Case Id: 68509733-6a58-4e10-b2dc-54fa0d108bf8

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?*

Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA has over 800 member institutions from 64 countries. These members include a broad range of OTC derivatives market participants including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure including exchanges, clearinghouses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

1.4.2. What type of business do you represent?*

- ☐ Industry
- ☐ Banking
- ☐ Insurance
- ☑ Other

1.4.2.1. Other - please specify*

See point 1.4.1

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.*

International Swaps and Derivatives Association Inc. (ISDA)

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

4.1. Please give your registration number.*

Identification number in the register: 46643241096-93.

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?*

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

6.1. Comments.

We strongly believe that transparency and comparability remain important goals of financial reporting. IFRSs, as issued by the IASB, provide a common financial reporting language through out the EU and beyond. Financial markets have become more and more globalised, and for investors, the ability to compare financial statements from different jurisdictions is a key factor in making investment decisions. We therefore agree with the IAS Regulation that transparency, comparability and integrity are critically important factors to make financial markets operate efficiently.

Transparency, comparability and integrity are also critically important factors for the effective functioning of the capital markets in the EU and to achieve an efficient allocation of resources in the economy as it is required for sound economic growth.

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?*

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

7.1. Please explain.

We believe that the adoption of IFRS in the EU through the IAS Regulation was an important step in establishing IFRS as global accounting standards. On September 2014, the Financial Stability Board (FSB) reiterated the objective of achieving a single set of international high-quality global accounting standards.

Since the implementation of the IAS Regulation, several countries have followed the EU lead, including some large economies which have converted to IFRS or are in the process of doing so. For example, Japan (where voluntary adoption is allowed, but not mandatory transition date has been established), India (where regulatory authorities have made public statements about the intention to adopt from 2016/17), China (which intends to fully converge at some undefined future date) are some of the remaining countries that have initiated the process to require the use of IFRSs for domestic purposes.

The United States has no current plans to change. However, since 2007, the United States has allowed non-US entities to report using IFRS without modifications. There are currently over 450 non-US filers with market capitalisation in the multiple of trillions of US dollars who use IFRS without reconciliation to U.S. GAAP (see PWC publication titled, 'IFRS and US GAAP: similarities and differences, October 2014).

While there is still divergence with US GAAP, the SEC allows foreign companies to report under IFRS thereby eliminating the requirement for dual reporting by EU companies. This resolution represents an effort to reduce the 'convergence gap' and considerable 'cost-savings' for entities in Europe and beyond. Furthermore, investors in the United States are often frequent users of IFRS financial statements for the investment decisions. Recent estimates (see PWC publication titled, 'IFRS and US GAAP: similarities and differences, October 2014) suggest that over $7 trillion of US capital is invested in foreign securities.

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)?*

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

8.2. Comments.

We believe that a general option for all companies to apply IFRS if they chose to do so would further increase transparency in the EU and will also strengthen comparability of peer-entities in different European countries sowing the seeds for increased cross-border investment opportunities and long-term growth.

We suggest the EC consider allowing qualifying SMEs to prepare accounts in line with IFRS but with reduced disclosures. This would allow them to obtain the benefits of reporting in line with the global principles of IFRS but with reduced operational cost and effort due to less disclosures being required.

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 transparency has increased significantly through the application of a common framework which is understood throughout the EU. Prior to the introduction of the IAS Regulation, the level of transparency of a set of financial statements depended on the requirements of the local GAAP, with the consequential application of a widely different range of accounting rules across the EU.

Under IFRS all companies within the scope of the regulation apply the same accounting principles, which create a common language that both users and preparers throughout the EU (and globally) can easily understand and compare.

We note that the disclosure requirements of IFRS have contributed significantly to enhancing comparability by ensuring that similar information is provided by equivalent companies. This is a clear strength of the IFRS framework, but we note our comment in 13 below that there is a risk of requiring too much disclosure.

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.

