



THE CHAIRMAN

Ref: CESR/08-666

Mr Goran Tidstrom
Chair
European Financial Reporting Advisory
Group Supervisory Board
Avenue des Arts 13-14
1210 Brussels
Belgium

info@efrag.org

Paris, 22 September 2008

Re: Consultation regarding the “Strengthening the European Contribution to the International Standard Setting Process – EFRAG enhancement”.

Dear Mr Tidstrom,

The Committee of European Securities Regulators (CESR) welcomes the opportunity to respond to the public consultation regarding the “Strengthening the European contribution to the international standard setting process” – the enhancement of EFRAG.

In this context, we provide below our remarks:

- CESR supports the idea to enhance EFRAG from its current status in order to ensure that the EU views are taken into account in the international discussions on accounting issues.
- EFRAG Supervisory Board and the Technical Expert Group are founded by and consist of private organisations. Only two public institutions hold seats in EFRAG TEG and only as observers: the European Commission and CESR. In addition IASB serves as an observer to EFRAG TEG. It is relevant to consider the role that EFRAG plays in Europe, also in cooperation with the other European organisations that have responsibilities regarding the area of accounting in Europe, especially the cooperation with authorities charged of supervision of securities and enforcement of the requirements to which EFRAG contributes by its proactive work and its endorsement responsibilities;
- The future composition of EFRAG is set out in the consultation paper. Regarding the governance of EFRAG, CESR considers that the composition of the Supervisory Board is a critical issue, being the organisation regrouping the largest and most experienced block of IFRS enforcers. CESR is in charge of supervision of the accounts of listed companies on the basis of the Transparency Directive in Europe. Enforcement of IFRS in Europe is conducted both by CESR members and other EEA enforcers through the CESR sub group of European Enforcement Coordination Sessions (EECS). In that capacity our members and the other EEA enforcers that are members of CESR take supervisory responsibilities vis-à-vis the investors of the European Union and beyond. Therefore, for CESR the proper functioning of the standard setting and endorsement process in Europe is a matter of paramount importance.



- CESR comprises the supervisory authorities of the European Economic Area charged with protecting investors and supervising capital markets. Therefore CESR members and other EEA members charged with the enforcement of IFRS play a very active role throughout Europe in promoting the transparency of financial reporting and have also an undeniable and obvious interest of safeguarding continuing user confidence aimed at the effective functioning of capital markets. Also, paragraph 4 of the consultation paper sets out that “*EFRAG needs to represent all financial reporting stakeholders and not only its founding European organisations*”. In this context, CESR would like to highlight that the CESR members are the authorities responsible for enforcement of IFRS in Europe, and in that capacity are major stakeholders with respect to all efforts relating to financial reporting in Europe. CESR therefore considers it as a natural development that EFRAG is also accountable to the European enforcers and securities regulators.
- According to the consultation paper it is proposed that CESR would not be a member of the EFRAG Supervisory Board. CESR considers that its participation in the Supervisory Board would ensure the close coordination of endorsement and enforcement of IFRS in Europe which is essential for having one European voice vis-à-vis the IASB. European Enforcers and securities regulators have a direct interest in the overall strategy of EFRAG, in the monitoring of the efficiency and the quality of the organisation thereby ensuring that the IFRSs as endorsed by the European Institutions are of the highest quality.
- As a consequence, it is essential that an adequate representation of the interests of the EU securities supervisors and enforcers of IFRS in the EFRAG Supervisory Board be ensured. We consider that this set of expertise needs to be adequately represented for the sake of the overall efficiency and effectiveness of the process. Therefore CESR proposes to amend the envisaged composition of the Supervisory Board to include also a CESR representative.
- Currently CESR serves as an official observer to EFRAG Technical Expert Group (TEG). This position on technical level ensures that the enforcers’ input is put forward to EFRAG during its preparatory work. CESR therefore strongly supports that its current position as official observer to EFRAG TEG is unchanged in the new structure of EFRAG, as it is set out in the consultation document.

We would welcome the opportunity to discuss these issues with you in further detail. If you have any questions please do not hesitate to contact either myself, Fernando Restoy, Chairman of CESR-Fin, or Carlo Comperti, Secretary General of CESR.

Yours sincerely,

Eddy Wymeersch