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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

1.4.1.
How many organisations do you represent?*

The 100 Group of Finance Directors represents the views of the finance directors of some 100 companies comprised of the members of the FTSE 100 and certain other large companies in the UK with a combined market capitalisation of some £1.6 trillion.

1.4.2.
What type of business do you represent?*

☑ Industry
☑ Banking
☑ Insurance
☑ Other

1.4.2.1. Other - please specify*

Our members are drawn from a diverse range of industries, including manufacturing, business services, oil and gas, utilities, banks and insurance companies.

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
- ○ 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.*

The 100 Group of Finance Directors

4. In
the interests of transparency, we ask organisations to supply relevant information about themselves by registering in the Transparency Register (http://ec.europa.eu/transparencyregister).
If your organisation is not registered, your submission will be published separately from those of registered organisations. Is your organisation registered in the European Parliament/Commission Transparency Register?*

○ Yes
● No

5. In
the interests of transparency, your contribution will be published on the Commission's website. How do you want it to appear?*

● 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?*

● Yes
○ No
○ No opinion

6.1. Comments.

Our member companies operate and/or obtain funding on a global basis. We are therefore supportive of a single set of global accounting standards because they enable both our member companies and their existing and potential investors to compare their performance with their international competitors and thereby improve the efficiency of global capital markets.

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?*

● Yes
○ No
○ No opinion

7.1. Please explain.

When the IAS Regulation came into being in 2002, few countries required or permitted the use of IFRS. We strongly believe that the EU's commitment to IFRS was a major factor in encouraging other countries to adopt IFRS.

We recognise, of course, that US companies are not permitted to adopt IFRS. We do not believe that the apparent reluctance of the US to embrace IFRS reflects badly on the quality of IFRS. Rather, we believe that this reflects the fact that, unlike many of the other countries that have adopted IFRS, the US already has high quality accounting standards o f its own and that there does not appear to preparers and users of the financial statements of US companies to be a cost/benefit case for transitioning from US GAAP to IFRS.

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.

We are content with the scope of the IAS regulation and that Member States should be permitted to determine the accounting regime that applies to financial statements that fall outside the scope of the IAS Regulation. As the IASB itself acknowledged in developing 'IFRS for SMEs', IFRS is not suitable for many unlisted and smaller companies. Should the commission consider extending the use of IFRS to the individual accounts of listed companies, we recommend that it provides an option of reduced disclosures in the financial statements of such companies such as is available in the UK and Ireland under FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

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?*

○ Significantly more transparent
● Slightly more transparent
○ No change
○ Slightly less transparent
○ Significantly less transparent
○ No opinion

11.1. Please elaborate.

We believe that the adoption of IFRS has made financial statements more transparent in terms of quality and usefulness across the EU as a whole. We are concerned, however, that this improvement has been to some extent offset by the increasing reliance of the IASB on disclosure requirements that are necessary in part to explain its complex accounting rules. In the UK, the length of the consolidated financial statements of a typical listed company has increased substantially since the adoption of IFRS but much of the additional disclosure is superfluous. We support the UK and Ireland Financial Reporting Council's initiatives to 'cut clutter' and encourage clear and concise reporting by eliminating immaterial disclosures.

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	○	○	●	○	○	○
EU-wide	●	○	○	○	○	○
Compared with non-EU countries	○	●	○	○	○	○

12.1. Please elaborate.

We believe that comparability has increased significantly across the EU as a whole because listed companies are now using a single set of standards rather than a number of different national accounting regimes. We believe that comparability at that level has increased with those non-EU countries that have adopted IFRS and, due to the convergence of IFRS and US GAAP, with US companies as well. In the UK, we had established accounting standards before the adoption of IFRS and we have not therefore seen any significant change in the comparability of financial statements (indeed, in some areas, such as hedge accounting, comparability has been reduced).