The comparability of companies' financial statements has increased significantly within the EU single market. Prior to the implementation of IFRS through the IAS Regulation each jurisdiction had its own accounting framework, some of which differed significantly. These differences made it difficult to compare companies across Europe.

Furthermore the increased importance of IFRS in global financial markets has led to increased comparability between companies in the EU and in other financial markets.

13. Have financial statements become easier to understand

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

- [x] Yes, in general
- [ ] Yes, but only in certain areas
- [ ] No, in general
- [ ] No, except in certain areas
- [ ] No opinion

13.2. Please elaborate.

The application of a common framework throughout the EU has significantly reduced the complexity of having to understand local GAAPs. For example prior to the introduction of IFRS an investor considering investing in the European Banking Sector would have had to understand the local GAAP requirements of all major economies in order to make an informed investment decision. In conclusion, we believe that it is easier to understand financial statements using IFRSs without modification.

Further to our response to question 10 above, whilst we recognise the significant improvement to reporting in the EU as a result of the comprehensive disclosure requirements of IFRS, we note that there is a risk of IFRS requiring too much information in the mandatory disclosures. IFRS 7, IFRS 12 and IFRS 13 have extensive disclosure requirements, all of which are relevant and useful in some instances, but not all requirements are relevant and useful all the time. The IFRS disclosures therefore run the risk of obscuring the underlying performance of a company making financial statements more difficult to understand.

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? *

- (x) Yes
- ( ) Yes, to some extent
- ( ) No
- ( ) No opinion

14.1. Please elaborate.

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No Comments.
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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	( )	( )	( )	( )	( )	(x)
EU capital other than domestic	( )	( )	( )	( )	( )	(x)
Non-EU capital	( )	( )	( )	( )	( )	(x)

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.

It is not possible for our members to identify with confidence the actual impact on the cost of capital from applying IFRS. Similar to our response to question 15, it is not possible for us to isolate the effects of IFRS adoption from other factors that impacted our cost of capital during the period. However we believe that IFRS adoption has contributed a general reduction to our cost of capital by widening the potential type and location of investors who may be willing to invest in our companies. This follows from the increase in comparability and consistency referred to in the previous responses.

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.

We refer to our responses in questions 11 and 12, where we note that increased transparency and comparability has resulted in improved protection for investors as a result of the higher quality information available with which to monitor companies' management and their stewardship of the companies' resources. Additionally, we believe that the disclosure requirements of IFRS provide significantly more harmonised information to investors which aid comparison. Furthermore we consider that the enforcement of IFRS across the EU provides further protection for investors (see our response to question 32.

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.)*

- (selected) 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.

We believe that IFRS has helped maintain confidence in the markets due to more comparable, transparent, and reliable financial information. The nature of global markets requires integrity and using a common accounting language increase comparability and discipline.

We refer to our responses in questions 11 and 12, where we note that increased transparency and comparability has resulted in improved protection for investors. Additionally we believe that the disclosure requirements of IFRS provide significantly more harmonised information to investors.

We believe that the recent publication of IFRS 9, financial instruments will further contribute to improving market confidence in the EU as it addresses some of the concerns with regard to IFRS that arose during the financial crisis. In particular the standard addresses the reporting of 'own credit', amends the classification requirements of IAS 39 and introduces a new expected loss impairment model. It should be noted that the concerns on impairment would also have arisen had local national GAAP continued to be applied during the financial crisis, as the use of 'expected loss' models were not generally applied under local national GAAP in the EU.

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

- (•) Yes
- ( ) No
- ( ) No opinion

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

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

19.1.1. Other - please specify.*

The introduction of IFRS in the EU has increased the comparability of companies' financial statements globally as IFRS is used in a wider environment than the EU. It has also significantly increased the transferability and career mobility of accountants and other finance professionals across the EU and globally by providing them with a common language applicable for financial reporting of all EU companies. This has greatly improved the number of individuals with relevant accounting qualifications across the EU.

19.2. If yes, please give details, with examples/ data if possible.

No Comments.

