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Effects of using International Financial Reporting Standards (IFRS) in the EU: public consultation

Fields marked with * are mandatory.

Impact of International Financial Reporting Standards (IFRS) in the EU: public consultation

Purpose of the consultation

The European Commission is holding a public consultation to seek views from all interested parties on their experience of Regulation 1606/2002 ("the IAS Regulation"). The results of this public consultation will feed into the European Commission's evaluation of the IAS Regulation.

Background

Applying internationally accepted standards - the International Financial Reporting Standards (IFRS) – means standardising companies' financial reporting to make financial statements more transparent and comparable. The ultimate aim is for the EU capital market and the single market to operate efficiently.

Scope of the IAS Regulation

The IAS Regulation states that the IFRS must be applied to the consolidated financial statements of EU companies whose securities are traded on a regulated EU market. EU countries may extend the application of IFRS to annual financial statements and non-listed companies (view an update on the use of options in the EU). The Transparency Directive (2004/109/EC), as subsequently amended, also stipulates that all issuers (including non-EU ones) whose securities are listed on a regulated market located or operating in an EU country must use IFRS.

Impact of the IAS Regulation

The implementation of IFRS in the EU has had an impact on cross-border transactions, trade, the cost of capital, investor protection, confidence in financial markets and stewardship by management. However, it is difficult to differentiate their impact from that of other significant factors, including other regulatory changes in the EU and internationally.

Developments since adoption

Over 100 countries now use IFRS. These accounting standards have been increasingly discussed at international level (e.g. G20, Basel Committee) and with various interested parties in the EU, especially in the wake of the financial crisis.

Several initiatives concerning technical issues and governance are under way at both international and EU level. In the EU, the Maystadt report's recommendations are being implemented. These are designed to strengthen the EU's contribution to achieving global and high quality accounting standards by beefing up the role of the European Financial Reporting Advisory Group (EFRAG), which advises the Commission on IFRS matters.

Current Commission evaluation

The Commission is evaluating the IAS Regulation to assess:

- IFRS's actual effects
- how far they have met the IAS Regulation's initial objectives
- whether these goals are still relevant
- any areas for improvement.

This consultation is part of the evaluation process. The questionnaire was drafted with the help of an informal expert group which is to assist the Commission throughout the process.

Target group(s)

Any interested party – commercial, public, academic or non-governmental, including private individuals.

Especially: capital market participants and companies preparing financial statements or using them for investment or lending purposes (whether or not they use IFRS).

Consultation period

7 August — 31 October 2014 (12 weeks).

How to submit your contribution

If possible, to reduce translation and processing time, please reply in one of the Commission's working languages (preferably English, otherwise French or German).

Contributions will be published on this website with your name (unless – in your response – you ask us not to).

N.B.: Please read the specific privacy statement to see how your personal data and contribution will be dealt with.

Reference documents and other, related consultations

- IAS/IFRS standards & interpretations
- IFRS Foundation
- European Financial Reporting Advisory Group (EFRAG)
- Commission reports on the operation of IFRS

Results of public consultation & next steps

The results will be summarised in a technical report and will feed into the evaluation report to be presented by the Commission in line with Article 9.2 of Regulation 258/2014.

Questions

Please note that some questions do not apply to all groups of respondents.

Who are you?

1. In what capacity are you completing this questionnaire?

If it's *not* on behalf of an organisation, please indicate that you are a "private individual".*

- ( ) Company preparing financial statements *[some specific questions for preparers marked with 'P']*
- ( ) Company using financial statements for investment or lending purposes *[some specific questions for users marked with 'U']*
- ( ) A company that both prepares financial statements and uses them for investment or lending purposes *[some specific questions for preparers and users marked with 'P' and 'U']*
- ( ) Association
- ( ) Accounting / audit firm
- ( ) Trade union / employee organisation
- ( ) Civil society organisation / non-governmental organisation
- ( ) Research institution / academic organisation
- ( ) Private individual
- (•) Public authority *[one specific question for public authorities marked with 'PA']*
- ( ) Other

