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PRESS RELEASE

CESR publishes a report on its review of the implementation and the enforcement of IFRS in the European Union.

The aim of this report (Ref. CESR/07-352) is to provide a review of the activities of CESR Members and other related regulators (European or EU enforcers), acting through CESR's Enforcement Coordination Sessions, in their capacities as enforcers of IFRS in the consolidated accounts of issuers admitted to trading in the EU for accounting periods ending on or after 31 December 2005. It provides a record of European Enforcers' experience with the enforcement of IFRS standards during the first year of their compulsory use in the consolidated accounts of EU listed issuers. The report also aims to record EU enforcers' compliance at the time with CESR's Standards on Enforcement.

While this report focuses on the application and enforcement of IFRS, readers should bear in mind that many EU jurisdictions were still in the process of implementing the necessary enforcement mechanisms during the period the report covers and that consequently the report merely provides a "snap shot" of what is in reality an on-going, continuous activity. The report has therefore been cautious about drawing any specific conclusions about IFRS implementation or enforcement because evidence of any particular trends may still be developing. However, the enforcer's findings suggest a good level of compliance in the first year of implementation, and they appreciate the preparers' hard work on the transition to compulsory IFRS. It also shows that overall the enforcement mechanisms in the EU are working.

This report aims to:

- give an overview of the status of the implementation of enforcement activities in relation to 2005 IFRS financial statements within individual member states;
- present findings and some tentative conclusions coming out of these activities relating to IFRS and to the enforcement activities themselves; and
- provide some more general observations about the implementation of IFRS and its impact on EU markets.

The key findings of the report are as follows:

- The results of CESR's survey suggest that 20 out of 27 Member States had introduced an enforcement mechanism by 2006 that met, at least in part, the requirements laid down by CESR standards on enforcement. In addition, by 2006, 11 EU Member States had introduced an enforcement mechanism that fully met the requirements laid down by CESR's Standards on Enforcement. It is also worth noting that these 11 countries represent around 60% of all issuers using IFRS admitted to trading in Europe at the time of publication. In an additional 9 Member States, most of the CESR standards on enforcement were in place.
- At the date of publication of this report, a Competent Authority has been designated in accordance with the requirement of the Transparency Directive (Article 24.1), in 24 out of 27 Member States. Where it has been so designated, the Competent Authority is the CESR member in all but the case of 6 Member States (Czech Republic, Denmark, Ireland, Germany, Iceland and UK) where accounting enforcement is carried out in cooperation with other authorities designated under national legislation.
- The number of issuers where a review of the 2005 financial statements was carried out, varied from one country to another. On average, reviews were planned in 2006 of around 23% of all issuers admitted to trading in the EU who were users of IFRS and over 85% of those reviews planned were in fact completed. Those reviews planned but not completed were replaced by



unplanned reviews of financial statements as part of the prospectus vetting procedures in the countries concerned.

- On the whole, EU Enforcers agree that the implementation of IFRS in the consolidated accounts of over 7,000 EU issuers has presented a very significant challenge to preparers, auditors and regulators and one which through tremendous hard work from all participants, has been achieved without major disruption to the markets or the reporting cycle. There has consequently been no evidence of a loss of market confidence during the transition period.
- In general, EU Enforcers also believe that the move to IFRS has improved the quality of financial reporting in their jurisdiction, mainly due to increased transparency of disclosures and greater comparability between issuers.
- Nevertheless, EU Enforcers did identify a number of areas in the 2005 financial statements where the level of compliance could be improved, for example, by requiring more extensive disclosure or by reducing the number of accounting options available (these are set out more fully in Section IV of the report).
- EU enforcers also report their experiences with the European Enforcement Coordination Sessions (EECS), organised by CESR. These experiences were generally positive and suggested enforcers found the meetings a useful environment for discussing both the decisions they were making and issues that were emerging in their markets.
- Cases discussed by the EECS are first entered onto a confidential CESR database which can be accessed by all European Enforcers. As of August 2007, a total of 85 decisions were entered onto the EECS database by 13 jurisdictions.
- In April 2007, CESR published extracts from its database of enforcement decisions taken by European Enforcers participating in EECS meetings, with the intention that publishing such decisions together with the rationale behind them would help progress towards achieving consistent application of IFRS in the EU. CESR plans to publish further extracts from the database on a regular basis in the future.
- This report also provides an update on CESR's programme of cooperation with the SEC. Generally, it is felt that progress is being made towards a useful mutual understanding of trigger points between CESR Members and the SEC which should contribute to more targeted and useful exchanges of information taking place in the future. Finally, CESR is also analysing possible ways of strengthening its cooperation with the enforcers of other third countries.

The report has been prepared by CESR's Operational Committee, CESR-Fin, which is responsible for all matters related to the endorsement and enforcement of financial reporting standards in Europe. The group is currently chaired by Mr Paul Koster, Member of the Board of The Netherlands Authority for the Financial Markets. Mr Paul Koster was appointed Chair of CESR-Fin in July 2006, and has decided to stand down as Chair of CESR-Fin at the end of December 2007, following his decision to leave the Board of The Netherlands Authority for the Financial Markets. CESR wishes to take this opportunity to thank him for the significant contribution he has made to the work of CESR with regards to financial reporting, and wishes him the very best in his future endeavours. CESR Chairs welcomed the appointment of Fernando Restoy, Executive Board Member of Spain's Securities Exchange Commission (CNMV), as Chair of CESR-Fin, to take effect from January 2008 (for further information see the Notes for Editors).

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