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?*

- (selected) 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

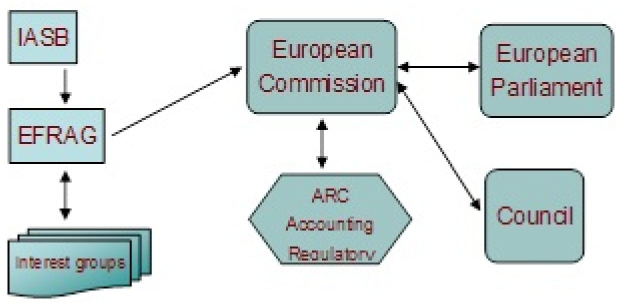
20.1. Please provide any additional comments you think might be helpful.

We believe that the benefits of having IFRS as a common accounting framework in the EU significantly exceed the costs of application of IFRS without modification. While the comparison with a situation before mandatory application is relatively difficult, we highlight the following points:

- Removal of dual reporting requirements - the SEC allows foreign listed companies to file their financial statements in accordance with IFRS. Before mandatory application of IFRS in the EU a SEC filer had to prepare local statutory accounts, consolidated group accounts in accordance with local regulations and additionally US GAAP accounts. Currently, depending on the jurisdiction, IFRS can be used to meet all the above requirements, hence significantly reducing the cost of preparation of financial statements.
- Reduced complexity of reporting - prior to the application of IFRS, entities that are listed on several stock exchanges in the EU or have issued debt securities in various markets had to prepare financial statements in accordance with multiple accounting frameworks.
- Prior to the application of IFRS, derivatives were reported under various local GAAPs using different classifications and measurement categories. Reporting under IFRSs facilitates the valuation and pricing of derivatives and improves transparency and liquidity in the market. For example, in the last 15 years, there has been an increase in the availability of long term finance (i.e. 30 years mortgages) due to the capacity to manage risks using derivatives.

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.)?*

We consider that the endorsement process works reasonably well, but note that in some cases the actual endorsement decision has been too close to the effective date of the new standard. An example is IFRS 10 Consolidated Financial Statements which was endorsed on 11 December 2012 with an effective date in the standard of 1 January 2013.

For IFRS preparers, which are also SEC listed and therefore have to apply IFRS as issued by the IASB, this created uncertainty as to whether they would be able to apply IFRS 10 for EU financial statements in 2013, or whether they would have to continue to also apply the previous requirements of IAS 27 and thereby operate dual reporting with respect to the consolidation requirements.

We note that the EC were unable to endorse those elements of IFRS 9 that were completed and published by the IASB in prior periods. We understand that the reason for this was that the EC were only willing to assess IFRS 9 once the impact from the whole package of changes could be considered in aggregate. However, we believe that it would have been beneficial for EU companies if it had been possible to endorse the change to reporting 'own credit' for financial liabilities. This was a change which was widely requested by EU companies, improved the existing requirements and could have been separately endorsed. Should a similar situation arise in future, we encourage the EC to endorse completed parts of standards that are clearly beneficial to EU companies.

We encourage the EC, EFRAG and all others involved with the endorsement process, to ensure EU based companies are given greater certainty of the IFRS requirements they must apply and sufficient time to implement new standards (such as IFRS 9) through timely endorsement decisions.

We support the conclusions reached by the 'Maystadt Report' on the endorsement of the IFRS accounting and reporting standards in the EU. We note that the revised endorsement process has not yet been used for a major new accounting standard. It is therefore important that all participants carefully track progress of IFRS 9 endorsement to ensure it proceeds smoothly and on a timely basis.

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)?*

- (x) Yes
- ( ) Yes, to some extent
- ( ) No
- ( ) No opinion

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

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

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

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

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

Quality of IFRS financial statements

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

- Very good
- Good
- Moderate
- Low
- Very low
- No opinion

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

With reference to our comments to questions 11 and 13 above, we recognise the risks posed by excessive disclosure being required by IFRS and support the activities of the IASB and others to consider how to ensure that the right balance is maintained between the volume of disclosure and its usefulness, to ensure that the disclosure requirements do not become excessive.

