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Effects of using International Financial Reporting Standards (IFRS) in the EU: public consultation

Fields marked with * are mandatory.

Impact of International Financial Reporting Standards (IFRS) in the EU: public consultation

Purpose of the consultation

The European Commission is holding a public consultation to seek views from all interested parties on their experience of Regulation 1606/2002 ("the IAS Regulation"). The results of this public consultation will feed into the European Commission's evaluation of the IAS Regulation.

Background

Applying internationally accepted standards - the International Financial Reporting Standards (IFRS) – means standardising companies' financial reporting to make financial statements more transparent and comparable. The ultimate aim is for the EU capital market and the single market to operate efficiently.

Scope of the IAS Regulation

The IAS Regulation states that the IFRS must be applied to the consolidated financial statements of EU companies whose securities are traded on a regulated EU market. EU countries may extend the application of IFRS to annual financial statements and non-listed companies (view an update on the use of options in the EU). The Transparency Directive (2004/109/EC), as subsequently amended, also stipulates that all issuers (including non-EU ones) whose securities are listed on a regulated market located or operating in an EU country must use IFRS.

Impact of the IAS Regulation

The implementation of IFRS in the EU has had an impact on cross-border transactions, trade, the cost of capital, investor protection, confidence in financial markets and stewardship by management. However, it is difficult to differentiate their impact from that of other significant factors, including other regulatory changes in the EU and internationally.

Developments since adoption

Over 100 countries now use IFRS. These accounting standards have been increasingly discussed at international level (e.g. G20, Basel Committee) and with various interested parties in the EU, especially in the wake of the financial crisis.

Several initiatives concerning technical issues and governance are under way at both international and EU level. In the EU, the Maystadt report's recommendations are being implemented. These are designed to strengthen the EU's contribution to achieving global and high quality accounting standards by beefing up the role of the European Financial Reporting Advisory Group (EFRAG), which advises the Commission on IFRS matters.

Current Commission evaluation

The Commission is evaluating the IAS Regulation to assess:

- IFRS's actual effects
- how far they have met the IAS Regulation's initial objectives
- whether these goals are still relevant
- any areas for improvement.

This consultation is part of the evaluation process. The questionnaire was drafted with the help of an informal expert group which is to assist the Commission throughout the process.

Target group(s)

Any interested party – commercial, public, academic or non-governmental, including private individuals.

Especially: capital market participants and companies preparing financial statements or using them for investment or lending purposes (whether or not they use IFRS).

Consultation period

7 August — 31 October 2014 (12 weeks).

How to submit your contribution

If possible, to reduce translation and processing time, please reply in one of the Commission's working languages (preferably English, otherwise French or German).

Contributions will be published on this website with your name (unless – in your response – you ask us not to).

N.B.: Please read the specific privacy statement to see how your personal data and contribution will be dealt with.

Reference documents and other, related consultations

- IAS/IFRS standards & interpretations
- IFRS Foundation
- European Financial Reporting Advisory Group (EFRAG)
- Commission reports on the operation of IFRS

Results of public consultation & next steps

The results will be summarised in a technical report and will feed into the evaluation report to be presented by the Commission in line with Article 9.2 of Regulation 258/2014.

Questions

Please note that some questions do not apply to all groups of respondents.

Who are you?

1. In what capacity are you completing this questionnaire?

If it's *not* on behalf of an organisation, please indicate that you are a "private individual".*

- ○ Company preparing financial statements *[some specific questions for preparers marked with 'P']*
- ○ Company using financial statements for investment or lending purposes *[some specific questions for users marked with 'U']*
- ○ A company that both prepares financial statements and uses them for investment or lending purposes *[some specific questions for preparers and users marked with 'P' and 'U']*
- ● Association
- ○ Accounting / audit firm
- ○ Trade union / employee organisation
- ○ Civil society organisation / non-governmental organisation
- ○ Research institution / academic organisation
- ○ Private individual
- ○ Public authority *[one specific question for public authorities marked with 'PA']*
- ○ Other

1.4.1. How many organisations do you represent?*

AFME represents some 170 leading global and European banks and other significant capital markets participants

1.4.2. What type of business do you represent?*

- ☐ Industry
- ☑ Banking
- ☐ Insurance
- ☐ Other

2. Where is your organisation/company registered, or where are you are located if you do not represent an organisation/company? Select a single option only.*

