The Hungarian Compliance Professionals Working Group welcomes the opportunity to respond to the *Consultation Paper on Guidelines on Alternative Performance Measures* published by the ESMA*.* Typically, our main goal is to review and comment consultation papers released by ESMA from internal control and compliance point of view in order to assist in improving effective controls for the financial service firms. In view of all this we do support the proposed guideline mentioned above, however, we would like to take the opportunity to draw your attention to the following points where we believe further discussions may be needed.

In principle, the objective of ESMA to enhance transparency and comparability of financial information through a harmonized application, called Alternative Performance Measures (APMs), is straightforward.. We believe the general demands for comparability and consistency of performance indicators, as expressed in the guideline too, are reasonable. These are already incorporated in the existing financial reporting rules too.

However, one might be concerned about the requirements of reconciliation of derived performance measures to the most relevant amount presented in the financial statements to customers. From this point of view, the consultation paper we think needs to be more specific on the nature and extent of the required reconciliations. With a view to enhance the common understanding of APMs in the financial reporting, reconciliations are often already included in the notes. We believe, this ensures a sufficient level of transparency. Furthermore, we do not think that reconciliations are necessary and practical in every single case. From our point of view, a different approach for application and presentation of APMs taking into account; relevance, practicability and comparability is vital. The possibility to waive the required reconciliations in cases of lack of added information value is ought to be considered.

We believe that the draft of the ESMA guidelines would lead to a significant extension of the current requirements. APMs are based on financial data and ought to assist users in making investment decisions, as they allow them to gain a better understanding of the firm’s financial statement. The publication of APMs is regularly a voluntary provision of additional information on the drivers of the business. Hence, issuers are interested in providing information that is relevant and reliable to users in their decision-making process. Comprehensibility, transparency and comparability are already core principles when providing additional information derived from, or based on, financial statements. We feel that the proposed guideline decreases the willingness to provide APMs.

Regarding the specific questions in the Consultation Paper our answers are yes to all questions.

Prepared by:

Zsolt Nagygyörgy (zsoot@freemail.hu)