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.

Financial statements prepared in accordance with IFRS reflect the complexity of the business models of companies. Complex business models can lead to relatively complex reporting and disclosures. However we believe that a more accurate presentation of the actual complexities and risks that an entity faces is preferable to simplified rules and requirements which do not accurately represent the risks and complexities which business face.

We consider that it may be beneficial for EU companies if certain subsidiaries could be eligible to provide reduced disclosures if they considered that for their limited stakeholders, such disclosures would not be useful. This could be especially helpful where for example a subsidiary is wholly owned by a parent and transacts only with a parent or otherwise has very limited transactions with third parties.

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?

Our members report under numerous different European GAAPs (i.e. UK GAAP, French GAAP, German GAAP, Dutch GAAP etc). Whilst many of the European GAAPs provided a reasonable framework for financial reporting in their own right, the use of IFRS improves understandability and reduces complexity by removing the need to understand each separate requirement of the pre-existing local GAAPs.

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

US GAAP

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

The objectives set by the Financial Stability Board (FSB) and the Group of 20 (G20) in 2009 calling for the convergence of accounting standards under a single, high quality global accounting framework in the member nations by 2011 are still valid. The objective is to eliminate a variety of differences between International Financial Reporting Standards and U.S. GAAP and facilitate comparability, transparency and capital allocation.
Whilst the original June 2011 deadline has not been met, subsequent G20 meetings in 2012, 2013, and recently on September 2014, reaffirmed the commitment to achieve convergence of accounting standards. The scope of the overall IASB-FASB convergence project has evolved over time but convergence should continue to be an underlying objective of the standard-setters over the medium term.

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)	○	●	○	○

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

Both IFRS and US GAAP have areas that are comparative, however as mentioned above, convergence should continue to be an objective as long as it improves both standards.

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.

Our members have very occasionally departed from IFRS in exceptional circumstances and have found the ability to do so useful. Since it is rarely used, it can be helpful in highlighting areas of IFRS that require amendment or improvement, either following discussion at IFRIC or through a future amendment to the IFRS.

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
- (x) IFRS are flexible enough
- ( ) IFRS should be more flexible, so different business models can be reflected
- ( ) No opinion

30.1. Please explain.*

We note that IFRS 9 improves the ability of companies to reflect their business model for financial instruments. We also consider that the improvements to IFRS 8, Segmental Reporting provides grater transparency of the business models and relevant business segments of a company, allowing comparisons to be made between companies more easily than previously.

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
- (x) Not applicable
- ( ) No opinion

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

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

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 (selected)
- 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 (selected)
- No
- No opinion
- Not applicable

34.1. If you have identified differences in the way IFRS are applied in different EU countries, to what extent does this limit the transparency and comparability of company financial statements? *

- Much less transparent & comparable
- Slightly less transparent & comparable (selected)
- No impact on transparency or comparability
- No opinion

34.1.1. Please detail.

There have in the past been some differences in the way IFRS is applied in different EU jurisdictions and between companies. For example, the accounting for Greek sovereign debt gave rises to differences in the recognition of impairment in 2011. While these differences do impact the transparency and comparability of financial statements, we believe that this is still an improvement compared to the situation prior to the implementation of the IAS Regulation.

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
- (x) No
- ( ) No opinion
- ( ) Not applicable

35.1. Please provide specific details.

As mentioned in our response to question 32.1, we support the activities of ESMA to coordinate enforcement across the EU and to raise questions on points of accounting interpretation to IFRIC for their deliberation.

We believe that the quality of IFRS adoption across Europe has improved in recent years and encourage the EU to find ways to ensure it improves further in future.

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
- (selected) No
- No opinion

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

- Yes
- (selected) 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? *

No comments

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.*

There is some tension between the capital adequacy rules (Basel III) and IFRS in light of some capital filters, and also with respect to some prudential reporting to various EU regulators. However, we consider that this is a natural tension because the purpose and objectives of reporting for capital adequacy and prudential purposes is different to that for external financial reporting under IFRS. It is therefore understood that there may need to be adjustments to IFRS in certain instances in order to meet a particular regulatory concern or to reflect a more conservative view of the companies performance and position.