- (selected) EU-wide organisation
- Global organisation
- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- The Netherlands
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- United Kingdom
- Norway
- Iceland
- Liechtenstein
- Other European country
- Other

3. What is the name of the organisation or authority you represent? If you are part of a group, give the name of the holding company as well.*

Association for Financial Markets in Europe (AFME)

4. In the interests of transparency, we ask organisations to supply relevant information about themselves by registering in the Transparency Register (http://ec.europa.eu/transparencyregister). If your organisation is not registered, your submission will be published separately from those of registered organisations. Is your organisation registered in the European Parliament/Commission Transparency Register?*

- (•) Yes
- ( ) No

4.1. Please give your registration number.*

EU Register of Interest Representatives - registration number 65110063986-76

5. In the interests of transparency, your contribution will be published on the Commission's website. How do you want it to appear?*

- (•) Under the name supplied? (*I consent to the publication of all the information in my contribution, and I declare that none of it is subject to copyright restrictions that would prevent publication.*)
- ( ) Anonymously? (*I consent to the publication of all the information in my contribution except my name/the name of my organisation, and I declare that none of it is subject to copyright restrictions that would prevent publication.*)

Relevance of the IAS Regulation

Objective

6. The rationale for the IAS Regulation, imposing internationally accepted standards - the International Financial Reporting Standards (IFRS) - was to make companies use the same set of accounting standards, thus ensuring a high level of transparency and comparability of financial statements. The ultimate aim was to make the EU capital market and the single market operate efficiently.

In your view, are the Regulation's objectives still valid today?*

- (selected) Yes
- No
- No opinion

6.1. Comments.

A level playing field in accounting standards makes it easier for investors to compare financial statements, and thereby helps issuers to access the capital markets. It also helps preparers to have only one set of accounting standards to follow.

We consider that the existing goals of the IAS Regulation are appropriate, and we do not think that it is necessary for the IAS Regulation to pursue new goals at this stage.

7. The IAS Regulation refers to IFRS as a set of global accounting standards. Over 100 countries use or permit the use of these standards. The US, for instance, allows EU companies listed in the US to report under IFRS. However, it continues to rely on its "generally accepted accounting principles" (GAAPs) for its domestic companies' financial statements, while the EU requires IFRS to be used for the consolidated accounts of EU listed companies.

Has the IAS Regulation furthered the move towards establishing a set of globally accepted high-quality standards?*

- (selected) Yes
- No
- No opinion

7.1. Please explain.

Before the Regulation, there were many different sets of accounting standards in Europe. We think it is very unlikely that those standards would have converged without the IAS Regulation. IFRS has been adopted in over a hundred countries and is used as the basis for national GAAPs in many other countries. Furthermore, other countries permit the use of IFRS - for example Japan allows the use of IFRS and the SEC has allowed EU companies listed in the US to report under IFRS. Moreover, although the pace of convergence has varied over time, there has been some convergence between US GAAP and IFRS in important areas.

Scope

8. The obligation to use IFRS as set out in the IAS Regulation applies to the consolidated financial statements of EU companies whose securities are traded on a regulated market in the EU. There are about 7,000 such firms.
In your view, is the current scope of the IAS Regulation right (i.e. consolidated accounts of EU companies listed on regulated markets)?*

- ○ Yes
- ● No
- ○ No opinion

8.1. How would you propose it be changed?*

- ☐ By making IFRS compulsory for the individual annual accounts of listed companies on regulated markets
- ☐ By making IFRS compulsory for the consolidated accounts of large non-listed companies
- ☑ By allowing any company to opt for reporting under IFRS
- ☐ Other

8.2. Comments.

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Certain companies are already required to use IFRS. We believe it would
be appropriate to allow other companies to opt to report under IFRS, and
that this option should be introduced through the IAS Regulation (ie at
EU level).
Whilst not advocating the mandatory application of IFRS beyond what is
currently required, we believe that ahead of any proposal to make IFRS
compulsory for a wider class of companies, it would be necessary to
establish the population of companies likely to be affected and to
conduct an impact assessment.
We would also note that IFRS were designed primarily for consolidated
accounts, and a full analysis would be needed before any consideration
could be given to making IFRS compulsory for individual entity accounts.

