

## PRESS RELEASE

### **European enforcers see good level of IFRS application in 2010 – still room for improvements in some areas**

ESMA publishes today its second annual activity report on the enforcement of International Financial Reporting Standards (IFRS) of European enforcers in 2010 (ESMA/2011/182). The report gives a review of the 2010 activities of accounting enforcers within the European Economic Area (EEA), showing that overall the level of enforcement activity in 2010 was similar to 2009. About 1,700 financial reports were reviewed, of which 1,000 (compared to 1,200 in 2009) were subject to a full review and 700 (900 in 2009) to a partial review. These reviews resulted in around 700 (2009: 730) enforcement actions by national enforcers of which one out of five were subject to European co-ordination. Enforcers recognised that during a period of continuous deterioration of economic conditions, impact of risks and uncertainties on estimates and judgements used in the preparation of financial information are key for giving a proper understanding of the financial information.

**Steven Maijoor, Chair of ESMA, noted:**

*“The main objective of financial reporting is to provide transparency on the financial performance and position of a company to investors and the wider public. Enforcing the correct application of international accounting standards is a key regulatory tool to ensure this. This report shows the important role ESMA plays in the European co-ordination of coherent enforcement through co-ordinating the numerous actions taken by national competent authorities. With increased responsibilities assigned, ESMA, together with national competent authorities will continue to further improve its activities ensuring consistent application of IFRS in Europe and ensure that accurate, clear and consistent information is provided to investors.”*

#### **ESMA co-ordinates EEA enforcers**

The report published today is based on the activities of the European Enforcers Co-ordination Sessions (EECS) which operates under the oversight of the Corporate Reporting Standing Committee of ESMA. The main objective of the EECS is to co-ordinate the enforcement activities of Member States in order to increase convergence amongst European enforcer’s activities which should contribute to fostering investor confidence. Currently, 38 organisations from 29 countries are represented in the EECS.

#### **On-going discussion on the enforcement of IFRS**

The main issues arising from the accounts subject to **partial review** (700 accounts) and **full review** (1000 accounts) representing 10% and respectively 15% of all listed entities in the EEA were in relation to the following: impairment of assets, financial instruments disclosure, operating segments, going concern,



and current/ non-current classification of liabilities. Other accounting areas identified by enforcers and discussed within EECS were: disclosure on impairment of non-financial assets, measurement and presentation of non-current assets held for sale and discontinued operations or aspects related to share-based payments. A range of topics has also been discussed with representatives of the IFRS Interpretations Committee (IFRS IC), as part of the regular feedback EECS is providing to the IFRS IC.

**The enforcement actions** taken by enforcers as a result of their reviews included actions requiring the issuance of revised financial statements, corrective notes or other public announcement. Around 240 of the actions taken by enforcers required public corrective notes, or, in some cases issuance of revised financial statements.

### **Other enforcement related activities**

In addition to enforcement of financial statements, ESMA published on 26 October 2010 a study on the application of disclosures related to financial instruments (CESR/10-1183), started the revision of its enforcement standards and provided the International Accounting Standards Board (IASB) with some proposed amendments to IFRS 8 – *Operating Segments*.

In order to achieve global consistent application of IFRS, ESMA will organise a second seminar on exchanging experiences between global enforcers of IFRS and also maintained its regular dialogue with third country authorities which have adopted or are in the process of adopting IFRS, such as the U.S. Securities and Exchanges Commission (U.S. SEC) and the Japanese Financial Services Authority (JFSA).



## Notes for editors

1. ESMA is an independent EU Authority established on 1 January 2011, in accordance with EU Regulation No. 1095/2010 as published on December 15, 2010 in the Official Journal of the European Union (L 331/84). The Authority contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as by enhancing investor protection. In particular, ESMA fosters supervisory convergence both amongst securities regulators, and across financial sectors by working closely with the other European Supervisory Authorities competent in the field of banking (EBA), and insurance and occupational pensions (EIOPA).
2. ESMA's work on securities legislation contributes to the development of a single rule book in Europe. This serves two purposes; firstly, it ensures the consistent treatment of investors across the Union, enabling an adequate level of protection through effective regulation and supervision. Secondly, it promotes equal conditions of competition for financial service providers, as well as ensuring the effectiveness and cost efficiency of supervision for supervised companies. As part of its role in standard setting and reducing the scope of regulatory arbitrage, ESMA strengthens international supervisory co-operation. Where requested in European law, ESMA undertakes the supervision of certain entities with pan European reach.
3. ESMA also contributes to the financial stability of the European Union, in the short, medium and long-term, through its contribution to the work of the European Systemic Risk Board, which identifies potential risks to the financial system and provides advice to diminish possible threats to the financial stability of the Union. ESMA is also responsible for coordinating the actions of securities supervisors and for adopting emergency measures in crisis situations.
4. ESMA replaced the Committee of European Securities Regulators (CESR), a body comprised of EU securities regulators that advised the European Commission from 2001 to 2010 on policy issues around securities legislation.

## Further Information:

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