

# **Association of German Chambers of Industry and Commerce Federation of German Industries**

## **Remarks on the Draft Standard No 2 on Financial Information Consultation Paper**

### **Coordination of Enforcement Activities**

In our Position Paper on the "Committees of European Securities Regulators Proposed Statement of Principles of Enforcement of Accounting Standards in Europe" of January 2003 we mentioned the necessity of coordination in enforcement to avoid significant differences in quality of enforcement within the European Union - especially in the fields of standards of inspection and assessment, working methods and sanction measures of national enforcement organisations. The first standard identified the need for setting up an appropriate mechanism within the enforcement to achieve a high level of coordination and convergence in this field.

In accordance with the regulation no. 1606/2002 the application of the International Accounting Standards (IAS) or the International Financial Reporting Standards (IFRS) adopted by the Commission in regulation no. 1725/2003 has to be appropriate. Otherwise the aim of the regulation no. 1606/2002, i. e. the comparison of the financial statements of companies, is not achievable. When companies are listed in different member states with different enforcers there has to be a uniform application of the standards too. In addition of the worldwide acceptance of the IAS/IFRS Europe or in this case the member states should coordinate the enforcement to show a uniform application of the standards.

On the one hand ex-ante and ex-post coordination is generally necessary but on the other hand taking into account the coordination costs which are indirectly paid by the listed companies (we are discussing the draft of the enforcement regulation in Germany) the coordination has to be minimal and efficient without any bureaucratic effects. Therefore the ex-ante information and discussion with other national enforcers and the development of a database with enforcement decisions (ex-post) are a suitable way to ensure a comparative enforcement. When exchanging the ex-ante information the enforcers should ensure the anonymity of the companies and the confidentiality of information. The deliberation of the cases has to be rapid to offer the enforcement decision to companies as soon as possible.

It could be useful if the database were not only meant for the enforcers` use but also for companies when it contains only anonymous non confidential information.

Different decisions in comparable cases have to be avoided. If companies are listed in different countries and several enforcers start to control the financial statements a one-stop-shop-principle is necessary. Otherwise different decisions of different enforcers could confuse the companies and jeopardize the coordinated enforcement. The enforcer of the country of the registered office should be in charge of the enforcement.

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