



EUROPEAN SAVINGS BANKS GROUP
GROUPEMENT EUROPEEN DES CAISSES D'EPARGNE
EUROPÄISCHE SPARKASSENVEREINIGUNG



DOC 0049/03

Brussels, 17 January 2003
JEA/ROB

European Savings Banks Group (ESBG)

Position Paper

on

CESR's Proposed Statement of Principles of Enforcement of Accounting Standards in Europe





Profile European Savings Banks Group

The European Savings Banks Group (ESBG) represents 26 members from 26 countries (EU countries, Norway, Iceland, Bulgaria, Czech Republic, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovak Republic) consisting of nearly 1000 individual savings banks with around 67,000 branches and nearly 730,000 employees. At the start of 2001, total assets reached almost EUR 2800 billion, non-bank deposits were standing at over EUR 1675 billion and non-bank loans at just under EUR 1550 billion. Its members are retail banks that generally have a significant share in their national domestic banking markets and enjoy a common customer oriented savings banks tradition, acting in a socially responsible manner. Their market focus includes amongst others individuals, households, SMEs and local authorities.

Founded in 1963, the ESBG has established a reputation as the advocate of savings banks interests and an active promoter of business cooperation in Europe. Since 1994, the ESBG operates together with the World Savings Banks Institute (WSBI, with 109 member banks from 92 countries) under a common structure in Brussels.



1. INTRODUCTION

With the adoption of the Regulation on the application of International Accounting Standards¹ (known since May 2002 as International Financial Reporting Standards - IFRS) for listed companies throughout the European Union and against the background of the Enron collapse and the subsequent debate on enforcement of accounting standards, the ESBG welcomes the publication of draft statement of principles for enforcing IFRS.

In this respect, the ESBG believes that the work by CESR on a principles based framework for enforcement of IFRSs is another step in the direction of achieving uniform and comparably accounting statements for listed companies throughout the European Union.

2. DISCUSSION OF PROPOSED PRINCIPLES

2.1 Scope of the Principles (Principle 7)

In considering the scope of the CESR Principles for enforcement, the ESBG believes that two important points need to be taken into consideration:

First, it should be noted that credit institutions are already supervised extensively by their respective prudential supervisors. As such, the ESBG believes that in order to promote synergies between the different supervisory agencies, the competent prudential authority for credit institutions should have the right to exempt credit institutions from the principles for enforcement. This would of course entail an exchange of information between the relevant authorities and such an approach would prevent double reporting and supervision of credit institutions.

The EBSG, therefore, suggests supplementing Principle 7 as follows:

“Principle 7

The principles for enforcement here identified should apply to financial information provided by companies:

- a) whose securities are admitted to trading on a regulated market;*
- b) that applied for admission to trading of their securities on a regulated market.*

The competent authority may provide for partial or complete exemption from the principles here identified for credit institutions that only issue non equity securities admitted to trading on a regulated market.”

Should this proposal be too far reaching, one compromise approach could be for credit institutions issuing only debt-securities to preclude pre-clearance (Principle 11). Moreover, we strongly agree that a pure risk based approach is an acceptable selection method, as stated in Principle 13, paragraph 3. This prevails in particular with a view to credit institutions issuing non-equity securities.

¹ Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards



Second, the ESBG would like to emphasise that the CCSR enforcement principles apply only to issuers whose securities are admitted to trading on a regulated market and, additionally, publish their accounts in line with IFRS. This seems to be the only reasonable approach, as the objective of enforcement should exclusively focus on the protection of capital market investors. All issuers developing their annual accounts pursuant to the national GAAP of the home Member State should not be subject to any enforcement principles.

2.2 Responsibilities (Principle 1)

The ESBG strongly approves of the notion laid down in Principle 1 that the administrative authority which is responsible for enforcement resides in the respective Member State. Enforcement at the national level allows a close monitoring of the individual issuer. Due to their proximity, national enforcers are able to build up a strong expertise, which can ensure easy communication, quick response to misstatements and prompt and efficient action.

2.3 Consistency (Principles 3 and 20)

To ensure the consistency of enforcement, the ESBG believes it of the utmost importance to use the work of the International Financial Reporting Interpretations Committee (IFRIC). If a European institution, such as a committee of CCSR member organisations, published binding interpretations in addition to those issued by the IFRIC, companies could potentially be faced with conflicting interpretations. Furthermore, the existence of a further set of interpretation rules could have a negative effect on the international acceptance of annual accounts drawn up by European companies.

2.4 Prospectuses (Principles 8 and 12)

Principle 8 states that enforcement should apply to all harmonized documents, including prospectuses and equivalent documents. Nevertheless, it can be concluded out of Principle 12 that enforcement of prospectuses is subject to particularities. The ESBG therefore recommends excluding the enforcement of prospectuses from the general principles. Additionally, considering that a control of prospectuses already exists to the extent set out in the forthcoming Prospectus Directive, the ESBG is of the opinion that the inclusion of the prospectuses in any enforcement regulation would lead to a harmful duplication of supervision.

2.5 Principles 16 to 19

As regards the terms and definitions laid down in Principles 16 to 19, further specifications for the sake of legal certainty is needed.