1.10. Public authority - please specify (you can tick more than 1 choice below if you are replying on behalf of more than 1 type of organisation)*

- [ ] International organisation
- [ ] EU institution
- [ ] EU agency
- [x] National standard-setter
- [ ] National supervisory authority/ regulator
- [ ] Other

2. Where is your organisation/company registered, or where are you are located if you do not represent an organisation/company? Select a single option only.*

- ( ) EU-wide organisation
- ( ) Global organisation
- ( ) Austria
- ( ) Belgium
- ( ) Bulgaria
- ( ) Croatia
- ( ) Cyprus
- ( ) Czech Republic
- ( ) Denmark
- ( ) Estonia
- ( ) Finland
- ( ) France
- ( ) Germany
- ( ) Greece
- ( ) Hungary
- ( ) Ireland
- ( ) Italy
- ( ) Latvia
- ( ) Lithuania
- (x) Luxembourg
- ( ) Malta
- ( ) The Netherlands
- ( ) Poland
- ( ) Portugal
- ( ) Romania
- ( ) Slovakia
- ( ) Slovenia
- ( ) Spain
- ( ) Sweden
- ( ) United Kingdom
- ( ) Norway
- ( ) Iceland
- ( ) Liechtenstein
- ( ) Other European country
- ( ) Other

3. What is the name of the organisation or authority you represent? If you are part of a group, give the name of the holding company as well.*

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Commission des normes comptables (CNC - Luxembourg)
Groupement d'intérêt économique (G.I.E.)
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5. In the interests of transparency, your contribution will be published on the Commission's website. How do you want it to appear?*

- (x) Under the name supplied? (*I consent to the publication of all the information in my contribution, and I declare that none of it is subject to copyright restrictions that would prevent publication.*)
- ( ) Anonymously? (*I consent to the publication of all the information in my contribution except my name/the name of my organisation, and I declare that none of it is subject to copyright restrictions that would prevent publication.*)

Relevance of the IAS Regulation

Objective

6. The rationale for the IAS Regulation, imposing internationally accepted standards - the International Financial Reporting Standards (IFRS) - was to make companies use the same set of accounting standards, thus ensuring a high level of transparency and comparability of financial statements. The ultimate aim was to make the EU capital market and the single market operate efficiently.

In your view, are the Regulation's objectives still valid today?*

- (x) Yes
- ( ) No
- ( ) No opinion

6.1. Comments.

The Regulation's objectives are still valid today (i.e. transparency and comparability) but could be supplemented by additional objectives (e.g. value relevance).

7. The IAS Regulation refers to IFRS as a set of global accounting standards. Over 100 countries use or permit the use of these standards. The US, for instance, allows EU companies listed in the US to report under IFRS. However, it continues to rely on its "generally accepted accounting principles" (GAAPs) for its domestic companies' financial statements, while the EU requires IFRS to be used for the consolidated accounts of EU listed companies.

Has the IAS Regulation furthered the move towards establishing a set of globally accepted high-quality standards?*

- (selected) Yes
- No
- No opinion

7.1. Please explain.

The adoption of the IAS Regulation in 2002 has contributed to the mutual recognition and equivalence of accounting standards (e.g. IFRS, US GAAP, Japanese GAAP, etc.). This has facilitated cross-border listings.

Scope

8. The obligation to use IFRS as set out in the IAS Regulation applies to the consolidated financial statements of EU companies whose securities are traded on a regulated market in the EU. There are about 7,000 such firms.
In your view, is the current scope of the IAS Regulation right (i.e. consolidated accounts of EU companies listed on regulated markets)?*

- (●) Yes
- ( ) No
- ( ) No opinion

8.2. Comments.

> **The scope of the IAS Regulation still seems adequate after almost 10 years of application of IFRS in the EU. Maximum harmonisation of accounting standards seems indeed appropriate for companies that operate cross-border within the EU and outside the EU and that - by doing so - raise public capital internationally.**
> **However, for companies that operate locally and / or that do not raise public capital, the benefits of maximum harmonisation of accounting standards are much less apparent. We are therefore of the view that the scope of the IAS Regulation should not be extended. If extension was nonetheless contemplated, a careful assessment of costs and benefits should be carried out beforehand (i.e. administrative burden relative to the size of a company and the complexity of its business). The specific needs of users should not be disregarded especially as far as individual / separate financial statements are concerned (e.g. tax, legal, social, etc.).**

9. National governments can decide to extend the application of IFRS to:
- individual annual financial statements of companies listed on regulated markets
- consolidated financial statements of companies that are not listed on regulated markets
- individual annual financial statements of companies that are not listed on regulated markets.

