

To:
Mr Fabrice Demarigny
Secretary General
CESR

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Ihr Zeichen, Ihre Nachricht

Unser Zeichen, Sachbearbeiter
BSBV 64/2003
Dr. Rudorfer/Ne

Datum
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Durchwahl
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CESR-Konsultation

Dear Mr Demarigny,

The bank and insurance division of the Austrian Federal Economic Chamber representing all Austrian credit institutions would like to comment on CESR's Consultation Document as follows:

Before answering the questions we would like to work out three general items, which could help to avoid different opinions on this matter.

- 1) It would be helpful, that CESR expresses in a clear way that recommendations for the application of IFRS in 2005 do not apply to companies, who had already introduced IFRS. It should be defined that such companies are not stressed to change or adopt their current IFRS reporting.
- 2) How will companies - already publishing under IFRS - handle the situation that maybe within the EU IAS 32 and IAS 39 is not accepted but those companies have already taken into account current IAS 32 and IAS 39 ? We hope that such companies are not forced to prepare separate financial statements excluding the impact of IAS 32 and IAS 39. We therefore ask for clarification.
- 3) The proposed time frame does not consider that under certain circumstances companies are allowed to introduce IFRS in 2007. We would appreciate if the time frame would take this possibility under consideration as well.

Question 1:

We believe that the current existing regulations in IFRS will provide enough guidance how to handle the transition period to the first time application. However we think that publishing some kind of guidance how to handle IFRS in practice could be useful for the involved

companies. What should be strictly avoided is that publications are not fully in line with the relevant IFRS.

Question 2:

We agree that European listed companies should be encouraged to prepare the transition as early as possible, but it should be a clear difference between preparation and publication of the transition.

Question 3:

Maybe a fifth milestone should be defined and we think this could be the 1st Jan 2004 (or 1st Jan 2006 respectively), when the revaluation from local GAAP to IFRS has to start and the impact on the company's equity has to be disclosed. We think that communication about the transition should be given as general and basic information as soon as possible. Publication of details including all financial impacts should be done at that point of time, when the company has comfort about all different items, how they will impact the financial position and how those impacts can be disclosed in a fair and proper way. This point in time is by definition the 31st Dec 2005 at the latest. Companies should not be forced to communicate details, which can be revised during the transition period.

In the banking industry, e.g., there is a lack of information in the moment, because IAS 32 and IAS 39 have not been endorsed yet by the EU on the one hand and on the other hand both, for the banking industry crucial IAS's, are in the process of amendments/changes in the moment, so that it is not so clear if and how these standards should be taken into account in EU-annual/interim reports in 2005.

Question 4:

Basic and general information should be provided in the annual report but without the requirement to declare possible financial impact. Especially the - from our point of view - unclear situation concerning the acceptance of IAS 39 could lead to material changes in the financial impact over the coming years. Our experience in publishing financials under IFRS is that permanent changes in the financials could create doubts about the disclosures and the willingness of the companies to provide "true and fair view" in respect of the financial position.

Question 5:

Before being able to give qualitative information about the impact of IAS/IFRS accounting. Therefore we do not think it to be possible and honest to give more as a narrative information before the transition process is finished. Quantitative information about the process and differences should be published as soon as possible, see answer to Q 3 above.

Question 6:

We think that the Implementation Guidance of IASB is sufficient. Such information should be stated in the Annual Reports.

Question 7:

As we stay at year end 2003 and the real starting point of the transition in practice is Jan 1st 2004, companies should not be forced to publish quarterly numbers in 2005 under IFRS. We believe that the European listed companies will have to spend a lot of capacity for the implementation of IFRS until YE 2005. Companies should get the right to publish interim numbers under IFRS but should not be obliged to do so.

Question 8:

We agree that listed companies should be encouraged to prepare and disclose financial data by applying IFRS recognition and measurement principles for the single quarter 2005 at year end.

If companies do not apply IAS 34 for their quarterly information 2005, they should only have to give an explanation of main differences between local GAAP and IAS/IFRS and - if available - an indication of main changes in the figures if IAS/IFRS would have been applied as at year end 2005.

Question 9:

We refer to answer of questions 7 and 8 and ask to take into consideration, that the Austrian Banking industry does not report different the single quarters compared to half year statements.

Question 10:

We do not think it to be useful to present the figures of any period twice, that means under local GAAP and under IAS/IFRS-requirements: this will only lead to unnecessary discussions about the "correct" or "right" figures.

Question 11:

See answer to question 10

Question 12:

See answer to question 10.

Best regards,

Dr. Herbert Pichler
Bank and Insurance Division