Document discussed in the Expert Group on the IAS Regulation, meeting 3/12/2014, Agenda item III

(final version)

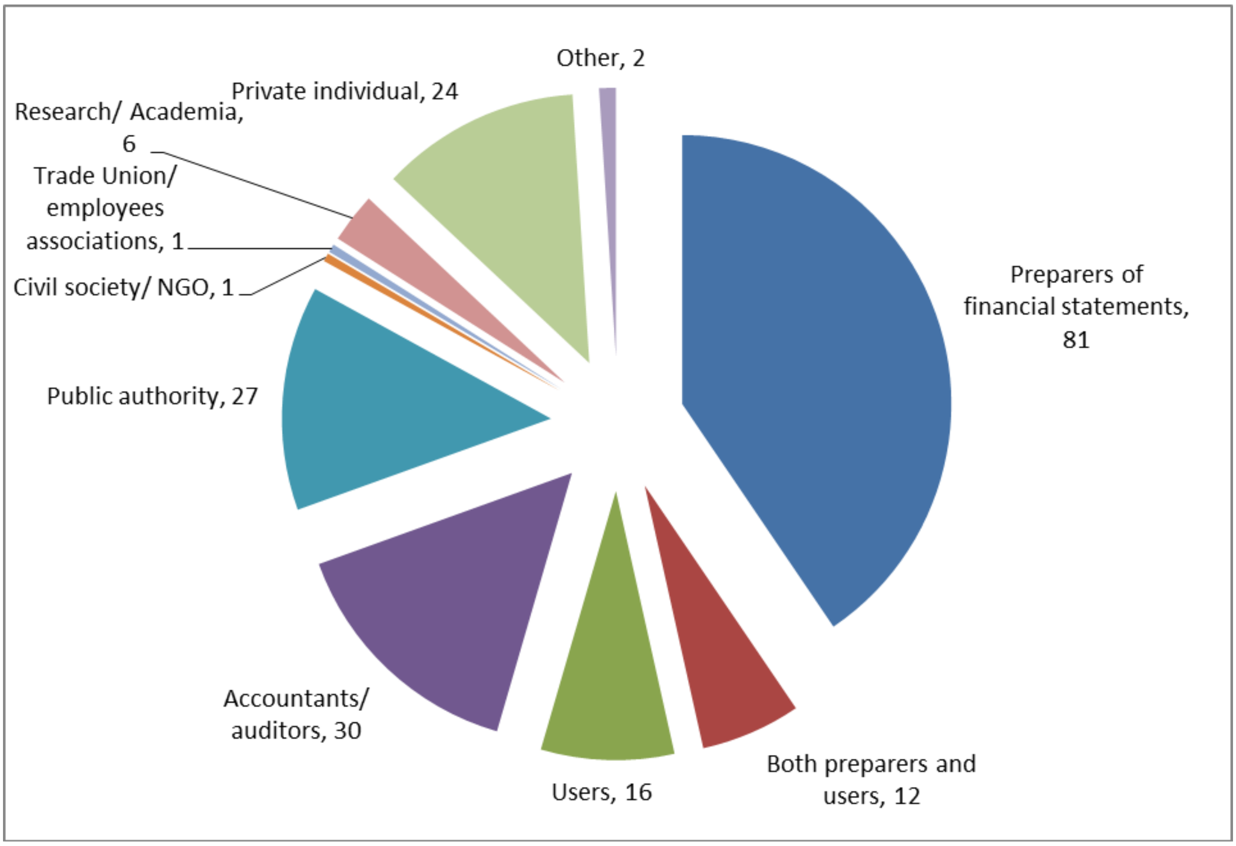
DISCLAIMER

The results of this consultation are an indication of views expressed by stakeholders who decided to participate. This document is prepared by Commission services as a basis for comment and does not prejudge the final form of any decision to be taken by the Commission.

Feedback from the public consultation on the impact of IFRS in the EU (7 August — 7 November 2014)

1. Profiles of the respondents (Q.1–Q.5 and specific questions)

200 respondents commented on the public consultation (four by letter without using the questionnaire). 23 % requested anonymity (in particular 40 % of preparers and half the private respondents). A list of respondents and their contribution are published on the Commission's website.[1]



55 % of respondents are companies and associations of businesses that prepare and/or use financial statements under IFRS. Two thirds of the individual companies are in industry (with

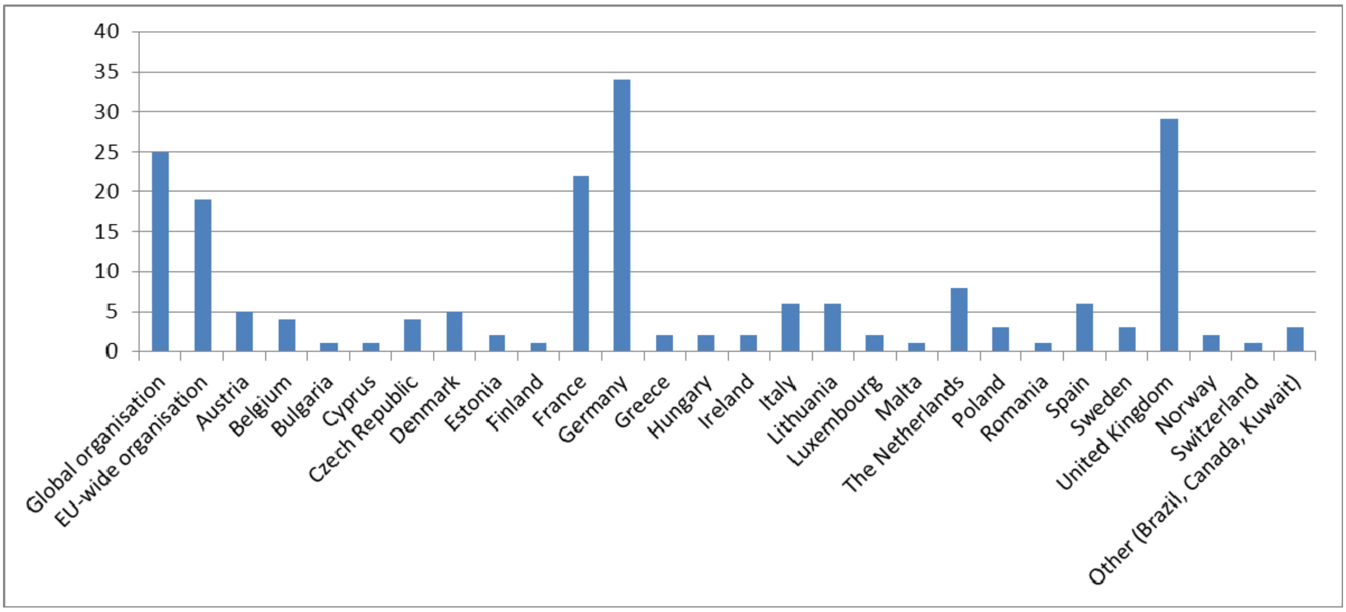
[1] http://ec.europa.eu/internal_market/consultations/2014/ifrs/index_en.htm.

a wide range of sectors represented) and nearly two thirds of the business associations are concerned with financial services. Nearly all the companies were large, listed on regulated markets (two thirds in one Member State alone) and required to apply IFRS for consolidation purposes, with international activities in the EU or in non-EU countries. Only seven non-listed companies responded to the survey.

Among the companies using financial statements (six purely using and 12 also preparing them) and users' associations (10), industry and financial services interests were represented equally. Users had an even representation of domestic, EU and non-EU portfolios. There were slightly more companies (equity and debt investors) than lending institutions and financial analysts.

15 % of respondents are accountants or auditors and 14 % Member State authorities.

Annex 1 gives a more detailed breakdown. We note significant participation in the public consultation by respondents from three Member States (Germany, the UK and France) and from global and EU-wide organisations. Respondents' profiles are set out in more detail in Annex 2.



2. <u>Relevance of the IAS Regulation</u>

a. Objective of the IAS Regulation (Q.6 & Q.7)

Q.6. Are the Regulation's objectives still valid today?

Most respondents (close to 95 %) across all categories are of the view that **the objectives of the IAS Regulation are still valid today**. The **growing internationalisation and globalisation of the capital markets** have strengthened the validity of the objectives, i.e. the need to have transparent and internationally comparable financial standards. Transparency and comparability of financial reporting remain crucial to the efficient operation of the EU single market / capital market.

Additional comments made by some respondents

A few respondents noted that the aims of transparency and comparability should not take precedence over the fundamental objective of financial accounts, i.e. to provide a true and fair view supported by the concept of prudence, which is conducive to the European public good and the adequate protection of investors.