In your view, are the options open to national governments:*

- (●) Appropriate
- ( ) Too wide
- ( ) Too narrow
- ( ) No opinion

Cost-benefit analysis of the IAS Regulation

10. Do you have pre-IFRS experience/ experience of the transition process to IFRS?*

- (●) Yes
- ( ) No

11. In your experience, has applying IFRS in the EU made companies' financial statements more transparent (e.g. in terms of quantity, quality and the usefulness of accounts and disclosures) than they were before mandatory adoption?*

- (x) Significantly more transparent
- ( ) Slightly more transparent
- ( ) No change
- ( ) Slightly less transparent
- ( ) Significantly less transparent
- ( ) No opinion

11.1. Please elaborate.

Applying IFRS in the EU has contributed to significantly more transparent financial statements for listed entities that draw up consolidated financial statements as compared to the pre-existing model.

12. In your experience, has applying IFRS in the EU altered the comparability of companies' financial statements, compared with the situation before mandatory adoption?

	Significantly increased	Slightly increased	No change	Slightly reduced	Significantly reduced	No opinion
In your country	(x)	( )	( )	( )	( )	( )
EU-wide	( )	(x)	( )	( )	( )	( )
Compared with non-EU countries	( )	( )	( )	( )	( )	(x)

12.1. Please elaborate.

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- Locally: IFRS in the EU has significantly improved the comparability
of consolidated financial statements of listed entities considering that
- before mandatory adoption - multiple sets of standards could be used
(e.g. those derived from the implementation of the 7th accounting
directive) depending on the country of residence of the issuer.
- EU-wide: IFRS in the EU has slightly increased the comparability of
consolidated financial statements of listed entities. Approximately 7
000 publicly listed entities have to prepare their financial statements
in accordance with one common set of accounting standards (IFRS) whereas
formerly multiple set of standards derived from 7th accounting directive
had to be used. That being said, one should not be misled into believing
that the use of IFRS necessarily leads to "perfect" comparability. IFRS
as a set of standards indeed allows for many options in terms of
presentation, measurement, timing of transition / adoption, etc.
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13. Have financial statements become easier to understand

since the introduction of IFRS, compared with the situation before mandatory adoption?*

- ○ Yes, in general
- ○ Yes, but only in certain areas
- ○ No, in general
- ● No, except in certain areas
- ○ No opinion

13.1. In which areas?*

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Areas for which financial reports prepared under IFRS - EU provide
relevant information  include:

- Information on operating segments / segment reporting
- Information on financial risk / financial risk management
- Information on pension obligations / compensation agreements
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13.2. Please elaborate.

As a general rule, IFRS financial statements appear today as overly complex not only for non-sophisticated users (e.g. private investors) but also for other users.
It seems that the focus has been placed - perhaps involuntarily - on:
(i) "quantitative" information rather than in "value relevant" information promoting effort by preparers and auditory to be technically compliant (e.g. use of checklists) resulting in poor legibility / intelligibility for users of IFRS Financial statements;
(ii) "Financial instruments" and "Financial risks" at the expense of other significant risk areas such as "operational risk", "non-financial risk", "environmental risk", etc.
As an example, the information disclosed on an area as important as "Goodwill" is today surprisingly limited as compared to the disclosures that are required for an entity that would only use a few derivative financial instruments to hedge against interest risk.