Given the current scope and objectives of the IAS Regulation, we think
it is right in principle that national governments should be able to
extend the application of IFRS.
In particular, we consider that if the IAS Regulation was broadened to
allow any company to opt for IFRS, then it should be clear that the
national governments should not be able to restrict the use of that
option.
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9. National governments can decide to extend the application of IFRS to:
- individual annual financial statements of companies listed on regulated markets
- consolidated financial statements of companies that are not listed on regulated markets
- individual annual financial statements of companies that are not listed on regulated markets.

In your view, are the options open to national governments:*

- (•) Appropriate
- ( ) Too wide
- ( ) Too narrow
- ( ) No opinion

Cost-benefit analysis of the IAS Regulation

10. Do you have pre-IFRS experience/ experience of the transition process to IFRS?*

- (•) Yes
- ( ) No

11. In your experience, has applying IFRS in the EU made companies' financial statements more transparent (e.g. in terms of quantity, quality and the usefulness of accounts and disclosures) than they were before mandatory adoption?*

- (x) Significantly more transparent
- ( ) Slightly more transparent
- ( ) No change
- ( ) Slightly less transparent
- ( ) Significantly less transparent
- ( ) No opinion

11.1. Please elaborate.

Companies' financial statements are significantly more transparent than they were before mandatory adoption.

12. In your experience, has applying IFRS in the EU altered the comparability of companies' financial statements, compared with the situation before mandatory adoption?

	Significantly increased	Slightly increased	No change	Slightly reduced	Significantly reduced	No opinion
In your country	( )	(x)	( )	( )	( )	( )
EU-wide	(x)	( )	( )	( )	( )	( )
Compared with non-EU countries	(x)	( )	( )	( )	( )	( )

12.1. Please elaborate.

There was already some degree of standardisation within countries, though some of the local GAAPs had very few disclosures.
The biggest change is the degree of standardisation between countries.

13. Have financial statements become easier to understand since the introduction of IFRS, compared with the situation before mandatory adoption?*

- (x) Yes, in general
- ( ) Yes, but only in certain areas
- ( ) No, in general
- ( ) No, except in certain areas
- ( ) No opinion

13.2. Please elaborate.

Before mandatory adoption, there was insufficient information for the user to fully understand the financial statements, particularly in the case of complex businesses.
With IFRS, there is significantly more information available to users of financial statements. Even though it may take more time and effort to analyse the information, the benefit is a greater understanding of the financial statements and the underlying business.

14. Has the application of IFRS in the EU helped create a level playing field for European companies using IFRS, compared with the situation before mandatory adoption? *

- (x) Yes
- ( ) Yes, to some extent
- ( ) No
- ( ) No opinion

14.1. Please elaborate.

The application of IFRS in the EU has helped to create a level playing field, by providing a single set of standards, which has significantly increased comparability and transparency compared with the situation before mandatory adoption. Nonetheless, improvements can continue to be made as the need arises in ensuring consistent application of IFRS. Please refer to our answers below in this respect.

15. Based on your experience, to what extent has the application of IFRS in the EU affected access to capital (listed debt or equity) for issuers in domestic and non-domestic markets that are IFRS reporters?

	Made it a lot easier	Made it easier	No effect	Made it more difficult	Made it a lot more difficult	No opinion
Domestic capital	○	○	○	○	○	●
EU capital other than domestic	○	○	○	○	○	●
Non-EU capital	○	○	○	○	○	●

16. In your experience, has the application of IFRS in the EU had a direct effect on the overall cost of capital for your company or the companies you are concerned with? (Please distinguish - as far as possible – the impact of IFRS from other influences, e.g. other regulatory changes in the EU and the international credit crunch and crisis.)*

- ○ Cost has fallen significantly
- ○ Cost has fallen slightly
- ○ No effect
- ○ Cost has risen slightly
- ○ Cost has risen significantly
- ● No opinion

17. In your view, has the application of IFRS in the EU improved protection for investors (compared with the situation before mandatory adoption), through better information and stewardship by management?*

- [ ] Yes, to a great extent
- [x] Yes, to a small extent
- [ ] It had no impact
- [ ] No, protection for investors has worsened
- [ ] No opinion

17.1. Please provide data/ examples if available.

We consider that greater disclosure has improved protection in cases where the information in financial statements was previously insufficient to enable investors to fully understand the financial statements.

18. In your view, has the application of IFRS in the EU helped maintain confidence in financial markets, compared with the likely situation if it had not been introduced?