Q.7. Has the IAS Regulation furthered the move towards establishing a set of globally accepted high-quality standards?

Most respondents (close to 85 %) across all categories are of the view that the IAS Regulation has **significantly increased the credibility and acceptance of IFRS worldwide and hence furthered the move to a set of globally accepted high-quality standards**. Since 2002, IFRS have become broadly accepted in more than 100 jurisdictions.

Additional comments made by some respondents

Some respondents were of the view that the importance of IFRS, though growing, was not sufficient, as some major countries (most notably the United States) have not implemented them. While some regret that greater convergence with the USA has not been achieved and/or little progress has been made as regards domestic US entities using IFRS, other respondents noted that many non-US (including European) companies are **allowed to use IFRS to access the US market** (no need to reconcile their IFRS accounts to US GAAP). Some stressed that global convergence should not be pursued at the expense of ensuring that the IFRS standards are of a high quality.

b. Scope of application of the IAS Regulation (Q.8 & Q.9)

Q.8. Is the scope of the Regulation right (consolidated accounts of EU companies listed on regulated markets)?

More than two thirds of respondents indicated that the current scope of the IAS Regulation is appropriate, in combination with Member State options, for providing capital market participants with information. Member State options are seen as allowing Member States to take due account of national specificities (e.g. local company law, in particular profit distribution rules and the safeguard of equity capital, taxation, supervisory requirement for financial companies).

The other third of respondents proposed changes to the scope. Over a third of these would allow any company to opt for reporting under IFRS (i.e. statutory accounts of entities reporting on a consolidated basis, statutory accounts of subsidiaries of groups, large companies). Arguments put forward by preparers included:

- substantial savings for multinational groups and individual subsidiaries;
- benefits if the entity seeks to go public in the future (it can develop the requisite expertise and demonstrate a history of relevant reporting prior to listing and will face less change in the year of the IPO); and
- a level playing-field for large companies.

In particular, banking associations maintain that **an option for banks** to apply IFRS to their individual accounts could be beneficial, because the need to comply with more than one set of accounting standards could hamper the integration of EU financial markets as it imposes an avoidable cost for banks' cross-border operations. They recognise that this would imply alignment of national requirements among Member States (e.g. taxation, legal aspects) and of certain European directives**.**

Most of the respondents proposing changes acknowledge the need for a **full impact assessment** before any action is taken, giving due consideration to administrative burden relative to the size of a company and the complexity of its business, and taking account of the flexibility needed to address the particular needs of users (e.g. tax, legal or social issues).

Additional comments made by some respondents

- Over 20 % of the extensions proposed involve **making IFRS compulsory for the individual annual accounts of listed companies on regulated markets** and more particularly for **individual financial statements of such companies that have no subsidiaries** (mostly suggested by auditors and accountants). This is seen as necessary to providing markets with better comparability and high-quality financial information.
- A few respondents suggest making IFRS compulsory for the consolidated accounts of large non-listed companies, in particular '**public interest entities**' (PIEs as defined in the Accounting Directive 2013/34/EU, Article 2) or entities **that are important for the stability of the economy or the financial system**, irrespective of size. It is thought that this would increase comparability for investors who operate in the private equity or non-regulated markets. Applying IFRS to PIEs could also reduce the reconciliation burden for prudential requirements and would allow for more precise statistical data at EU level.
- For **SMEs or small and medium-sized groups**, comments are very divided on the application of IFRS. Several preparers were of the opinion that there is less of a need for transparency and comparability with these companies, as they are less exposed to international benchmarking and global financing. These types of company have distinct user and stakeholder needs outside the capital markets. Some think that the benefits of applying IFRS would probably not outweigh the costs (possible complexity, efforts, administrative burden and volume of disclosures). One idea put forward was to harmonise national GAAPs for individual and consolidated financial statements further, with the development of a reference or benchmark system for optional use.
- Several respondents pointed to the benefits of a **reduced disclosure approach (i.e. a lighter version of IFRS)**, already tested in some countries, for entities not listed on regulated markets (e.g. subsidiaries) or a differentiation of the level of disclosure by sector (more disclosure on financial instruments for the financial sector, with lighter arrangements for industry). Advantages put forward are reduced operational cost and effort, in particular for small companies considering listing.
- Several respondents suggested widening the scope of the IAS Regulation to companies listed on EU public markets that are **not regulated.** Several accountants' associations specifically suggested analysing certain **SMEs listed on non-regulated markets** which disclose only limited information pursuant to limitations under the EU Accounting Directive (e.g. small biotech companies with very small turnover, net assets and staff but still potentially representing higher risk investments).
- Other specific proposals were:
  - addressing the need for long-term orientation;
  - increased flexibility for companies issuing bonds and smaller companies considering going public, which would enhance the efficiency and liquidity of European capital markets; and
  - widening the scope of IFRS to companies in regulated sectors, for both consolidated and individual financial statements.

- For some, if there were grounds for increasing the mandatory application of IFRS (e.g. for certain types of entities), this should remain an option for Member States.

Q.9. Are the Member State options appropriate?

More than two thirds of the respondents see the options open to national governments as appropriate.

Additional comments made by some respondents

- A fifth of the respondents, mostly preparers and users, find that options given to Member States are too wide (e.g. need to impose use of IFRS for individual financial statements of listed companies without subsidiaries and/or allow companies the option, in particular for individual financial statements when the company/group is already preparing consolidated financial statements under IFRS).
- Several expressed concern not only that extending the scope of the IAS Regulation to non–listed companies could add to administrative and financial burdens, but also that certain standards could have an economic and social impact.
- A few (users, in particular in Member States that have taken up the option to apply IFRS to statutory financial statements) mentioned the risk of distributing dividends out of non-realised gains and losses, which could lead to insolvencies. The issue of distribution of dividends and capital maintenance, necessarily related to the concept of prudence, is deemed to be urgent.

c. Cost-benefit analysis (Q.11–Q.20 and eight specific questions)

Q.10. Pre-IFRS experience or experience of the transition to IFRS

82 % of the respondents reported pre-IFRS experience/ experience of the transition process to IFRS and were consequently invited to reply to the questions relating to the cost-benefit analysis.

Q.11. Has the application of IFRS in the EU improved the transparency of companies' financial statements compared to what it was before mandatory adoption?

Most of those who replied to this question (86 %) think that IFRS financial statements are more transparent.

More than half (55 %) think that the improvement is significant.

The results are similar when replies are analysed per type and geographical origin of respondent, with some variations possible.

Additional comments made by some respondents

- IFRS improved transparency through more disclosures and fewer accounting options.
- Other factors could have contributed to greater transparency (e.g. the 2007-2008 financial crisis, the complexity of some business transactions).
- However, the **complexity** of some accounting treatments under IFRS, the need to **exercise judgement** and excessive/irrelevant/bad quality **disclosures** can undermine transparency.

- **Insurers** stressed that the lack of a standard on insurance contracts undermined the transparency of their financial statements.

Q.12. Has the application of IFRS in the EU changed the comparability of companies' financial statements compared to what it was before mandatory adoption?

Most of those who replied to this question think that the introduction of IFRS contributed to greater comparability at national, EU and global level (70 %, 92 % and 79 % respectively).

More than half think that the improvement was significant at EU and global level (69 % and 51 % respectively) and a third think that this was also the case at national level.

Similar results appear when replies are analysed by type and geographical origin of respondent, with some variations possible.

Additional comments made by some respondents

- Views on the impact of IFRS on c*omparability at national level* **vary across Member State** and could be attributed to differences between national accounting frameworks before the introduction of IFRS.
- *Comparability at EU level* – although IFRS replaced different national standards, companies are still influenced by local specificities; there is also a trade-off between comparability and industry-specific information.
- *Comparability at global level* is determined by two key factors: the extent to which IFRS are used in the world and the level of convergence between IFRS and US GAAP.
- According to **banking** associations, comparability has not increased in some areas (e.g. statement of comprehensive income), which has prompted national standard setters to produce guidelines and interpretations. However, the banking associations think that interpreting IFRS should be the sole responsibility of IFRIC.

Q.13. Have financial statements prepared under IFRS become easier to understand since the introduction of IFRS, compared to what it was before mandatory adoption?

Two thirds of those who replied to this question (68 %) think the introduction of IFRS contributed to greater understandability of financial statements.

Around half (49 %) did not express any reservations with regard to this view.

The results are similar when replies are analysed by type or geographical origin of respondent, with some variations possible.