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

13.2.
Please elaborate.

We believe that financial statements have become more difficult to understand . Whilst, admittedly, this is partly because IFRS addresses complex areas that were not addressed adequately before (such as financia l instruments, pensions and other post-retirement benefits and share-based payments), we believe that the amount of accompanying disclosure requirements has made it more difficult for users to identify underlying financial performance. Many companies now present alternative performance measures in order to assist users in assessing their financial performance. We are concerned that the more it becomes necessary for companies to present such measures, the more likely it will be that the credibility of IFRS will be undermined. We believe that the IASB should consider this danger in drafting its pronouncements.

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.

We believe that the adoption of a single set of accounting standards for listed companies across the EU has enabled investors more easily to compare financial performance between companies.

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.

Capital markets are becoming increasingly global. It is no longer as important as it once was to be listed in a country from which you wish to source capital, but many EU companies still choose to have a primary or secondary listing in the US.

Since 2008, it has been easier for EU companies to access capital in the US because the SEC now permits foreign private issuers to file financial statements prepared in accordance with IFRS as issued by the IASB without reconciliation to US GAAP. We also believe that investors from the US have become more willing to invest in companies whose financial statements are more akin to US GAAP than they used to be.

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

16.1. Please provide data/ examples
if available.

Whilst the application of IFRS in the EU may have had some effect on the cost of capital, we do not believe that this can be reliably distinguished form the effect of other factors.

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

17.1. Please provide data/ examples if available.

Adoption of IFRS has improved the protection for investors only to a small extent, as most of the protection is through legal and regulatory frameworks, but it has resulted in the provision of more consistent and comparable information to investors in listed companies accross the EU. We also believe that the adoption of IFRS has had the indirect effect of encouraging initiatives to improve the consistency and comparability of the narrative reports that accompany consolidated financial statements..

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

18.1. Please provide data/ examples if available.

Whilst we do not believe that accounting standards caused the financial crisis, we recognise that the use of ‘fair value’ to measure certain financial instruments was seen by some as having exacerbated it (indeed, it was for this reason that the G20 directed the IASB and the FASB to review and amend certain of their accounting standards).

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

○ Yes
○ No
● No opinion

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.

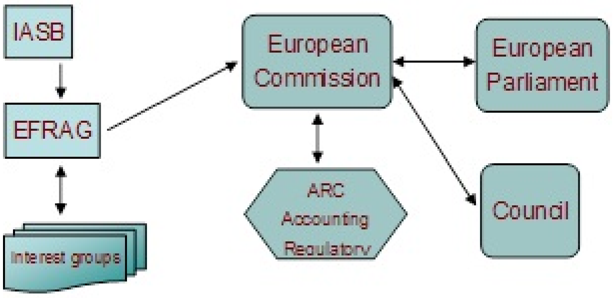
It is extremely difficult to quantify the benefits of applying IFRS. However, we believe that there are benefits such as the enhanced comparability of financial statements which is useful for investors and for companies themselves when comparing thier performance with their competitors. Additionally, the adoption of a single accounting language by listed companies has improved the mobility of finance professionals across the EU.

Companies tend to benefit most when IFRS is adopted locally in the countries in which they operate because their subsidiaries no longer have to deal with differences between their local GAAPs (which they use for local reporting) and IFRS (under which they are required to report for consolidation purposes).

For most companies, the adoption of IFRS did involve up-front costs but the extent of those costs differed between companies as they depended on the extent to which the each company was affected by the changeover. Similarly, the up-front costs of adopting new and revised accounting standards will differ between companies (for example, the cost of adopting IFRS 15 ‘ Revenue Recognition’ is likely to be much greater for a mobile telecommunications company than for a manufacturing company).

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.)?*

Whilst we recognise the political need for an endorsement process, we are concerned that it is rather cumbersome. With a view to streamlining the process, we would suggest that the Commission revisits the role in the process of the European Parliament and the European Council.

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.