(N.B.: the "enforcement" section of this questionnaire deals with how IFRS are/ were applied.)*

- [ ] Yes, to a great extent
- [x] Yes, to a small extent
- [ ] It had no impact
- [ ] No, confidence in financial markets has decreased
- [ ] No opinion

18.1. Please provide data/ examples if available.

IFRS provides a baseline for comparability.
Confidence in markets can be fragile, especially in a financial and economic crisis.
We think that confidence in markets would have been further reduced if each country in the EU had been applying local accounting standards rather than IFRS.

19. Do you see other benefits from applying IFRS as required under the IAS Regulation?*

- (x) Yes
- ( ) No
- ( ) No opinion

19.1. Yes - please specify (you may select more than 1 option).*

- [x] Improved ability to trade/expand internationally
- [x] Improved group reporting in terms of process
- [x] Robust accounting framework for preparing financial statements Administrative savings
- [x] Group audit savings
- [ ] Other

19.2. If yes, please give details, with examples/ data if possible.

20. In your experience, on balance and at global level, how do the benefits of applying IFRS compare to any additional costs incurred – compared with the situation before mandatory adoption, bearing in mind the increasing complexity of businesses that accounting needs to portray?*

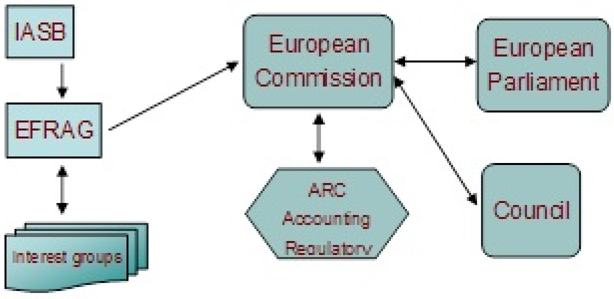
- (selected) Benefits significantly exceed the costs
- Benefits slightly exceed the costs
- Benefits and costs are broadly equal
- Costs slightly exceed the benefits
- Costs significantly exceed the benefits
- No opinion

20.1. Please provide any additional comments you think might be helpful.

We consider that IFRS has significantly increased comparability and transparency and the ability to reflect the increasing complexity of businesses.
Disclosure requirements are of course essential to explaining the economic position in full. Notwithstanding this, we note that the IASB has indicated that it does not wish to require unnecessary or excessive disclosures. Accordingly it may be appropriate for the IASB to review disclosure requirements in due course.

Endorsement mechanism & criteria

The EU's IFRS endorsement process



In the EU, IFRS are adopted on a standard-by-standard basis. The procedure is as follows:

- The International Accounting Standards Board (IASB) issues a standard.
- The European Financial Reporting Advisory Group (EFRAG) holds consultations, advises on endorsement and examines the potential impact.
- The Commission drafts an endorsement regulation.
- The Accounting Regulatory Committee (ARC) votes and gives an opinion.
- The European Parliament and Council examine the standard.
- The Commission adopts the standard and publishes it in the Official Journal.

This process typically takes 8 months.

Endorsement criteria

Under Article 3.2 of the IAS Regulation, any IFRS to be adopted in the EU must:

- be consistent with the "true and fair" view set out in the EU's Accounting Directive
- be favourable to the public good in Europe
- meet basic criteria on the quality of information required for financial statements to serve users (i.e. statements must be understandable, relevant, reliable and comparable, they must provide the financial information needed to make economic decisions and assess stewardship by management).

In his October 2013 report, Mr Maystadt discussed the possibility of clarifying the "public good" criterion or adding 2 other criteria as components of the public good, namely that:

- any accounting standards adopted should not jeopardise financial stability
- they must not hinder the EU's economic development.

He also suggested that more thorough analysis of compliance with the criteria of prudence and respect for the public good was needed.

21. In the EU, IFRS are adopted on a standard-by-standard basis. The process, which typically takes 8 months, is as follows:

- The International Accounting Standards Board (IASB) issues a standard.
- The European Financial Reporting Advisory Group (EFRAG) holds consultations, advises on endorsement and examines the potential impact.
- The Commission drafts an endorsement regulation.
- The Accounting Regulatory Committee (ARC) votes and gives an opinion.
- The European Parliament and Council examine the standard.
- The Commission adopts the standard and publishes it in the Official Journal.