Additional comments made by some respondents

- Financial statements under one set of rules (IFRS) are easier to understand than under several (national) sets of rules. This is of great importance to cross-border investors.
- IFRS are often praised for putting economic substance before legal form.
- Disclosures can help users to understand financial statements, but excessive/irrelevant/bad-quality disclosures can undermine understandability.
- However, understandability gains have been partly offset by the complexity of IFRS, especially in areas such as fair value accounting, derivatives and hedging. Some see analysing IFRS financial statements as requiring expert knowledge. Others pointed out that IFRS had to be complex to allow preparers to portray complex business transactions.

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

Most of those who replied to this question (87 %) think that the introduction of IFRS created a level playing-field for companies using them.

More than half (55 %) did not make any reservations with regard to this view.

Similar results appear when replies are analysed by type of respondent, with some variations possible.

Additional comments made by some respondents

- IFRS contributed to a level playing-field not only for preparers but also for investors.
- A level playing-field due to a single set of accounting standards does not necessarily mean better rules or better accounting.
- An important factor contributing to a level playing-field is international acceptance of IFRS, especially by the US SEC.
- A truly level playing-field would require further work on issues such as uniform implementation, application and enforcement of IFRS, national taxation and accounting requirements for non-listed companies. ESMA is identified as having a key role to play in harmonising enforcement practices.
- According to insurance companies and associations, the new standard for insurance contracts will be an important factor in achieving a level playing-field between insurers and other companies.

Q.15. Extent to which the application of IFRS in the EU has affected access to capital (listed debt or equity) for issuers in domestic and non-domestic markets being IFRS reporters.

Nearly two thirds of those who replied to this question think that the introduction of IFRS contributed to easier access to capital at EU and global level (63 %). Nearly half think that this was also the case at national level (41 %).

The results are similar when replies are analysed by type of respondent, with some variations possible.

Additional comments made by some respondents

- Local investors might have found IFRS more difficult than their local GAAP. Also, adopting IFRS may represent an obstacle to an initial public offering, especially for SMEs.
- However, accessing foreign capital markets under IFRS is easier than under local GAAPs (e.g. no need to prepare a second set of financial statements under another accounting regime). There has been a significant increase in the number of countries accepting IFRS in recent years.
- Capital providers, including those from outside the EU, understand IFRS better than local GAAPs and are therefore more willing to invest in companies reporting under IFRS.
- Other factors could have influenced conditions under which companies access capital (e.g. Prospectus and Transparency Directives).

Q.16. Has the application of IFRS in the EU impacted directly on the overall cost of capital for companies (distinguishing as far as possible effects of IFRS from other influences)?

Nearly half of the respondents who replied to this question (42 %) did not have a view. Of those who expressed an opinion, a majority (54 %) think that the cost of capital has fallen.

Results vary when replies are analysed by type and geographical origin of respondent. For instance, fewer than half of preparers who expressed an opinion (40 %) think that the cost of capital has fallen.

Additional comments made by some respondents

- It is difficult to isolate the impact of IFRS on the overall cost of capital from other factors such as the overall volume of trade in securities, the credit crunch and certain ECB measures. In addition, the respondents who commented on this issue seemed divided as to whether the impact was positive or negative.
- For some, IFRS reduced the cost of capital by improving investor confidence.
- For others, IFRS increased the cost of capital by making financial information more difficult to produce, audit and explain to investors.
- Being listed in the USA has become less expensive, since foreign companies no longer have to reconcile their financial statements to US GAAP.
- The fact that companies under IFRS can be rated by international ratings agencies can have a positive impact on their cost of capital.
- De-listings from the US capital market suggest that EU capital markets have become more efficient.
- Ever-expanding disclosure requirements, frequent changes to existing standards and the issuing of new standards contribute to increases in the cost of capital. New standards on financial instruments, leases and insurance contracts may further increase this cost.

Q.17. Has the application of IFRS in the EU increased investors' protection (compared with the situation before mandatory adoption), through better information and stewardship by management?

More than two thirds of those who replied to this question (71 %) think the introduction of IFRS improved investor protection. Around a third (32 %) thought that IFRS improved investor protection to a great extent.

The results are similar when replies are analysed by type and geographical origin of respondent, with some variations possible. Users judged the impact of IFRS on investor protection to be small.

Additional comments made by some respondents

- Better investor protection results largely from improved transparency and comparability, e.g. investors benefit from better reporting on financial instruments and greater risk disclosures.
- Consistent application and enforcement of IFRS are also important factors.
- Investor protection could be reinforced further if IFRS gave a more prominent role to the concepts of stewardship and capital maintenance.
- However, investors are less well served by the complexity of some accounting treatments, disclosure overload and departures from the principles of prudence and reliability in some standards (e.g. no amortisation of goodwill, 'level three' fair value measurement).

Q.18. Has the application of IFRS in the EU contributed to the maintenance of confidence in financial markets, when compared with the likely situation if they had not been introduced?

Two thirds of those who replied (67%) think that the introduction of IFRS helped maintain confidence in financial markets. Around a third (33%) thought that it did so to a great extent.

The results are similar when replies are analysed by type and geographical origin of respondent, with some variations possible. Around 80% of companies that are both preparers and users, and of auditors and accountants, were of the opinion that IFRS contributed to the maintenance of confidence in financial markets.

Additional comments made by some respondents

- Although it is difficult to make comparisons with the situation had IFRS not been introduced, greater transparency, comparability and disclosures under IFRS helped maintain investor confidence.
- However, frequent changes to IFRS might undermine investor confidence. Moreover, IFRS have not solved the problem of management manipulation.
- The impact of fair values and the incurred loss model on investor confidence during the financial crisis remains controversial. For instance, some respondents blamed fair values for aggravating the crisis, while others disagreed. Many pointed out that in the wake of the financial crisis, the IASB has decided to reform accounting for financial instruments.

Q.19. Other benefits from the application of IFRS as required by the Regulation.

More than two thirds of all those who replied (74%) saw other benefits from applying IFRS, such as improved group reporting in terms of process, improved ability to trade/expand internationally, robust accounting framework for preparing financial statements, administrative savings, group audit savings or other (86%, 73%, 48%, 46% and 35%, respectively, of those who saw other benefits).

The results are similar when replies are analysed by type of respondent, with some variations possible.

Additional examples of benefits stemming from the use of IFRS

- Greater credibility of EU companies' financial reports outside the EU.
- Wider (international) job opportunities for finance professionals.
- Wider (international) pool of finance professionals for companies to choose from.
- Higher qualifications among finance professionals.
- Better internal communication in international companies.
- Improved corporate governance and stewardship.
- Easier acquisitions/disposals of companies.
- More interest in accounting issues.

Q.20. On balance and at global level, how do the <u>benefits of applying IFRS compare to any additional costs incurred</u>, compared to what it was before mandatory adoption, bearing in mind the increasing complexity of businesses that accounting needs to portray?

Nearly two thirds of all those who replied (60 %) think that the benefits of IFRS exceed the costs associated with them. More than a third (38 %) think that the benefits significantly exceed the costs.

The results are similar when replies are analysed by type and geographical origin of respondent, with some variations possible.

Additional comments made by some respondents

- It is easier to quantify costs (e.g. expert staff, training, IT updates, audit fees, etc.) than benefits (transparency, comparability, understandability, level playing-field, etc.).
- The ongoing costs are small compared with the initial implementation costs.
- The cost/benefit ratio for each company depends very much on its individual characteristics (e.g. size, structure, scale of international operations, sources of capital).
- The trade-off between costs and benefits has been adversely affected in recent years by the complexity of some accounting treatments, disclosure overload, frequent changes to existing standards and the issuing of new standards.
- The complexity of some accounting treatments seems to reflect complex transactions. However, the complexity of some transactions should not be used as an excuse for issuing overcomplicated standards.
- The insurance sector is concerned about the implementation costs of the new standard on insurance contracts.

<u>Specific questions for preparers and users</u>

Specific (‘U’) questions to companies using financial statements were answered only by those companies, i.e. fewer than 20 respondents.

P.7 & U.4. Has the application of IFRS in the EU influenced the need for other non-IFRS-based information (‘non-GAAP’ information) to explain companies’ financial performance, compared with the situation before mandatory adoption?

A total of 55 stakeholders expressed an opinion on this subject. Almost half indicated that the introduction of IFRS has not lead to changes in the need for non-IFRS information. Over 40 % believe that the need for non-IFRS information has increased due to introduction of IFRS (31 %: increased slightly; 13 %: increased significantly). Only 7 % are of the view that the need for other non-IFRS-based information has been reduced.

Those who argued there was **no change** mentioned in particular that:

- Non-GAAP information **supplements** the information prepared under IFRS and helps management focus on different aspects of performance and other measures. Therefore, the need for additional measures would have been broadly the same under national GAAP.
- Non-GAAP information remains important because it allows companies to align reporting with their **business model.** Also, for users of financial information, non-GAAP measures

could be a very important source of information (e.g. 'operating profit' provides the user with the management's steering perspective on the results).

