

PUBLIC STATEMENT

ESMA to assess German financial reporting system following Wirecard collapse

The European Securities and Markets Authority (ESMA) is to launch an assessment of the supervisory response in the financial reporting area by BaFin and the Financial Reporting Enforcement Panel (FREP) to the events leading to the collapse of Wirecard AG. It will be completed by 30 October 2020.

High quality financial reporting is core to investor trust in capital markets and Wirecard's collapse has undermined this trust. Therefore, it is necessary to assess these events to help in restoring investor confidence.

Peer Review Assessment

The assessment will focus on the application of the Guidelines on the Enforcement of Financial Information (GLEFI) by BaFin and FREP, the designated competent authorities for the supervision and enforcement of financial information in the Federal Republic of Germany under the Transparency Directive (TD).

The fast-track assessment will be conducted using GLEFI and ESMA's Peer Review Methodology, within a compressed timeframe. The peer review tool has been chosen as the TD only contains high level principles regarding financial reporting and its supervision, and the IAS Regulation is not included in the list of acts for which ESMA may launch a Breach of Union Law investigation.

2017 Peer Review on GLEFI Application in the European Union

ESMA issued the GLEFI in 2014, on its own initiative, to promote consistent application and supervision of IFRS and in 2017, in support of this work, ESMA conducted a peer review with onsite visits in seven Member States. The review focused on three GLEFI guidelines – Guideline 2 Human and financial resources, Guideline 5 Selection Methods and Guideline 6 Examination procedures. The review identified significant differences in national approaches, resources allocated, and actions taken in relation to enforcement of financial information. The review included BaFin and FREP and, while the country specific report highlighted positive

aspects of the German enforcement model, it also identified areas for improvement. These included:

1. the procedures in place in both FREP and BaFin;
2. the selection and examination of issuers;
3. independence and conflict of interests in FREP; and
4. cooperation between the two authorities.

ESMA also invited BaFin and the European Commission, in the country-specific onsite report, to investigate whether the TD is correctly transposed by Germany, given BaFin's self-declared inability to comply with the GLEFI due to a lack of enforcement powers.

ESMA, in view of the overriding public interest in this particular case and the enforcement of financial reporting in Germany, is making available the confidential country report on Germany which formed part of the 2017 Peer Review.

Today's announcement follows a European Commission letter, on 25 June, inviting ESMA to conduct a fact-finding analysis of the events leading up to the collapse of Wirecard AG.

Notes for editors

1. [ESMA42-111-4128 EFI Peer Review Annex 4F - onsite report - DE](#)
2. [ESMA42-111-4138 Report on Peer Review on Guidelines on enforcement of financial information](#)
3. ESMA issued the GLEFI in 2014, on its own initiative, to promote consistent application and supervision of International Financial Reporting Standards (IFRS) as part of its work to address the limitations of the minimum harmonisation TD whose transposition varies across the European Union (EU).
4. [ESMA42-111-4966 Peer Review Methodology](#).
5. The countries subject to the 2017 Peer Review were Germany, Italy, Malta, Norway, Portugal, Romania and the United Kingdom.
6. ESMA's mission is to enhance investor protection and promote stable and orderly financial markets.
7. It achieves these objectives through four activities:
 - i. assessing risks to investors, markets and financial stability;
 - ii. completing a single rulebook for EU financial markets;
 - iii. promoting supervisory convergence; and
 - iv. directly supervising specific financial entities.
8. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

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