Do you have any comments on the way the endorsement process has been or is being conducted (e.g. in terms of the interaction of players, consistency, length, link with effective dates of standards, outcome, etc.)?*

In terms of outcome, the endorsement process has been effective.
In terms of process, we would suggest that the objectives of the IAS Regulation should be clearly taken into account at all stages of the standard setting and endorsement process. For example, we think it is important the criterion related to the public good should be clearly addressed at all stages. This should help to ensure that strategic political considerations are highlighted at an early stage, and should help to ensure that there are no surprises in the latter stages of the endorsement process.
The process can also seem to be somewhat opaque, in the sense that it can be difficult for external observers to know what is happening. This is in contrast to most if not all of the processes for other regulations/directives. We consider that there should be more disclosure regarding the state of play during the endorsement process.
The endorsement process should also be completed on a timely basis in order to reduce uncertainty for preparers, so that they can proceed with preparation for implementation of the standard.

22. Under Article 3.2 of the IAS Regulation, any IFRS to be adopted in the EU must:

- be consistent with the "true and fair" view set out in the EU's Accounting Directive
- be favourable to the public good in Europe
- meet basic criteria on the quality of information required for financial statements to serve users (i.e. statements must be understandable, relevant, reliable and comparable, they must provide the financial information needed to make economic decisions and assess stewardship by management).

Are the endorsement criteria appropriate (sufficient, relevant and robust)?*

- ○ Yes
- ● Yes, to some extent
- ○ No
- ○ No opinion

22.1. *In his October 2013 report, Mr Maystadt discussed the possibility of clarifying the "public good" criterion or adding 2 other criteria as components of the public good:*

- *that any accounting standards adopted should not jeopardise financial stability*
- *that they must not hinder the EU's economic development.*

Please give any suggestion(s) you may have for additional criteria.

- ☐ Not jeopardising the EU's financial stability
- ☐ Not hindering economic development in the EU
- ☐ Not impeding the provision of long-term finance
- ☐ More explicit reference to the concept of prudence
- ☐ Consistency with other adopted IFRS
- ☐ Criterion concerning simplicity/proportionality
- ☑ Other

22.1.1 Other - please specify.*

We consider that the suggested criteria are very subjective.
Our view is that the purpose of financial statements is to report the true economic position of the company.
For example, it may be that the results of a company fluctuate, for example due to the business model of the company, or due to the market conditions at a given point in time. We consider that if this is the economic reality, then the financial statements should reflect it.
We consider that if there is an impact on financial stability, this is due to the economic position of the company. We do not think it would be appropriate to adjust the financial statements away from economic reality in such a case, as the financial statements would fail to respect basic accounting principles and would lack credibility.
For example, in the wake of the financial crisis, the G20 asked the IASB to work on improved standards for recognising losses on assets held at cost less impairment. The IASB has since issued IFRS9, including an impairment standard based on expected credit losses. Given the clear mandate given to the IASB by the G20, we do not believe that a departure from IFRS9 would be justifiable.

23. There is a necessary trade-off between the aim of promoting a set of globally accepted accounting standards and the need to ensure these standards respond to EU needs. This is why the IAS regulation limits the Commission's freedom to modify the content of the standards adopted by the IASB.

Does the IAS Regulation reflect this trade-off appropriately, in your view? *

- ○ Yes
- ● No
- ○ No opinion

23.1. If not, do you think the IAS Regulation should allow the Commission more leeway to modify standards adopted by the IASB? What conditions should be stipulated?*

We think that the aim of promoting a single set of high quality globally accepted accounting standards should not be in conflict with the need to ensure that those standards respond to EU needs.
On the contrary, we consider that by properly considering the endorsement criteria throughout the standard setting and endorsement process, the outcome of the process should be a single set of high quality accounting standards which do indeed meet EU needs.
Accordingly, we think that it should not be necessary for the Commission to consider modifying the content of standards issued by the IASB.
We therefore consider that the Commission does not need to have such discretion.