14. Has the application of IFRS in the EU helped create a level playing field for European companies using IFRS, compared with the situation before mandatory adoption? *

- ○ Yes
- ◉ Yes, to some extent
- ○ No
- ○ No opinion

14.1. Please elaborate.

Mandatory adoption of IFRS for consolidated financial statements of EU publicly listed entities has contributed to creating a level-playing field in terms of:
- mandatory reporting requirements
- access to financial markets
However, it should be kept in mind that IFRS is not the sole and only factor that has contributed over the past 10 years to the creating of an EU level-playing field. Other factors, including other legislative and regulatory initiatives should be given credit as well.

15. Based on your experience, to what extent has the application of IFRS in the EU affected access to capital (listed debt or equity) for issuers in domestic and non-domestic markets that are IFRS reporters?

	Made it a lot easier	Made it easier	No effect	Made it more difficult	Made it a lot more difficult	No opinion
Domestic capital	○	○	○	●	○	○
EU capital other than domestic	○	○	●	○	○	○
Non-EU capital	●	○	○	○	○	○

15.1. Please provide data / examples if available.

- Domestic capital: Feedback from issuers indicates that IFRS has made access to capital more difficult due to the greater complexity of the accounting framework and the work effort involved by such complexity.
- EU capital: Cross-border EU listing were possible before mandatory adoption of IFRS. Access to capital in the EU (e.g. listed debt) was therefore already a reality before the IAS regulation of 2002. While maximum harmonisation of accounting standards (IFRS vs. local standards derived from the "old" 7th accounting directive) has facilitated the comparability of financial statements, it does not seem to have per se facilitated nor hindered the access to EU public capital by EU entities.
- Non-EU capital: The IAS Regulation and the convergence process that has resulted from it (e.g. US GAAP, Japanese GAAP), facilitating the conclusion of mutual recognition agreements on the equivalence of accounting standards used in third countries has made it possible for EU companies to have a relatively "easier" access to non-EU financial markets on the basis of their IFRS financial statements without having to "restate" or "reconcile" them with local accounting standards.

16. In your experience, has the application of IFRS in the EU had a direct effect on the overall cost of capital for your company or the companies you are concerned with? (Please distinguish - as far as possible – the impact of IFRS from other influences, e.g. other regulatory changes in the EU and the international credit crunch and crisis.)*

- ○ Cost has fallen significantly
- ○ Cost has fallen slightly
- ○ No effect
- ○ Cost has risen slightly
- ○ Cost has risen significantly
- ◉ No opinion

17. In your view, has the application of IFRS in the EU improved protection for investors (compared with the situation before mandatory adoption), through better information and stewardship by management?*

- ○ Yes, to a great extent
- ○ Yes, to a small extent
- ○ It had no impact
- ○ No, protection for investors has worsened
- ◉ No opinion

18. In your view, has the application of IFRS in the EU helped maintain confidence in financial markets, compared with the likely situation if it had not been introduced?

(N.B.: the "enforcement" section of this questionnaire deals with how IFRS are/ were applied.)*

- ○ Yes, to a great extent
- ○ Yes, to a small extent
- ○ It had no impact
- ○ No, confidence in financial markets has decreased
- ◉ No opinion

19. Do you see other benefits from applying IFRS as required under the IAS Regulation?*

- ◉ Yes
- ○ No
- ○ No opinion

19.1. Yes - please specify (you may select more than 1 option).*

- [ ] Improved ability to trade/expand internationally
- [x] Improved group reporting in terms of process
- [ ] Robust accounting framework for preparing financial statements Administrative savings
- [ ] Group audit savings
- [x] Other

19.1.1. Other - please specify.*

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Applying IFRS as required under the IAS Regulation has contributed to
the harmonization of the enforcement activities by the national / local
regulators within the EU Member States.
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19.2. If yes, please give details, with examples/ data if possible.

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n/c
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20. In your experience, on balance and at global level, how do the benefits of applying IFRS compare to any additional costs incurred – compared with the situation before mandatory adoption, bearing in mind the increasing complexity of businesses that accounting needs to portray?*

- ○ Benefits significantly exceed the costs
- ○ Benefits slightly exceed the costs
- ● Benefits and costs are broadly equal
- ○ Costs slightly exceed the benefits
- ○ Costs significantly exceed the benefits
- ○ No opinion

20.1. Please provide any additional comments you think might be helpful.

n/c

PA.1. How would you rate the administrative and regulatory burden for your authority (e.g. reporting, enforcement) arising from the ongoing application of IFRS (excluding costs relating to the initial transition to IFRS)?