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
- (selected) 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
- (selected) Not applicable

General

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

No Comments.

Additional comments on specific questions:

6.2 – We believe that the objectives of the IAS Regulation remain valid and that the adoption of IFRS in the EU has brought benefits. We do not think that the IAS Regulation should pursue new goals. On the contrary, we believe that the successful achievement of these goals should continue to be the main policy.
9.1 Whilst we believe the options open to national governments are appropriate, we note our comment included in question 8.1 above, that we prefer full flexibility for any company to opt-in to reporting under IFRS would be preferable.

15.1 It is difficult to isolate the impact of the application of IFRS in the EU and whether it improved an entity's ability to access capital via listed debt and equity instruments. We did not find data comparing issuers in domestic and non-domestic markets as many other relevant factors have a bearing on the ability to access capital. For this reason we responded "no opinion" to the question.
However, the IAS Regulation has furthered the move of many jurisdictions inside and outside Europe towards a common financial reporting language. Jurisdictions reporting under IFRS without modifications, share the benefits of a global financial reporting passport which helps access international capital markets using an entity's IFRS financial

statements without reconciliation to local accounting GAAP. See also our response to question 7.1.

22.1 • 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 We believe that the IAS Regulation should not be expanded to include further criteria other than the ones suggested by the Maystadt Report of October 2013. There is a risk that inclusion of more criteria will result in a longer endorsement process with the consequences as highlighted in question 21.
Furthermore, we believe that accounting rules should be neutral and not be influenced by specific policy goals.

23.1 We strongly oppose the modification of standards adopted by the IASB. Changing the adoption criteria to allow “carve-ins” or alternative standards in the EU would result in the fragmentation of accounting standards and reverse the benefits that the implementation of IFRS in EU has brought.
EU entities, in particular those who must file financial statements which comply with standards issued by the IASB, would be significantly disadvantaged by being required to file two sets of financial statements: one based on standards which have been modified by the EU and another based on standards issued by IASB. Doing so would be costly and inefficient for the preparers and cause confusion amongst the investors.
Therefore our preference would be not to allow any “carve ins/carve outs”. In the case that the EC deems it necessary to have the ability to modify standards, then any such ability to modify IASB standards by the EU should, at a minimum, be encompassed by a robust governance process. We believe that modifications to standards issued by the IASB should be exceptional and should only be allowed after careful analysis and consultation with stakeholders.
As highlighted in questions 6 and 7 we believe that transparency and comparability are important for investors to have confidence in the financial statements of a company. Any departures from the issued standards through modifications by the Commission would endanger the key goals of the IAS Regulation as it introduces more accounting choices and reduces transparency both within the EU and globally.
Furthermore, it would reduce some of the key benefits for SEC filers. SEC listing rules require the application of IFRS as issued by the IASB and any departures from the standards would result in a disparity between the IAS Regulation compliant financial statements and the 20F filing financial statements.

24.1 Our members have not experienced any significant problems as

a result of the ‘carve-out’ for IAS 39 macro-hedging and a number have applied it successfully since its introduction.
However, whilst the ‘carve-out’ has provided a useful accounting tool used by some of our members, all of our members would prefer that the ‘carve-out’ were not necessary with the result that IFRS could be applied consistently by all companies across the EU. The presence of the ‘carve-out’ has made it more difficult for companies to be compared since their hedge accounting practices are different depending on whether ‘carve-out’ is applied, or not.
We also note the reduced comparability for a number of our members following the delayed endorsement of IFRS 10. For those with a dual listing in the US, they were required to apply IFRS 10 with effect from 1 January 2013, whereas EU companies were permitted to delay adoption to 1 January 2014. This had the effect of reducing comparability between EU companies that have a dual listing in the US and those that do not and may create confusion among investors.

Thank you for your valuable contribution.

Contact

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