- Some suggested that the IFRS should consider how to address **performance reporting**.
- With regard to the insurance sector, the conversion to IFRS involved a limited degree of change, as IFRS 4 allows the use of local GAAP in the calculation and presentation of insurance contract liabilities. Non-GAAP measures have therefore retained their central importance as a way of explaining performance.

The stakeholders who observed an **increased need for non-GAAP information** pointed out *inter alia* that:

- In some cases, the rules-based approach of IFRS and some fair value requirements do not allow the portrayal of the **business's performance** to reflect management perceptions.
- IFRS (in particular IAS 1) contain only minimum requirements for the contents of and (sub)totals in entities' primary financial statements; this leads to the use of non-GAAP performance measures (e.g. "EBIT", "EBITDA", recurring or adjusted EBITDA).
- IFRS 8 allows for a management approach in presentation.

Other situations mentioned that increased the use of non-GAAP measures are:

- In the insurance sector, application of current IFRS rules (IAS 39 on the asset side and IFRS 4 on the liability side), resulting in volatility and mismatches in financial performance.
- A need to reflect performance when counter-intuitive treatments are applied (e.g. accounting treatment for 'own credit risk', revaluation of the provisions on regulated savings/loans in some banks).
- Application of IFRS 11, removal of the proportional consolidation method.
- Implementation of IFRS 15 on revenue recognition in the near future and other upcoming IFRS standards (e.g. on leases).

Some stakeholders noted that the need for non-GAAP measures has been **slightly reduced** by the IFRS requirement as results are presented in a manner consistent with the management of an entity.

U.5. How did IFRS affect users' ability to assess stewardship by management (including understanding companies' current performance, financial position, and generation of cash flows)?

Half the users who expressed a view indicated that IFRS improved their ability to assess stewardship by management. On the other hand, many argued that they made it harder. For about 20 %, there was no change.

U.6. How did IFRS affect users' ability to estimate future cash flows for the companies covered?

The majority of users were of the view that IFRS improved their ability to estimate future cash flows for the companies (12 %: significantly; 41 %: slightly). Many see no effects, while a few argued that IFRS significantly worsened the situation.

U.7. Does the ongoing application of IFRS significantly change users' recurring costs for the analysis and benchmarking of companies when compared with other costs otherwise incurred if IFRS had not been applied?

There are mixed views among stakeholders. The majority of users pointed out that the application of IFRS has reduced recurring costs (27%: slightly; 20%: by a large amount), because users can compare financial statements more quickly thanks to standardised non-ambiguous items (such as those defined in IAS 1). A third see no change, while some observed a small increase in the costs.

P.8. Is the ongoing application of IFRS costing preparers more than compliance with alternative standards would have done?

Two thirds of the respondents who expressed their view on this issue are of the view that the costs have increased (28%: by a large amount; 40%; slightly). The other third is divided equally between those who saw no change and those who observed cost reductions.

Companies that saw costs increased by a large amount (**P.8.1**) cited IT developments (software and hardware), staff, training, advisory services and enforcement costs (e.g. enforcement audits have become frequent and require substantial additional manpower, time and resources). It was mentioned that **the fact that the costs were not 'one-shot' is far more important and cumbersome**. The continuous changes in IFRS impose further accounting and IT costs on the company. In these areas, full processes have to be carried out more than once. In addition, IFRS are getting more and more complex, which leads to higher costs of application.

Preparers could not quantify costs or savings (**P.8.2**), indicating they were difficult and too costly to calculate.

Companies that saw costs reduced by a large amount (**P.8.1**) indicated that the adoption of IFRS meant that **the costly reconciliation with US GAAP**, as required up to 2005, was no longer necessary; this had involved having to monitor US GAAP developments, securing specific expertise on US GAAP and a specific internal control structure to ensure compliance.

P.9. Have the costs of IFRS preparation changed significantly over time for preparers since adoption of IFRS when compared with other costs the company would otherwise have incurred to comply with alternative standards?

Most preparers responded that the costs had increased (22%: by a large amount; 56%: slightly). 14% had not observed a change. Only a few replied that the costs had decreased.

Most companies that saw costs as having increased by a large amount (**P.9.1.**) indicated that the **regular amendments** to the IFRS and the **constant need to adapt accounting and IT processes**, especially with major IASB projects, were the main reasons. There is a greater need for **external advisory services** and (the training of) accounting and non-accounting (e.g. HR/treasury) staff to keep up with developments in IFRS, which are seen as more and more frequent. It was also mentioned that new developments increase audit and expertise costs with very limited benefit, as the results are far less clear and transparent, even for the preparers. Examples of the increased need for external valuation and advisory services were business combination, impairment (testing of goodwill and other intangible assets), fair valuation of financial instruments, hedge accounting and tax effects.

The specific case of **insurance** companies was highlighted. The standard is expected to be very complex and to generate very significant investments both for initial transition and ongoing application. Implementing IFRS 4 phase 2 and IFRS 9 for insurers is expected to cost more than adopting IFRS in 2005 (in particular for mark-to-market valuation for liabilities). To justify these implementation costs, it is critical that the final standard is appropriate (e.g. appropriate basis for the reporting of industry performance to avoid non-GAAP measures).

Preparers could not quantify costs or savings (**P.9.2**), which they saw as difficult and too costly to calculate.

Specific question for public authorities (P.A1)

P.A1. Rating of the administrative and regulatory burden for the public authorities (e.g. reporting, enforcement) arising from the ongoing application of IFRS (excluding costs relating to initial transition to IFRS)

The ESAs and 10 Member States, through their national authority(ies), expressed an opinion on this question. For three Member States, IFRS has no significant impact; five Member States and the ESAs indicated that ongoing application has some impact; two Member States indicated a heavy burden.

3. Endorsement mechanism and criteria (Q.21–24)

Q.21. Comments on the way that the endorsement process has been or is being conducted

Many respondents provided comments in response to this question. While a great number thought that the existing process works well on the whole, some concerns were expressed.

A small minority of respondents saw no need for an endorsement process in Europe and thought that all standards produced by the IASB should automatically become part of EU law.

Many mentioned the **length of the endorsement process**. While some acknowledged the need for due process, there was concern that the process is too long and/or should not be made any longer. In particular:

- many referred to standards being endorsed near to or (in the case of one set of recent amendments) after the IASB's effective date;
- many referred to regulatory uncertainty and the need for adequate time to implement standards;
- the needs of US registrants to apply IFRS as issued by the IASB were noted frequently;
- some said that the EU should aim to keep up with other areas of the world and not lag behind on endorsement.

The **reform of EFRAG** was referred to frequently, with respondents supporting the changes in the interests of **strengthening Europe's influence** over the IASB. This was seen as important, as standards reflecting EU needs would be more likely to be endorsed smoothly and in a timely fashion.

In terms of the institutions involved, a small number of respondents saw the need for the ARC to be involved at an earlier stage in the process.

Many also referred to Mr Maystadt's recommendations as regards amending or clarifying the endorsement criteria (see Q.22.1 below).

The existing endorsement process applies **standard by standard**, but many commented that this might not be appropriate in the case of IFRS 9 (financial instruments) and the revisions to IFRS 4 (insurance contracts). Others referred to a need to take explicit account of whether a new standard would improve the quality of financial reporting.

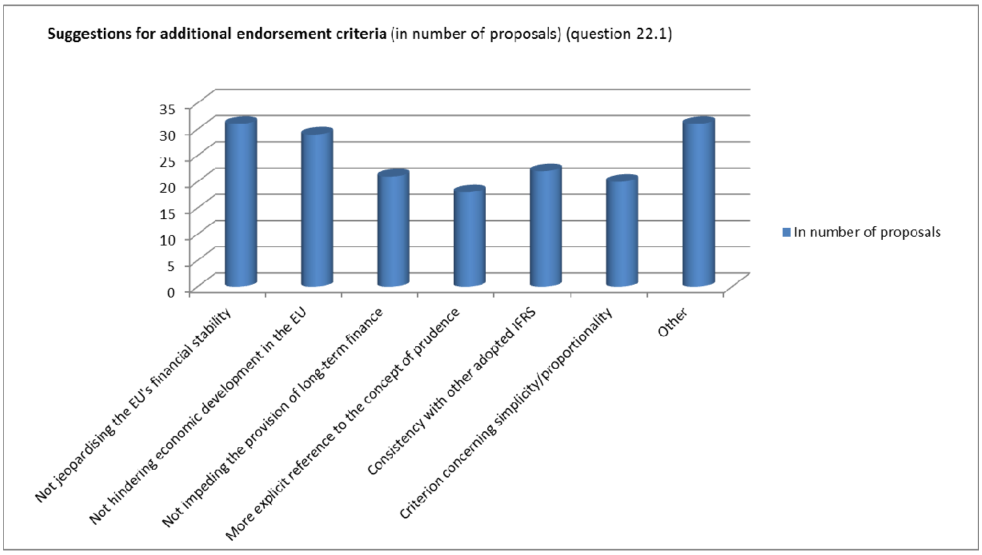
Others saw the process as lacking transparency.