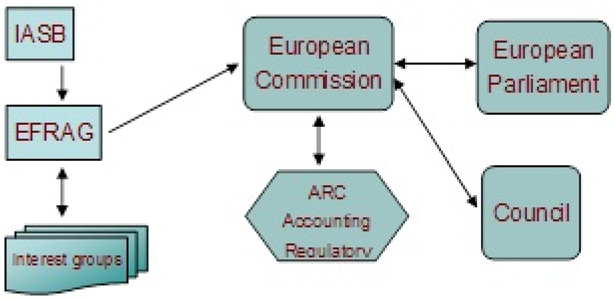
If you are an EU agency, please give only a consolidated EU-level response on behalf of the authorities whose responses

you are coordinating.*

- ○ No significant impact
- ◉ Some impact
- ○ Heavy burden
- ○ No opinion

Endorsement mechanism & criteria

The EU's IFRS endorsement process



In the EU, IFRS are adopted on a standard-by-standard basis. The procedure is as follows:

- The International Accounting Standards Board (IASB) issues a standard.
- The European Financial Reporting Advisory Group (EFRAG) holds consultations, advises on endorsement and examines the potential impact.
- The Commission drafts an endorsement regulation.
- The Accounting Regulatory Committee (ARC) votes and gives an opinion.
- The European Parliament and Council examine the standard.
- The Commission adopts the standard and publishes it in the Official Journal.

This process typically takes 8 months.

Endorsement criteria

Under Article 3.2 of the IAS Regulation, any IFRS to be adopted in the EU must:

- be consistent with the "true and fair" view set out in the EU's Accounting Directive
- be favourable to the public good in Europe
- meet basic criteria on the quality of information required for financial statements to serve users (i.e. statements must be understandable, relevant, reliable and comparable, they must provide the financial information needed to make economic decisions and assess stewardship by management).

In his October 2013 report, Mr Maystadt discussed the possibility of clarifying the "public good" criterion or adding 2 other criteria as components of the public good, namely that:

- any accounting standards adopted should not jeopardise financial stability
- they must not hinder the EU's economic development.

He also suggested that more thorough analysis of compliance with the criteria of prudence and respect for the public good was needed.

21. In the EU, IFRS are adopted on a standard-by-standard basis. The process, which typically takes 8 months, is as follows:

- The International Accounting Standards Board (IASB) issues a standard.
- The European Financial Reporting Advisory Group (EFRAG) holds consultations, advises on endorsement and examines the potential impact.
- The Commission drafts an endorsement regulation.
- The Accounting Regulatory Committee (ARC) votes and gives an opinion.
- The European Parliament and Council examine the standard.
- The Commission adopts the standard and publishes it in the Official Journal.

Do you have any comments on the way the endorsement process has been or is being conducted (e.g. in terms of the interaction of players, consistency, length, link with effective dates of standards, outcome, etc.)?*

The EU endorsement process is currently based on a delicate balance that aims at ensuring that IFRS are adopted in the EU after both technical analysis (expertise) and political debate (democracy). Whereas some may find that this process is too long and hinders "early adoption" of IFRS standards by EU issuers, one should also recognize that this is the price to pay to maintain a degree of accounting sovereignty both at the EU level and at the Member States' level.
As a result, we believe that - in substance - the EU endorsement process should remain as it currently is. That being said, a few adjustments may certainly be introduced in order to facilitate the endorsement of "minor amendments" / "non-strategic standards" for instance by implementing a "fast-track procedure".
On the other hand and considering the implementation of the Lisbon Treaty, we think that it is key that a "comitology" committee such as the ARC be maintained, thus allowing representatives of Member States not only to give an opinion on individual IFRS but also to vote on a standard-by-standard basis. The combination of technical work (EFRAG) and political debate (ARC) is key and should be maintained.