24. Have you experienced any significant problems due to differences between the IFRS as adopted by the EU and the IFRS as published by the IASB ("carve-out" for IAS 39 concerning macro-hedging allowing banks to reflect their risk-management practices in their financial statements)? *

- ○ Yes
- ○ No
- ● No opinion

Quality of IFRS financial statements

25. What is your overall opinion of the quality (transparency, understandability, relevance, reliability and comparability) of financial statements prepared by EU companies using IFRS?*

- ○ Very good
- ● Good
- ○ Moderate
- ○ Low
- ○ Very low
- ○ No opinion

25.1. Please provide any additional comments you think might be helpful.

26. Given that firms have complex business models and transactions, how would you rate financial statements prepared in accordance with IFRS in terms of complexity and understandability?*

- ( ) Very complex & difficult to understand
- ( ) Fairly complex & difficult to understand
- (•) Reasonable
- ( ) Not complex or difficult
- ( ) No opinion

26.1. Please provide any further comments you think might be helpful, specifying any particular areas of accounting concerned, if appropriate.

27. How would you rate financial statements prepared using IFRS in terms of complexity and understandability – compared with other sets of standards you use?

	IFRS information is easier to understand than...	IFRS information is neither easier nor more difficult to understand than …	IFRS information is more difficult to understand than …	No opinion
Information under your local GAAPs	◉	○	○	○
Information under any other GAAPs	○	◉	○	○

27.1. What are your local GAAPs?

Local GAAPs in EU Member States.

IFRS information can be easier to understand than some local GAAPs, for example where there is limited disclosure in local GAAPs.

27.2. Please identify other GAAPs you are using as a basis for comparison.

US GAAP

IFRS information is neither easier nor more difficult to understand than US GAAP information.

27.3. Please provide any additional comments you think might be helpful.

US GAAP does have the added complexity of industry specific accounting. The absence of industry specific accounting in IFRS is helpful when making comparison between companies in different industries.
On the other hand, variations in local interpretations of IFRS add to complexity for users of financial statements looking to make comparisons between companies in different countries.

28. How do IFRS compare with other GAAPs in terms of providing a true and fair view of a company's (group's) performance and financial position?

	IFRS are better than...	**IFRS are equivalent to...**	**IFRS are worse than...**	**No opinion**
Your local GAAPs (as identified under question 27)	◉	○	○	○
Any other GAAPs (as identified under question 27)	○	◉	○	○

28.1. Please provide any additional comments you think might be helpful.

IFRS is better than local GAAP (for example because of greater disclosure).
IFRS is equivalent to US GAAP.

29. How often is it necessary to depart from IFRS under “extremely rare circumstances” (as allowed by IFRS), to reflect the reality of a company’s financial performance and position in a fairer way?*

- ( ) Often
- ( ) Sometimes
- (x) Hardly ever
- ( ) Never
- ( ) No opinion

29.1. Please provide additional comments and examples of departures from IFRS that you have seen.

30. How would you rate the extent to which IFRS allows you to reflect your company's business model in your financial statements?*

- ( ) This is not an issue
- (x) IFRS are flexible enough
- ( ) IFRS should be more flexible, so different business models can be reflected
- ( ) No opinion

30.1. Please explain.*

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IFRS contain numerous references to the company’s business model.
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Enforcement

Since 2011, the European Securities and Markets Authority (ESMA) has been coordinating national enforcers' operational activities concerning compliance with IFRS in the EU. ESMA has taken over where the Committee of European Securities Regulators (CESR) left off.

Enforcement activities regarding companies listed on regulated markets are defined in the Transparency Directive (2004/109/EC , as subsequently amended).

31. Are the IFRS adequately enforced in your country?*

- (x) Yes
- ( ) Yes, to some extent
- ( ) No
- ( ) Not applicable
- ( ) No opinion

31.1. Please provide any additional comments you think might be helpful.

We consider that there would be benefit from greater transparency in the enforcement process.

We would also make the following observations on the interpretation of standards.

Where there is a demonstrated need for more guidance, it should be for the IASB to provide such guidance. We would note in this context that mere divergence of practice does not in our view mean that there is necessarily the need for more guidance. It may indicate that existing guidance is not being applied correctly. Accordingly, enforcers should evaluate this before referring back to IFRS Interpretations Committee and the IASB.

We consider that enforcers should not be providing interpretations of standards. If enforcers are unsure of the interpretation of a standard, they should refer the question back to the IFRS Interpretations Committee and the IASB.
Equally, if the interpretation of a standard is clear, and even if that interpretation requires the exercise of judgment by preparers, enforcers should exercise their enforcement powers and should not refer the question back to the IFRS Interpretations Committee or the IASB. These enforcement powers should be clearly delineated. Furthermore, enforcers need to be adequately resourced such that they are able to differentiate between appropriate exercise of judgment with regard to reporting different business models, and inappropriate exercise of judgment leading to incorrect accounting.