A small number stated that the endorsement process had failed to ensure proper scrutiny of IFRS to ensure a true and fair view, investor protection and the promotion of economic stability.

Q.22. Appropriateness of the endorsement criteria (sufficient, relevant and robust)?

Most respondents (86 %) across all categories and countries find the endorsement criteria appropriate (49 %; yes; 37 %: yes, to some extent).

Q.22.1. Suggestion(s) for additional criteria



Respondents commented on many aspects of this question.

Although many supported the inclusion of financial stability criteria, others saw the role of financial statements as providing the market with transparent information and argued that financial stability should be the **concern of others, such as prudential regulators**.

Others expressed concern about the interpretation of the term 'European public good', but also about **how potential new terms would be interpreted**.

A small number suggested that the endorsement criteria should not be strengthened, as there would be **more risk that a standard would not be endorsed**, which would mean that US registrant companies could not comply with IFRS as issued by the IASB.

Some thought that the **concept of prudence** was already covered. A small number argued for prudence to be explicitly included in the criteria, but others disagreed.

Other potential criteria that were mentioned included:

- not jeopardising EU companies' competitiveness (level playing-field with rest of the world);
- not impeding management practices;
- explicit cost-benefit trade-off; and
- the role of the business model (see Q.30).

Q.23. IAS Regulation reflecting appropriately the 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

Two thirds of respondents expressing an opinion on this question agreed that the Regulation reflects this necessary trade-off appropriately.

Of those that answered 'no' (21 %), some (one Member State in particular) called for greater flexibility and others for less.

Most respondents who want to see more flexibility argue that it should be at least possible to amend standards and that this would be in the European interest. However, many recommend that such powers should be used only in very specific circumstances.

The respondents who cautioned against amending standards referred to European companies losing the benefits of being on a **level playing-field with their overseas competitors** and the lack of comparability that would be introduced. The issues for US registrants were raised, but some suggested that the terms of the **equivalence arrangement with the USA could be renegotiated to allow European companies with a US listing to apply IFRS as endorsed in the EU**.

Some said that the differing application dates of some standards (e.g. IFRS 10 on consolidated financial statements) had given rise to some practical problems.

Further points against introducing more flexibility were that:

- it could be seen as running counter to making IFRS more acceptable worldwide;
- any modification of accounting standards in the EU could undermine investor confidence in reporting, which would impede economic growth; and
- more leeway to modify standards could reduce, rather than increase, the EU's influence.

Q.24. Experience of 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 on macro-hedging, allowing banks to reflect their risk-management practices in their financial statements)

Only 10 % reported significant problems due to such differences, while two thirds did not experience problems.

Some users commented that the carve-out makes comparisons between banks more difficult.

One respondent noted that the carve-out sets a poor precedent and can be used by other jurisdictions as an excuse to change IFRS or cast doubt on its quality and thus suitability for local markets, which undermines IFRS as a consistently applied global standard. Another challenged whether the carve-out is worth having**, as it is used by relatively few banks**.

4. <u>Quality of IFRS financial statements (Q.25–30)</u>

Q.25. Overall opinion of the quality (transparency, understandability, relevance, reliability and comparability) of financial statements prepared by EU companies using IFRS

Most respondents (70-75 %) across all categories were of the view that the quality of financial statements prepared under IFRS was good to very good.

Many stressed that the quality of such statements depends not only on that of accounting standards, but also **on the preparation of the statements, audit and enforcement**. Many also consider that it depends to some extent on the **importance management places on its reporting responsibilities** and whether they are just seeking to comply or making a real effort to provide the highest quality information.

Many believe that there is still **room for improvement**, particularly as regards the **volume and appropriateness of disclosures**. There is an overload of information in the notes to the statements, the quality of which is often affected by too much immaterial information being reported. Some are of the view that this is driven partly by the requirements of reporting standards and partly by behaviours of companies who choose to 'over-disclose'. Some noted that the IASB's 'disclosure initiative' seeks to address longstanding concerns as to the quality of disclosure.

Additional comments made by some respondents

A few respondents are of the view that the IFRS endorsed in the EU have failed to deliver a true and fair view, protect investors and maintain confidence in the financial markets. They believe the failure to deliver a true and fair view is due to the fact that there is no explicit reference to the ultimate goal of capital maintenance nor to prudence in the IAS Regulation. Also, they see the IFRS as having permitted, and even encouraged, an excessive build-up of risk in the banking sector by allowing extensive use of mark-to-market or fair value accounting.

Q.26. Given that firms have complex business models and transactions, rating of financial statements prepared in accordance with IFRS in terms of complexity and understandability

A majority of respondents rate the complexity and understandability of IFRS as **reasonable**.

Many believe that the use of IFRS has increased comparability but also complexity. Many acknowledge that this complexity is not only due to accounting standards but is **inherent in the complexity of business and the transactions** that entities undertake and therefore to some extent unavoidable. Some standards are quite complex, however, and IFRS should remain principles-based. In particular, many believe that overloaded disclosures have increased complexity. Many plead for more suitable and relevant disclosure requirements (see Q.25) and, in some cases, simpler IFRS.

Additional comments made by some respondents

- Some argue for better integration of **business model specificities** in the standards in order to increase the understandability of financial reporting. On the other hand, some argue that being too business-model-specific can make some financial reporting less relevant.

- Some are concerned that the use of mark-to-market and particularly the proportion of realised (versus unrealised) profits have reduced the understandability of financial reporting. In their view, it is difficult to determine truly realised, and therefore distributable, profits.

Q.27. Rating of financial statements prepared using IFRS in terms of complexity and understandability compared with other sets of standards used

Local GAAP

- Preparers are divided as to how IFRS compare with local GAAP. Among those who had an opinion, a slight majority are of the view that IFRS information is easier or is neither easier nor more difficult to understand.
- A majority of users are of the view that IFRS information is neither easier nor more difficult to understand.
- A large majority of national public authorities are of the view that IFRS information is more difficult to understand.
- Most accountants are of the view that IFRS information is easier to understand.

Other GAAP

- The majority of respondents had no opinion on how to rate IFRS information compared with sets of standards other than their local GAAP.

Q.28. Comparison between IFRS and other GAAP in terms of providing a true and fair view of a company's (group's) performance and financial position

Local GAAPs

- Two thirds of respondents expressed an opinion on this question. Most (87 %) see IFRS as **better than or equivalent to their local GAAP** in terms of providing a true and fair view (47 %: better; 40 %: equivalent).
- Reasons varied as to why IFRS were seen to be better, but **completeness** and the level of detailed disclosures were mentioned by some. Others referred to the fact that IFRS has more fair value measurement than local GAAP, making IFRS-based financial reporting more useful.
- One respondent considered IFRS to be worse than local GAAP because they were harder to understand.
- Many noted that IFRS are suitable for large listed companies, whereas local GAAPs serve a different purpose; they saw IFRS and local GAAPs as equivalent but meeting different needs.
- A small minority did not consider IFRS compatible with delivering a true and fair view.

Other GAAPs

- Only a quarter or so of respondents expressed an opinion on this question, with most comparing IFRS with US GAAP. In general, IFRS were seen as better than or equivalent to US GAAP in terms of providing a true and fair view.
- Of those that were positive about IFRS as compared with US GAAP, many explained that IFRS were **more principles-based**.

- However, many dual-listed companies perceived IFRS and US GAAP as equivalent in terms of providing a true and fair view.

Q.29. Need for departures 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

As respondents tackled this question in different ways, the overall statistics may not be meaningful. Nevertheless, some thought that practice shows that IFRS are sufficiently flexible to allow companies to give a true and fair view.

A small number explained that IFRS are too restrictive in permitting a departure and a small number of other respondents expressed concerns that legal, audit or other constraints make departures almost impossible.

Q.30. Rating of the extent to which IFRS allows companies to reflect companies' business model in financial statements?

Only two thirds of respondents expressed an opinion on this question. Half of these consider IFRS sufficiently flexible to reflect different business models, as they are principles-based. Many noted that existing standards such as IFRS 8 (operating segments) and the new IFRS 9 (financial instruments) apply a business-model approach.