22. Under Article 3.2 of the IAS Regulation, any IFRS to be adopted in the EU must:

- be consistent with the "true and fair" view set out in the EU's Accounting Directive
- be favourable to the public good in Europe
- meet basic criteria on the quality of information required for financial statements to serve users (i.e. statements must be understandable, relevant, reliable and comparable, they must provide the financial information needed to make economic decisions and assess stewardship by management).

Are the endorsement criteria appropriate (sufficient, relevant and robust)?*

- ○ Yes
- ◉ Yes, to some extent
- ○ No
- ○ No opinion

22.1. *In his October 2013 report, Mr Maystadt discussed the possibility of clarifying the "public good" criterion or adding 2 other criteria as components of the public good:*

- *that any accounting standards adopted should not jeopardise financial stability*
- *that they must not hinder the EU's economic development.*

Please give any suggestion(s) you may have for additional criteria.

- [x] Not jeopardising the EU's financial stability
- [x] Not hindering economic development in the EU
- [ ] Not impeding the provision of long-term finance
- [ ] More explicit reference to the concept of prudence
- [ ] Consistency with other adopted IFRS
- [ ] Criterion concerning simplicity/proportionality
- [ ] Other

22.2. Comments.

The components of public good as suggested in Mr Maystadt report should be added explicitly as endorsement criteria.
Other criteria such as an explicit reference to the concept of prudence - even though key in light of the EU public good - should be kept out of the endorsement criteria for the time being and at least until the review of the conceptual frameword initiated by the IASB is completed.
To the extent possible, contradictions between the IFRS Conceptual Framework and the EU criteria for endorsement should indeed be avoided.

23. There is a necessary trade-off between the aim of promoting a set of globally accepted accounting standards and the need to ensure these standards respond to EU needs. This is why the IAS regulation limits the Commission's freedom to modify the content of the standards adopted by the IASB.

Does the IAS Regulation reflect this trade-off appropriately, in your view? *

- (x) Yes
- ( ) No
- ( ) No opinion

24. Have you experienced any significant problems due to differences between the IFRS as adopted by the EU and the IFRS as published by the IASB ("carve-out" for IAS 39 concerning macro-hedging allowing banks to reflect their risk-management practices in their financial statements)? *

- ( ) Yes
- (x) No
- ( ) No opinion

Quality of IFRS financial statements

25. What is your overall opinion of the quality (transparency, understandability, relevance, reliability and comparability) of financial statements prepared by EU companies using IFRS?*

- ( ) Very good
- ( ) Good
- ( ) Moderate
- ( ) Low
- ( ) Very low
- (x) No opinion

26. Given that firms have complex business models and transactions, how would you rate financial statements prepared in accordance with IFRS in terms of complexity and understandability?*

- ( ) Very complex & difficult to understand
- (x) Fairly complex & difficult to understand
- ( ) Reasonable
- ( ) Not complex or difficult
- ( ) No opinion

26.1. Please provide any further comments you think might be helpful, specifying any particular areas of accounting concerned, if appropriate.

The assessment of IFRS financial statements in terms of complexity and understandability is oftentimes a question of perspective. In this regard, it must be noted that preparers tend to find IFRS financial statements "very complex and difficult" to understand whereas auditors and enforcers may find IFRS financial statements "reasonable" as regards to complexity and understandability.

27. How would you rate financial statements prepared using IFRS in terms of complexity and understandability – compared with other sets of standards you use?

	IFRS information is easier to understand than...	IFRS information is neither easier nor more difficult to understand than …	IFRS information is more difficult to understand than …	No opinion
Information under your local GAAPs	○	○	●	○
Information under any other GAAPs	○	○	○	●

27.1. What are your local GAAPs?

Luxembourg GAAPs (LUX GAAP) are standards derived from the implementation of the EU accounting directives in Luxembourg.