32. Does ESMA coordinate enforcers at EU level satisfactorily? *

- ○ Yes
- ● Yes, to some extent
- ○ No
- ○ Not applicable
- ○ No opinion

32.1. Please provide any additional comments you think might be helpful.

We are aware of ESMA coordinating enforcers at EU level. Having said that, we consider that greater transparency in what ESMA does would be useful, both to avoid differentiation of application in Member States and to assist preparers.

33. Has enforcement of accounting standards in your country changed with the introduction of IFRS?*

- ○ Enforcement is now more difficult
- ○ Enforcement has not changed
- ○ Enforcement is now easier
- ◉ Not applicable
- ○ No opinion

34. In your experience, have national law requirements influenced the application of IFRS in the EU country or countries in which you are active? *

- ○ Yes, significant influence
- ◉ Yes, slight influence
- ○ No
- ○ No opinion
- ○ Not applicable

34.1. If you have identified differences in the way IFRS are applied in different EU countries, to what extent does this limit the transparency and comparability of company financial statements? *

- ◉ Much less transparent & comparable
- ○ Slightly less transparent & comparable
- ○ No impact on transparency or comparability
- ○ No opinion

34.1.1. Please detail.

This is of particular concern because such differences may not be readily apparent to users.

35. If you are aware of any significant differences in enforcement between EU countries or with other jurisdictions, do they affect your practice in applying IFRS or analysing financial statements? *

- ( ) Yes, significantly
- (x) Yes, but the impact is limited
- ( ) No
- ( ) No opinion
- ( ) Not applicable

35.1. Please provide specific details.

Whilst we believe that the impact is limited, we think it is difficult to verify in the absence of a transparent enforcement regime.

36. The recitals of the IAS Regulation stress that a system of rigorous enforcement is key to investor confidence in financial markets. However, the Regulation contains no specific rules on penalties or enforcement activities, or their coordination by the EU.

Should the IAS Regulation be clarified as regards penalties and enforcement activities?*

- ○ Yes
- ● No
- ○ No opinion

37. Should more guidance be provided on how to apply the IFRS? *

- ○ Yes
- ● No
- ○ No opinion

Consistency of EU law

There are different types of reporting requirements in the EU (e.g. prudential requirements, company law, tax, etc.)

38. How would you assess the combined effects of, and interaction between, different reporting requirements, including prudential ones? *

The accounting and prudential requirements have different objectives. So, whilst prudential reporting may use accounting as a base, we can see that there may be some differences to reflect the different objectives. With regard to disclosure requirements, we would refer to our response to question 20, where we noted that the IASB has indicated that it does not wish to require unnecessary or excessive disclosures. Accordingly it may be appropriate for the IASB to review disclosure requirements in due course. We note also that the Basel Committee is currently reviewing regulatory disclosure requirements.

39. Do you see any tensions in interaction between the IAS Regulation and EU law, in particular:

	No	Yes	To some extent	No opinion
Prudential regulations (banks, insurance companies)	○	○	●	○
Company law	●	○	○	○
Other	○	○	○	●

39.2. If you answered "yes" or "to some extent", please give details and state what the main effects of these tensions are.*

Whilst we can see that there may be some differences to reflect the different objectives, we consider that the interactions should be kept under review.

User-friendliness of legislation

All standards are translated into the official EU languages before they are adopted. The Commission also regularly draws up a consolidated version of the current standards enacted by the EU (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:02008R1126-20130331:EN:NOT). The consolidated version does not include any standards that are not yet in force, but can be applied before the date of entry into force.

40. Are you satisfied with the **consolidated version** of *IFRS standards adopted by the EU*, which is not legally binding, or would you like to see improvements?

- (selected) Satisfied
- Need for improvements
- I wasn't aware of it
- I don't use it
- No opinion

41. Are you satisfied with the quality of **translation** of IFRS into your language *provided by the EU* ?*

- (selected) Yes
- Yes, to some extent
- No
- No opinion
- Not applicable

41.1. Please give details.

General

42. Do you have any other comments on or suggestions about the IAS Regulation?

No

Thank you for your valuable contribution.

Contact

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