

## PRESS RELEASE

### ESMA reports on EU accounting enforcement in 2016

The European Securities and Markets Authority (ESMA) has published its [annual report](#) on the enforcement and regulatory activities of accounting enforcers within the European Union (EU) in 2016.

ESMA, in 2016, continued strengthening supervisory convergence in the area of financial reporting, to improve the consistency and quality across the EU. ESMA achieves this through coordinating the national enforcers' decisions, publishing annual enforcement priorities and publishing statements on areas of focus such as the implementation of the new standards IFRS 9 and IFRS 15.

The assessment of compliance with the [2015 European Common Enforcement Priorities](#) was based on the examinations of the financial statements of 206 listed issuers. The examination resulted in enforcement actions against 43 (21%) issuers with shortcomings related to the:

- disclosure of the assumptions and judgements made by management in relation to the potential risk exposure of the issuer due to the impact of financial market conditions; and
- correct classification in the statement of cash flows and the need to include all relevant information.

Steven Maijor, Chair, said:

“Following the implementation of ESMA’s Guidelines on Enforcement of Financial Information we have seen a significant alignment of supervisory procedures. ESMA is also currently carrying out a peer review to identify how supervisory convergence of European accounting enforcement can be further strengthened.

“The 2016 enforcement priorities include disclosures of the expected impact of new reporting standards that are not yet applicable. ESMA urges issuers to provide sufficient information on the consequences that the application of the new IFRS 9 and IFRS 15 standards will have on the financial position and performance of the entity.”



Overall, national enforcers reviewed the interim or annual financial statements of 1,258 issuers, representing approximately 21% of issuers of securities listed on EU regulated markets, which led to actions against 311 (25%) of those issuers examined. This constitutes an increase of about 10% compared to the year before. The areas where most infringements were identified by European enforcers related to:

- presentation of financial statements;
- accounting for financial instruments; and
- impairment of non-financial assets.

These three areas represent more than 40% of all the issues addressed by enforcement actions taken by European enforcers in 2016.

### **Next steps**

In 2017 accounting enforcers will review issuers' compliance with IFRS in line with the [common enforcement priorities for 2016](#), focusing on the presentation of financial performance, the distinction between equity instruments and financial liabilities and disclosures of the impact of the new standards issued by the IASB. ESMA also urges issuers to provide disclosures on their exposure to risks arising from the UK's decision to leave the EU.



## Notes for editors

1. [ESMA32-51-382 Enforcement and Regulatory Activities of Accounting Enforcers in 2016](#)
2. [2016-1528 European common enforcement priorities for the 2016 annual financial statements](#)
3. [2015-1608 European common enforcement priorities for the 2015 annual financial statements](#)
4. The Statement on Priorities identifies topics which ESMA, together with European national enforcers, see as key areas when they examine listed companies' annual financial statements and are published in advance. The common enforcement priorities focus on recurring issues identified in the application of IFRS requirements and the current economic climate where it may pose challenges to issuers. ESMA publishes annually these common enforcement priorities for financial priorities in advance of stakeholders finalising their annual financial statements.
5. [ESMA's Guidelines on Enforcement of Financial Information](#) These Guidelines became effective on 29 December 2014.
6. [Public Statement: improving the quality of disclosures in financial statements](#)
7. ESMA's mission is to enhance investor protection and promote stable and orderly financial markets. The mission is based on the three objectives of:
  - investor protection;
  - orderly markets; and
  - financial stability.

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 NCAs and securities markets regulators, in particular the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA).

Further information:

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