27.2. Please identify other GAAPs you are using as a basis for comparison.

n/c

27.3. Please provide any additional comments you think might be helpful.

To a certain extent, the complexity of accounting standards is unavoidable insofar as accounting standards are meant to represent an increasingly complex economic reality (e.g. business models, transactions, etc.). However, it is key that accounting standards do not add any "undue" complexity on top of the unavoidable complexity of the economy itself. In this regard, understandability should be the key driver guiding the standard setter.

28. How do IFRS compare with other GAAPs in terms of providing a true and fair view of a company's (group's) performance and financial position?

	IFRS are better than...	IFRS are equivalent to...	IFRS are worse than...	No opinion
Your local GAAPs (as identified under question 27)	○	○	○	◉
Any other GAAPs (as identified under question 27)	○	○	○	◉

29. How often is it necessary to depart from IFRS under "extremely rare circumstances" (as allowed by IFRS), to reflect the reality of a company's financial performance and position in a fairer way?*

- ○ Often
- ○ Sometimes
- ◉ Hardly ever
- ○ Never
- ○ No opinion

29.1. Please provide additional comments and examples of departures from IFRS that you have seen.

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n/c
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30. How would you rate the extent to which IFRS allows you to reflect your company's business model in your financial statements?*

- ○ This is not an issue
- ◉ IFRS are flexible enough
- ○ IFRS should be more flexible, so different business models can be reflected
- ○ No opinion

30.1. Please explain.*

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It is our view that IFRS offer sufficient flexibility in terms of the
ability for entities to reflect their business model.
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Enforcement

Since 2011, the European Securities and Markets Authority (ESMA) has been coordinating national enforcers' operational activities concerning compliance with IFRS in the EU. ESMA has taken over where the Committee of European Securities Regulators (CESR) left off.

Enforcement activities regarding companies listed on regulated markets are defined in the Transparency Directive (2004/109/EC , as subsequently amended).

31. Are the IFRS adequately enforced in your country?*

- Yes
- Yes, to some extent
- No
- Not applicable
- No opinion

32. Does ESMA coordinate enforcers at EU level satisfactorily? *

- Yes
- Yes, to some extent
- No
- Not applicable
- No opinion

33. Has enforcement of accounting standards in your country changed with the introduction of IFRS?*

- Enforcement is now more difficult
- Enforcement has not changed
- Enforcement is now easier
- Not applicable
- No opinion

34. In your experience, have national law requirements influenced the application of IFRS in the EU country or countries in which you are active? *

- Yes, significant influence
- Yes, slight influence
- No
- No opinion
- Not applicable

35. If you are aware of any significant differences in enforcement between EU countries or with other jurisdictions, do they affect your practice in applying IFRS or analysing financial statements? *

- ( ) Yes, significantly
- (x) Yes, but the impact is limited
- ( ) No
- ( ) No opinion
- ( ) Not applicable

35.1. Please provide specific details.

In certain countries, local public authorities or enforcers have required public issuers to make use of one IFRS option rather than the other (e.g. revaluation vs. cost model under IAS 16, fair value vs. cost model under IAS 40, methodology of amortization of certain rights and assets, etc.). To a certain extent - which is limited - this has influenced comparability and transparency between entities of similar activities but operating or listed on distinct financial markets.

36. The recitals of the IAS Regulation stress that a system of rigorous enforcement is key to investor confidence in financial markets. However, the Regulation contains no specific rules on penalties or enforcement activities, or their coordination by the EU.

Should the IAS Regulation be clarified as regards penalties and enforcement activities? *

- ( ) Yes
- (x) No
- ( ) No opinion

37. Should more guidance be provided on how to apply the IFRS? *

- (x) Yes
- ( ) No
- ( ) No opinion

37.1. If so, by whom? Please detail.*

While it is important that the "principles-based approach" be maintained under IFRS as opposed to the "rules-based approach" known under US GAAP, it seems that a variety of stakeholders would welcome more "non-authoritative guidance" (e.g. illustrative examples, application guidance, etc.). Such "non-athoritative guidance" should be provided by the IFRS Foundation (e.g. IASB, IFRIC or ad hoc committee).

Consistency of EU law

There are different types of reporting requirements in the EU (e.g. prudential requirements, company law, tax, etc.)