Of the respondents who would like to see more flexibility in IFRS (a third), many expressed concern as to whether the standard being developed for **insurance** companies will provide sufficient flexibility to reflect insurance companies' business models.

There were many references to non-GAAP measures in the responses. Some argued that the fact that IFRS are not sufficiently adaptable to different business models gives rise to a need to disclose non-GAAP information, while others suggested that the possibility of providing non-GAAP information makes up for any lack of flexibility in IFRS (see P.7 and U.4).

5. <u>Enforcement (Q.31–37)</u>

Q.31. Are IFRS adequately enforced in respondents' countries?

20 % of respondents had no opinion on this question.

Nearly all respondents who expressed an opinion felt that there were proper mechanisms in place to ensure adequate enforcement of IFRS in their Member State. At the same time, there was a predominant view that enforcement should be clearly separated from standard-setting and interpretation (any issues identified in the course of enforcement should be reported to the IASB/IFRIC for consideration at global level). Enforcement through additional jurisdictional guidance would be to the detriment of global standards.

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

Nearly half of the respondents had no opinion on this question.

Nearly all respondents who expressed an opinion acknowledged that ESMA has an important role in encouraging consistency and coherence in enforcement across the EU and thus broadly supported ESMA's coordinating activities. However, a vast majority were of the opinion that enforcement decisions should remain with the national enforcement bodies, which were considered best placed to tailor the enforcement approach to the specific requirements of the national regulatory framework. Also, it was widely recognised that ESMA should not attempt to interpret accounting matters that national enforcers are expected to enforce.

Q.33. Has enforcement of accounting standards in respondents' countries changed with the introduction of IFRS?

The majority of respondents did not express a view on this question. Some did not perceive any difference. Those who felt that enforcement became more difficult with the introduction of IFRS attributed this **to very different factors**, for example:

- an increased level of activity to perform more and deeper enforcement (requiring more resources);
- **increased need for coordination** among various parties;
- **increased complexity of business transactions**;
- the impact of the financial crisis; and
- the fact that the IFRS are principles-based rather than rules-based.

Those who indicated that enforcement became easier with the introduction of IFRS often saw it as stronger and more effective, with proper mechanisms in place that did not exist before.

Q.34. Have national law requirements influenced the application of IFRS in the EU countries?

A third of respondents had no opinion on this question. Most felt that national law requirements had little or no impact on the application of IFRS in their Member State. Certain differences have arisen as a result of legacy reporting on the transition from local GAAP to IFRS, but these should **reduce over time** and on adoption of new IFRS. Inevitably, some differences may remain because levels of enforcement vary between Member States.

Q.35. Do significant differences in enforcement between EU countries or with other jurisdictions, if any, affect respondents in applying IFRS or analysing financial statements?

The majority of respondents were not in a position to say whether potential significant differences in enforcement between EU Member States affected their practice in applying IFRS or analysing financial statements. Those expressing views considered that any such differences would have little or no impact on their application of IFRS. Any significant divergence of application is usually raised with the IFRS Interpretations Committee or the IASB for resolution. Some respondents noted ESMA's growing role in identifying such situations. As a result, the divergence may well be only temporary.

Q.36. Should the IAS Regulation be clarified as regards penalties and enforcement activities?

Most respondents were against any clarification of the IAS Regulation as regards penalties and enforcement activities. The minority that supported the idea of including additional provisions in this area argued that it would make enforcement more effective. ESMA noted that, given the lack of relevant provision in the IAS Regulation, it used non-binding tools in accordance with Article 16 of its Regulation and has recently issued guidelines on the enforcement of financial information.

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

Most respondents did not see a need for more guidance on how to apply the IFRS. In view of the principles-based nature of IFRS and the scope for judgement in the application of some requirements, some would support additional interpretative guidance, which should remain the responsibility of IFRIC. Some believed that IFRIC should be more responsive in addressing issues raised by constituents and act promptly to promote more consistent application of IFRS.

6. Consistency of EU law (Q.38 & Q.39)

Q.38. Assessment of the combined effects of, and the interaction between, different reporting requirements, including prudential ones

Most respondents see interactions between IFRS and other reporting frameworks, in particular prudential requirements, national GAAP, tax reporting and company law. Some consider that interactions are limited.

Most see different reporting frameworks as stemming from different objectives and having different audiences. Many consider that this may add to companies' administrative burden, costs and reconciliation efforts. Most consider that the different objectives are legitimate and only a minority think that the burden is significant, disproportionate or excessive. Some explain that it would be unrealistic to pretend that such varied objectives could be served with a single set of reporting requirements.

Most respondents identify **banking and insurance** as the sectors where interaction between reporting frameworks (in particular, IFRS and prudential regulation) and administrative burden are most significant. Accounting of financial instruments (in particular, impairment aspects) and of insurance contracts are identified as the most significant issues.

As regards banks, some point to a considerable additional administrative burden stemming from **country-by-country reporting** of payments to governments.

Some identify a horizontal overlap between IFRS and national GAAP and tax reporting frameworks.

On the interaction with prudential requirements:

- Some hold the view that, while differences between IFRS and prudential requirements are unavoidable because of the different objectives, efforts should be made to keep them to a minimum. Some explain that IFRS are a more useful basis for prudential regulators than national GAAP. Most consider that IFRS are not, and should not be, designed to be used for prudential purposes.
- Some consider that the IASB and prudential regulators should work together to minimise differences and administrative burden where objectives overlap. Some argue that prudential regulators should refrain from interpreting IFRS. Others warn that alignment efforts should not compromise the usefulness of a report for its own purposes.
- Many respondents consider that interaction should be taken into account in the development of prudential or other regulation.
- Some consider that the administrative burden could be mitigated by using IFRS as a reporting basis, with prudential and other rules adding filters and reconciliation. Some explain that some prudential rules already work like this. Some suggest that embedding IFRS concepts and definitions in legislation could also mitigate the administrative burden.

- Some consider that it would be useful if an authority were responsible for assessing the cumulative administrative burden impacts and work on mitigating them.
- Some hold the view that IFRS should focus on information useful primarily for investors. IFRS rules should not be assessed by the effect they have when used for other (e.g. prudential) objectives.

Q.39. Tensions in the interaction between the IAS Regulation and EU law

As regards prudential regulation

Excluding nearly a third of the respondents with no opinion, most (close to 80 %) see at least some tensions in the interaction between the IAS Regulation and prudential regulation, in particular as regards the banking and insurance sectors.

The areas most commonly cited are **valuation of financial instruments, impairment rules and equity definition**.

As with Q.38, most respondents see differences between the IAS Regulation and prudential requirements as stemming from different objectives. Many consider that this may add to banks and insurance companies' administrative burden, costs and reconciliation efforts. Most consider that the different objectives are legitimate.

Additional comments made by some respondents

- Some explain that supervisory reporting takes a macro-economic approach focusing on financial stability, while IFRS takes a micro-economic approach geared to providing a true and fair view.
- Some consider that adding financial stability as a new IFRS adoption criterion in the IAS Regulation would help address the problem. Others are not in favour of including additional adoption criteria in the Regulation.
- Some argue that financial statements based on IFRS are not meant to reflect prudential requirements.
- Others explain that, as IFRS are principles-based and not industry-specific, preparers (and banks in particular) have significant flexibility. As a result, the IFRS principles may not always be applied consistently across preparers, which will affect comparability. It is argued that supervisors could mitigate this problem through prudential requirements.

As regards company law

Around a third of the respondents see at least some tensions in the interaction between the IAS Regulation and company law. Slightly fewer see none and another third have no opinion. The picture varies depending on the national origin of the respondents.

One interpretation may be that the IAS Regulation's interaction with company law across all sectors is not overall perceived to be as significant an issue as that with prudential requirements in the banking and insurance sectors. There is therefore no clear-cut consensus.

Most respondents hold the view that differences between the IAS Regulation and company law stem from different objectives. Many consider that this may add to companies' administrative burden, costs and reconciliation efforts. Most consider that the different objectives are legitimate.

Some hold the view that regulators should study the interaction with a view to minimising inconsistencies, administrative burden and costs.

Dividend distribution and consolidation rules are generally identified as significant areas of interaction.

As regards other regulation

Fewer than 20 % of respondents see at least some tensions in the interaction between the IAS Regulation and other regulation. A smaller number see no tension, while most have no opinion.

One interpretation may be that the interaction between the IAS Regulation and other regulation is not perceived as a salient issue overall. Specific aspects mentioned by respondents include tax rules, insolvency rules, general contract law and pension regulation.

