to which the guidance material relates;
 - the XRB and FMA are seen to be working collaboratively to address the risks of overlap or conflicting approaches and to seek to avoid where possible any guidance material of one being in conflict with guidance material already published or proposed to be published by the other;
 - if there are aspects of guidance material to be issued by one party on which the other may not agree, the parties seek to resolve those issues before it is published;
 - engagement between the parties on any significant guidance material proposed occurs early in the work programme for such material.
6. Each party therefore agrees to:
 - (a) confer with the other on their work programme in relation to the preparation and issue of guidance material in relation to matters in which the parties have a common interest;
 - (b) confer on the content of any such guidance material;

- (c) advise the other of any proposed guidance material or changes to guidance material that may impact on the objectives and/or functions of the other, allowing for appropriate time to consult;
- (d) address whether it is appropriate that any guidance material be issued as joint guidance material by both parties.

Monitoring of application of standards

- 7. The FMA and XRB are each interested in how standards are being applied in the market and will on a regular basis exchange with each other and discuss information as to how standards are being applied, including any particular issues which arising from their respective monitoring or observation of relevant market disclosure. In relation to any information which is not publicly available, any exchange of information and discussion is to be on a thematic basis without breaching any obligations of confidentiality to which the FMA or XRB are subject.

Media and public releases

- 8. Having regard to media and other public releases the parties commit to confer with the other before providing information or comment on a matter which falls primarily within the other party's responsibility or in which the other party has a material interest.

Work programmes

- 9. At least twice a year, senior staff of each of the FMA and XRB shall meet to canvass with each other their respective work programmes for the subsequent twelve months in relation to matters in which the parties have a common interest, including in relation to guidance material and monitoring as set out in paragraphs 6 and 7.

High-level review

- 10. At least once each year the Chair and Chief Executive of the XRB and the Chair and Chief Executive of the FMA shall meet and discuss the relationship between the parties and the operation and effectiveness of this MOU.

Variation or Termination of this MOU

- 11. This MOU may be amended by agreement of the parties
- 12. Either party may terminate this MOU by giving three months' notice in writing to the other.

Issue or dispute resolution

- 13. All issues, disputes and differences between the parties about the interpretation or performance of this MOU will be addressed at the earliest opportunity by operational representatives or managers, wherever possible. If such matters remain unresolved or require further escalation, they should be referred to the parties' senior management representatives being the persons notified in writing by each party to the other from time to time. In the event a matter is still then unresolved it will be referred to the respective Chief Executives of the parties to address.

Costs

14. Unless the parties mutually determine otherwise, each party shall meet its own costs in observing this MOU.

Legal

15. Nothing in this MOU is to:
 - (a) limit or affect either party's independence, statutory obligations or functions; or
 - (b) require or oblige either party to provide any information to the other except as required by law; or
 - (c) bind either party in the exercise of any discretion conferred on it; or
 - (d) make either party liable for the actions of the other or constitute any legal relationship between the parties.
16. In particular, this MOU is intended to be facilitative only and is not intended to create legally enforceable rights or obligations



Signed by the **Chief Executive**
of the **External Reporting Board**



Signed by the **Chief Executive**
of the **Financial Markets Authority**