38. How would you assess the combined effects of, and interaction between, different reporting requirements, including prudential ones? *

See hereunder (39. and sub.).

39. Do you see any tensions in interaction between the IAS Regulation and EU law, in particular:

	No	Yes	To some extent	No opinion
Prudential regulations (banks, insurance companies)	○	○	◉	○
Company law	○	○	◉	○
Other	○	◉	○	○

39.1. Other - please specify.*

Tax is an area where there are tensions with the IAS Regulation (or at least with the options provided for under article 5 of the IAS Regulation i.e. preparation of annual (individual) financial statements under IFRS).

39.2. If you answered "yes" or "to some extent", please give details and state what the main effects of these tensions are.*

- Prudential regulations
- Company law: There are many potential conflicts between IFRS and EU Company Law such as capital maintenance (e.g. determination of distributable reserves), acceptability of retrospective adjustments mandated by IAS 8 from a Company law perspective (i.e. once profits and reserves have been appropriated by the general meeting of shareholders).
- Tax law: IFRS may cause issues in countries that have a "dependent" or "quasi-dependent" approach to the determination of taxable basis based on accounting profit. When IFRS is not allowed for tax purposes, there may be a disincentive for companies to adopt IFRS as this implies for companies having to draw up two sets of financial statements: one for financial reporting purposes and the other for taxation purposes.

User-friendliness of legislation

All standards are translated into the official EU languages before they are adopted. The Commission also regularly draws up a consolidated version of the current standards enacted by the EU (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:02008R1126-20130331:EN:NOT). The consolidated version does not include any standards that are not yet in force, but can be applied before the date of entry into force.

40. Are you satisfied with the **consolidated version** of *IFRS standards adopted by the EU*, which is not legally binding, or would you like to see improvements?

- ( ) Satisfied
- (x) Need for improvements
- ( ) I wasn't aware of it
- ( ) I don't use it
- ( ) No opinion

40.1. Need for improvements - please specify.*

IFRS experts do not seem to use the consolidated version of IFRS adopted by the EU as they prefer to access directly the source information made available on the IFRS Foundation websites such as eIFRS (limited access).
For public authorities and other practitioners, the consolidated version of EU adopted IFRS is useful and should be maintained (public access at no cost). Ideally, the consolidated version of EU adopted IFRS should be made publicly available at least semi-annually and should be improved by adding sections of IFRS not subject to endorsement but that are of key importance to preparers, auditors and users wishing to have a fuller picture of IFRS (e.g. conceptual framework, application guidance, illustrative examples).

41. Are you satisfied with the quality of **translation** of IFRS into your language *provided by the EU* ?*

- ( ) Yes
- (•) Yes, to some extent
- ( ) No
- ( ) No opinion
- ( ) Not applicable

41.1. Please give details.

IFRS and the English language are closely intertwined. Thus, IFRS translation may sometimes cause interpretative issues as it is a fact that some words do not translate easily (e.g. the concept of "stewardship"). That being said, it is important that IFRS be available to non-English readers despite the inherent limitations of any translation exercise,

General

42. Do you have any other comments on or suggestions about the IAS Regulation?

After almost 10 years of application, it comes out that the IAS Regulation of 2002 has met its key objectives i.e. bringing greater transparency and comparability to the consolidated financial statements EU publicly listed entities. Yet, this assessment does not imply that the scope of the IAS Regulation should now be increased as "one size does not fit all". While we are of the opinion that IFRS as adopted by the EU are adequate for consolidated financial statements of EU listed entities, we do not think that this is necessarily the case for non-listed entities or for non-consolidated financial statements.
We believe that - 10 years after adoption - the effort should now be placed on a greater intelligibility of IFRS financial statements for users as well as on "value relevance" of accounting information.
Amendments to the IAS Regulation should be made on a "do not fix what is not broken" basis considering the recommendations included in the Maystadt report of 2013 on reinforcing the EU's contribution to IFRS and improving the governance of the European bodies involved in developing these standards.

Thank you for your valuable contribution.

Contact

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