7. User-friendliness of legislation (Q.40 & Q.41)

Q.40. Satisfaction with the consolidated version of IFRS standards as adopted by the EU

A third of the respondents who addressed this issue (mainly preparers or preparers/users) are satisfied with the consolidated version. A third do not use it. A few did not know that it was available. A third are not satisfied with its current presentation. Some indicated that the IFRS Foundation's version is more accurate and comprehensive. Dissatisfied stakeholders suggested that the EU consolidated version should be:

- updated more frequently (at least once a year);
- incorporate the *Basis for conclusions* and *Implementation guidance* including *Illustrative examples*, translated into the official languages;
- include standards that allow for early application; and
- be available in user-friendly form online version, with built-in search functions and hyperlinks improving navigation.

Q.41. Satisfaction with the quality of translation of IFRS into EU languages

Around 56 % of respondents commented on this issue. Around 30 % are not satisfied and the rest are either satisfied (30 %) or to some extent satisfied (40 %).

The German and, to a lesser extent, French, Spanish, Swedish, Czech and Bulgarian language versions were cited as being particularly in need of improvement. The Danish, Italian, Greek and Lithuanian versions were also cited.

The following main concerns were pointed out:

- in many cases, the translation is inaccurate, misleading and difficult to read. Texts may be difficult to understand due to over-literal translation that does not capture the economic meaning of the original. It was mentioned that it might not be practical to use the translation. Often, respondents rely on the original English texts to understand the standards;
- terminology is not used consistently in the translations, which are often inaccurate when compared with the English version. Differences between the English IASB text and the translations in the Commission regulations cause confusion;
- there are differences between the official language versions of EU regulations and the translations provided by the IASB in some languages. This adds to the confusion; and

- the Commission should involve economic and accounting experts more in the translation process.

8. General (Q.42)

- Several respondents are opposed to making any future amendments and/or carve-outs to IFRS. In other words, they are against creating European IFRS, as this could undermine the comparability element of IFRS that companies consider a key benefit. Several believe that, rather than exploring mechanisms to modify IFRS for use in the EU, the emphasis should be on strengthening Europe's input in discussions with the IASB at an earlier stage in the development of standards.
- Some stakeholders expressed concerns about the constant development of IFRS. One asked the Commission to draw the IASB's attention to the need for a stable set of standards.
- One respondent suggested that further harmonisation and modernisation of GAAP for private entities could help overcome their difficulties in raising cross-border financing in future. The IFRS for SMEs is too closely linked to full IFRS. One option may be to develop an EU reference accounting and reporting scheme for private entities. Another respondent suggested that the EU should discuss ways of harmonising accounting regulations for non-listed entities at EU level. Another considered that small companies listed on regulated markets should have the choice of using IFRS for SMEs or full IFRS, rather than having to use the latter, as at present.
- Some banking associations see a need to take prudential requirements into account when developing new IFRS, but not fundamentally to review the Regulation.
- The insurance industry seems to be broadly supportive of the IFRS, but most of its representatives emphasise that insurance companies' enjoyment of the full benefits of the IAS Regulation largely depends on the IASB's current project on insurance ('IFRS 4').
- One public authority called for discussion of the possibility of endorsing not only the core text of IFRS but also bases for conclusions, implementation guidance and the Framework.
- One public authority called for discussion of the equivalence granted by the EU to the US GAAP, given the imbalance *vis-à-vis* that granted by the United States to IFRS as issued by the IASB (and not IFRS as adopted by the EU), which constrains the adoption process and the sovereignty of the EU.
- Comments are mixed on the endorsement criteria among national competent authorities.

Annex 1

Types of respondent per profile and sector

Profile	Type	Number of respondents	%	Details per category			
Preparers of financial statements	Association of businesses	33		Associations:	All sectors	8	24%
					Industry	3	9%
					Financial services	20	61%
					Other	2	6%
	Company/ Group preparers only	48		Companies:	Industry	37	62%
		81	***41%***		Financial services	23	38%
Both preparers and users	Companies both preparing and using financial statements	12	***6%***		Total	60	100%
Users	Company/ Group	6					
	Association	10					
		16	***8%***				
Accountants/ auditors	Association of accountants & auditors	12					
	Firms	11					
	Public authority regulating auditors	6					
	Other	1					
		30	***15%***				
Public authority	Public authority	**27**	***14%***	EU agencies	3		
				State	1		
				Ministries	3		
				standard setter NSS)	12		
				National supervisory authority (NSA)/ regulator	3		
				Both NSS/NSA	1		
				Tax	2		
				Statistics	2		
Civil society/ NGO		**1**	***1%***				
Trade Union/ employees associations		**1**	***1%***				
Research/ Academia		**6**	***3%***				
Private individual		**24**	***12%***				
Other		**2**	***1%***				
Total		***200***	***100%***	(196 questionnaires + 4 letters)			

n.b. some of the classifications have been adjusted to ensure greater consistency at European level (e.g. auditors' organisations that are public authorities in certain Member States have been reclassified as accountancy and audit professionals).

Annex 2

Geographical origin of respondents

- **Overall**

	Answers	Ratio
Global organisation	**25**	**13 %**
EU-wide organisation	**19**	**10 %**
Austria	5	3 %
Belgium	4	2 %
Bulgaria	1	1 %
Cyprus	1	1 %
Czech Republic	4	2 %
Denmark	5	3 %
Estonia	2	1 %
Finland	1	1 %
France	**22**	**11 %**
Germany	**34**	**17 %**
Greece	2	1 %
Hungary	2	1 %
Ireland	2	1 %
Italy	6	3 %
Lithuania	6	3 %
Luxembourg	2	1 %
Malta	1	1 %
The Netherlands	8	4 %
Poland	3	2 %
Romania	1	1 %
Spain	6	3 %
Sweden	3	2 %
United Kingdom	**29**	**15 %**
Norway	2	1 %
Switzerland	1	1 %
Other (Brazil, Canada, Kuwait)	3	2 %
Total	***200***	*100 %*

- **Preparers of financial statements**

Germany and France are the best-represented countries among preparers of financial statements.

Preparers	Associations of businesses (33)	Preparers (48)	Preparers being also users (12)	Total
Global organisation	1	5	4	10
EU-wide organisation	7	1		8
Austria			2	2
Belgium	3			3
Czech Republic		1		1
Denmark	3	1		4
Estonia		2		2
Finland	1			1
France	**6**	**7**	**1**	**14**
Germany	**5**	**18**	**3**	**26**
Greece		1		1
Hungary		2		2
Italy	1	1		2
Spain	1	2	1	4
Sweden		1		1
The Netherlands	2	2		4
United Kingdom	3	3		6
Other: Norway		1		1
Other: Switzerland			1	1
Total	**33**	**48**	**12**	**93**

Industry	Total
Global organisation	3
EU-wide organisation	1
Czech Republic	1
Estonia	2
France	**5**
Germany	**16**
Italy	1
Spain	1
Sweden	1
The Netherlands	2
United Kingdom	2
Other: Norway	1
Other: Switzerland	1
Total	37

Financial services	Total
Global organisation	**6**
Austria	2
Denmark	1
France	3
Germany	**5**
Greece	1
Hungary	2
Spain	2
United Kingdom	1
Total	23

- **Users of financial statements**

18 companies using financial statements (six users, 12 preparers/users) and 10 users' associations responded to the survey. The UK is the best-represented Member State.

Users	Associations of users	Preparers being also users	Users	Total
Global organisation	2	4		6
EU-wide organisation	2			2
Austria		2		
France	1	1	1	3
Germany	1	3		4
Spain		1		
The Netherlands	1			1
United Kingdom	**3**		**5**	**8**
Switzerland		**1**		**1**
Total	**10**	**12**	**6**	**28**

- **Accountants and auditors**

Accountants and auditors are spread evenly across over Europe, with many global organisations responding. Associations and public authorities are mostly national professional bodies.

As noted above, some of the classifications have been adjusted to ensure greater consistency at European level (e.g. organisations of auditors that are public authorities in some Member States have been reclassified as accountancy and audit professionals).

Accountants/ auditors	Accounting / audit firm	Association	Public authority	Other	Total
Global organisation	**8**	2		1	**11**
EU-wide organisation	1	2			3
Belgium			1		1
Bulgaria		1			1
Cyprus		1			1
Czech Republic			1		1
Denmark		1			1
France	1		1		2
Germany			1		1
Italy		1	1		2
Lithuania		1			1
Poland			1		1
United Kingdom	1	**3**			4
Total	11	12	6	1	30

- Public authorities

Public authority respondents are also spread evenly across Europe; they include national standard-setters (nearly half) and European supervisory authorities (ESMA, EBA and EIOPA).