☐ Not jeopardising the EU's financial stability
☐ 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

22.1.1
Other - please specify.*

We would prefer to see favourability to the public good in Europe removed from the endorsement criteria as we consider that it is too subjective and will not always be compatible with principles-based accounting standards.

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? *

- ● 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
- ● 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
- ● 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
- ● 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.

We are concerned that IFRSs are becoming increasingly long and complex and that it is often difficult for investors to identify the underlying financial performance of a business. We believe that this is particularly the case with regard to accounting for financial instruments (including hedge accounting), pensions and other post-employment benefits and share-based payments.

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?

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

As companies listed in the EU, our members must prepare their consolidated financial statements in accordance with EU adopted IFRS and no longer use any other GAAPs for this purpose. Our members may use other GAAPs in preparing the separate financial statements of their parent companies and those of their subsidiaries in the countries in which they operate. We consider, however, that to compare other GAAPs used in those contexts with IFRS used in the context of the consolidated financial statements of listed companies would be unfair because the financial statements for which they are intended have different users with different information requirements. In the UK, for example, our larger companies will soon be adopting 'new UK GAAP' that is based on IFRS for SMEs. Wh ilst new UK GAAP is fit for purpose in the context of the companies for which it is intended, it is not suitable for use in preparing the consolidated financial statements of listed companies

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.

We believe that companies can overcome most situations in which IFRS does not reflect the reality of their financial performance and position through the use of alternative performance measures.

We believe that it is important that there is regulation concerning the presentation of such measures and we have responded (not entirely favourably) to ESMA on its recent consultation.

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

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
○ Yes, but the impact is limited
○ No
● No opinion
○ Not applicable

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
● No
○ No opinion

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

○ Yes
● No
○ No opinion

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? *

We consider that financial reporting to investors should be distinguished from prudential reporting to regulators.

We believe that accounting standards principally serve the information needs of investors. It is our understanding that the IASB does not favour industry-specific accounting standards. As the IASB’s standards generally apply across all industries, we oppose any moves by regulators in particular industries to seek amendments to IFRSs to meet their own specific information needs.

Where the information needs of a regulator are not met by accounting standards, we believe that it should be the responsibility of the regulator to obtain the information it requires directly from the companies that it regulates.

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	○	○	○	●

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

We have seen the effect of these tensions in the debate surrounding the development of IFRS 9 ‘ Financial Instruments’ and in the divergence between the requirements of Solvency II and the second phase of IFRS 4 ‘Insurance Contracts’, particularly in accounting for technical reserves.

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
○ Need for improvements
○ I wasn't aware of it
○ I don't use it
● No opinion

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

General

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

We would like to add some comments about EU amendments and/or carve-outs to IFRS as issued by the IASB (because there is no facility to add these comments in our responses to Questions 23 & 24).

We would discourage the Commission from making any future amendments and/or carve outs to IFRS since we believe that this would jeopardise the objective of achieving global accounting standards. Europe’s largest c ompanies invested significantly in implementing the IAS Regulation and would have the most to lose if Europe began to diverge from IFRS as issued by the IASB (in particular, those that are listed in the US and would once again have to reconcile to US GAAP). We would remind the Commission that these companies employ millions of people across the EU and pay and/or gather a significant amount of the tax revenues of Member States.

We believe that it is imperative that all efforts to influence accounting standards are made when they are under development. Once they have been issued, it is too late. The EU remains one of the greatest supporters of the concept of global accounting standards and its adoption of IFRS has been one of the main reasons why IFRS is now required or permitted in over 100 countries. The IASB would therefore be very foolish if it was to ignore the EU if it was to disagree fundamentally with an accounting standard that is under development. Once a standard has been issued, however, it becomes difficult for the IASB to be seen to bend to the particular views of the EU or any of its other constituents. With this in mind, we are broadly supportive of the reforms of EFRAG that will become effective on 31 October 2014 because we believe that they are likely to make EFRAG a much more authoritative voice for the EU in influencing the development of IFRS.

Thank you for your valuable contribution.

Contact

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