Public authorities	EU agency	Ministry (separate from NSS)	National standard-setter (NSS)	National supervisory authority (NSA)/ regulator	Both NSS and NSA	Tax	Statistics	Grand Total
EU-wide organisation	3						1	**4**
Austria			1					1
Czech Republic			1	1				2
France		1	1					2
Germany		1	1					2
Ireland						1		1
Italy			1					1
Lithuania		1	1	1			1	**4**
Luxembourg			1					1
Poland			1					1
Romania			1					1
Sweden			1					1
The Netherlands			1					1
United Kingdom		1			1			2
Anonymous EU Member State				1		1		2
Norway			1					1
Grand Total	**3**	**4**	**12**	**3**	**1**	**2**	**2**	27

- Other respondents

Other respondents are from various backgrounds:

Civil society	
EU wide	1

Trade Unions/ employee ass.	
Austria	1

Research	Total
Austria	1
Germany	1
Spain	1
UK	2
Other: Canada	1
Total	6

Private	Total
Global organisation	1
Belgium	1
France	2
Germany	2
Greece	1
Ireland	1
Italy	1
Luxembourg	1
Malta	1
Other	1
Other: Kuwait	1
Poland	1
Spain	1
Sweden	1
The Netherlands	2
United Kingdom	**6**
Total	24

Annex 3

List of respondents by category

Companies preparing financial statements

AC CHRISTES & PARTNER GmbH
ACCOR SA
Allianz SE
ALPHA BANK SA
alstria office REIT-AG
Barclays PLC
Bayer AG
BNP PARIBAS
CNP Assurances
Daimler AG
Deutsche Bank AG
Elering AS
EnDes Engineering und Design GmbH, Stuttgart, Holding Company: EnDes Management Holding GmbH, Rorschacherberg, Switzerland
Eurazeo
Legal and General Group plc
Norsk Hydro ASA
ProSiebenSat.1 Media AG
Randstad Holding nv
Royal DSM
Royal Dutch Shell plc
RWE AG
SANOFI
SAP SE
Siemens *Aktiengesellschaft*
SOCIETE GENERALE
The Linde Group
The Swedish Enterprise Accounting Group (SEAG) in the name of Confederatíon of Swedish Enterprise.
Unilever PLC / Unilever N.V.
20 anonymous

Companies preparing and using financial statements

AXA
Banco Bilbao Vizcaya Argentaria
BANCO DE SABADELL, S.A.
CREDIT AGRICOLE S.A.
HSBC Holdings PLC
Kies und Beton AG, Iffezheim
Nestle S.A.
5 anonymous

Companies using financial statements

Fidelity Worldwide Investment

Invesco Asset Management Limited, Holding company is Invesco Limited
National Association of Pension Funds
Royal London Asset Management (part of Royal London Group)
Société Française des Analystes Financiers (SFAF) [French Society of Financial Analysts]
Western Selection plc

Associations of businesses (preparing financial statements)

ACTEO
Association for Financial Markets in Europe (AFME)
Association of British Insurers (ABI)
Association of German Banks
Assonime
Assuralia
Business Europe
Confederation of Danish Industry (DI)
Confederation of Finnish Industries EK
Confederation of Netherlands Industry and Employers (VNO-NCW)
Danish Bankers Association
Danish Insurance Association (Forsikring & Pension)
DGRV — German Cooperative and Raiffeisen Confederation — reg. assoc. (DGRV — Deutscher Genossenschafts- und Raiffeisenverband e.V.)'
Dutch Association of Insurers (*Verbond van Verzekeraars*)
European Association of Cooperative Banks
European Association of Public Banks (EAPB)
European Banking Federation
European Savings and Retail Banking Group (ESBG)
Fédération Bancaire Française
Fédération Française des Sociétés d'Assurances (FFSA)
Fédération nationale de la Mutualité Française
French Association of Large Companies
German Banking Industry Committee
ICISA, International Credit Insurance & Surety Association
Insurance Europe
Leaseurope
MEDEF
Spanish Banking Association (AEB in its Spanish acronym)
The 100 Group of Finance Directors
The European Insurance CFO Forum
The Quoted Companies Alliance
Vereinigung zur Mitwirkung an der Entwicklung des Bilanzrechts für Familiengesellschaften e.V.
Working Group of DAX 30 Chief Accountants

Associations of companies using financial statements

Association française des Sociétés Financières (ASF)
bsi *Bundesverband Sachwerte und Investmentvermögen* e.V. [Real Asset Investment Association]
CFA Institute

Corporate Governance Forum ‘Eumedion’
European association of long-term investors (ELTI)
European Federation of Financial Analysts Societies (EFFAS) — Financial Accounting Commission (professional association representing European analysts and investors).
International Corporate Governance Network (ICGN)
Investment Management Association
The United Kingdom Shareholders’ Association
UK group of organisations: Sarasin & Partners LLP, Royal London Asset Management, Threadneedle Investment Management, GO Investment Management, RPMI Pailpen, USS Investment Management Ltd, London Pension Fund Authority, Local Authority Pension Fund Forum, United Kingdom Shareholders Association

Accountants and auditors

ACCA (the Association of Chartered Certified Accountants)
ASSIREVI — *Associazione Italiana Revisori Contabili*
Baker Tilly UK Audit LLP’
BDO IFR Advisory Limited
Compagnie nationale des commissaires aux comptes (CNCC), France
Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC), Italy
Crowe Horwath International
Deloitte & Associés on behalf of the European Economic Area member firms of Deloitte Touche Tohmatsu Limited
European Federation of Accountants and Auditors for SMEs, EFAA
Fédération des experts-comptables européens (FEE) [Federation of European Accountants]
FSR — *danske revisorer* [Danish Auditors]
Grant Thornton International Ltd
IFRS Foundation
ICAEW
Institut des Réviseurs d’Entreprises/Instituut van de Bedrijfsrevisoren, Belgium
International Federation of Accountants (www.ifac.org)’
Komora auditorů České republiky
KPMG IFRG Limited, UK, in consultation with KPMG network
Mazars
Organisation under the brand name EY
PricewaterhouseCoopers International Limited
RSM International
The Institute of Certified Public Accountants in Bulgaria
The Institute of Chartered Accountants of Scotland
The National Chamber of Statutory Auditors in Poland (KIBR)
Wirtschaftsprüferkammer (WPK) [German Chamber of Public Accountants]
4 anonymous

Public authorities

Ministry of Public Finance, Romania
Accounting Standards Committee of Germany
Austrian Financial Reporting and Auditing Committee (AFRAC)
Authority of Audit and Accounting, Lithuania

Autorité des normes comptables
UK Department for Business Innovation & Skills (BIS)
Bundesministerium der Justiz und für Verbraucherschutz [German Federal Ministry of Justice and Consumer Protection]
Commission des normes comptables (CNC — Luxembourg)
Czech National Bank.
European Records of IFRS Consolidated Accounts (ERICA) WG, of the European Committee of Central Balance Sheet Data Offices (ECCBSO)
European Banking Authority (EBA)
European Insurance and Occupational Pensions Authority (EIOPA)
Financial Reporting Council UK
Gouvernement de la République française [French Government]
Ministry of Finance, Poland
Ministry of Finance, Lithuania
Ministry of Finance of the Czech Republic
Organismo Italiano di Contabilità (OIC) [Italian standard-setter]
Raad voor de Jaarverslaggeving [Dutch Accounting Standards Board — DASB]
Revenue Commissioners, Ireland
Statistics Lithuania
The Bank of Lithuania
The European Securities and Markets Authority (ESMA), providing a consolidated response on behalf of national securities regulators
The Norwegian Accounting Standards Board (*Norsk RegnskapsStiftelse* - NRS)
The Swedish Financial Reporting Board
2 anonymous

Research

A.C.E. Consulting dba A.C.E. Construction Consulting
CFA Society of the UK.
Institut für Kommunalwissenschaften (IKW), Linz (Austria)
The Financial Accounting and Reporting Special Interest Group (FARSIG), a designated sub-group of the British Accounting and Finance Association (BAFA)
2 anonymous

Trade Unions / employees' representation

Bundesarbeitskammer Österreich

Civil society

Better Finance for all, the European Federation of Financial Services Users

Other

International Swaps and Derivatives Association Inc. (ISDA)
Royal Institution of Chartered Surveyors (RICS)

Private

Anders Persson
Chris Barnard
Claudio Sottoriva

Denise Silva Ferreira Juvenal
Kees Camfferman, VU University Amsterdam
Martien Lubberink
Mohamed Mahmoud Rashdan
Pascale Mourvillier
Private individual working for a French investment bank
Serge Pattyn
Solomon Molho
Una Curtis
12 anonymous