

IFRS Conference Milan 2009



Milan, 24-25 June 2009

Mario Freire
Chair of European Enforcers Coordination Sessions



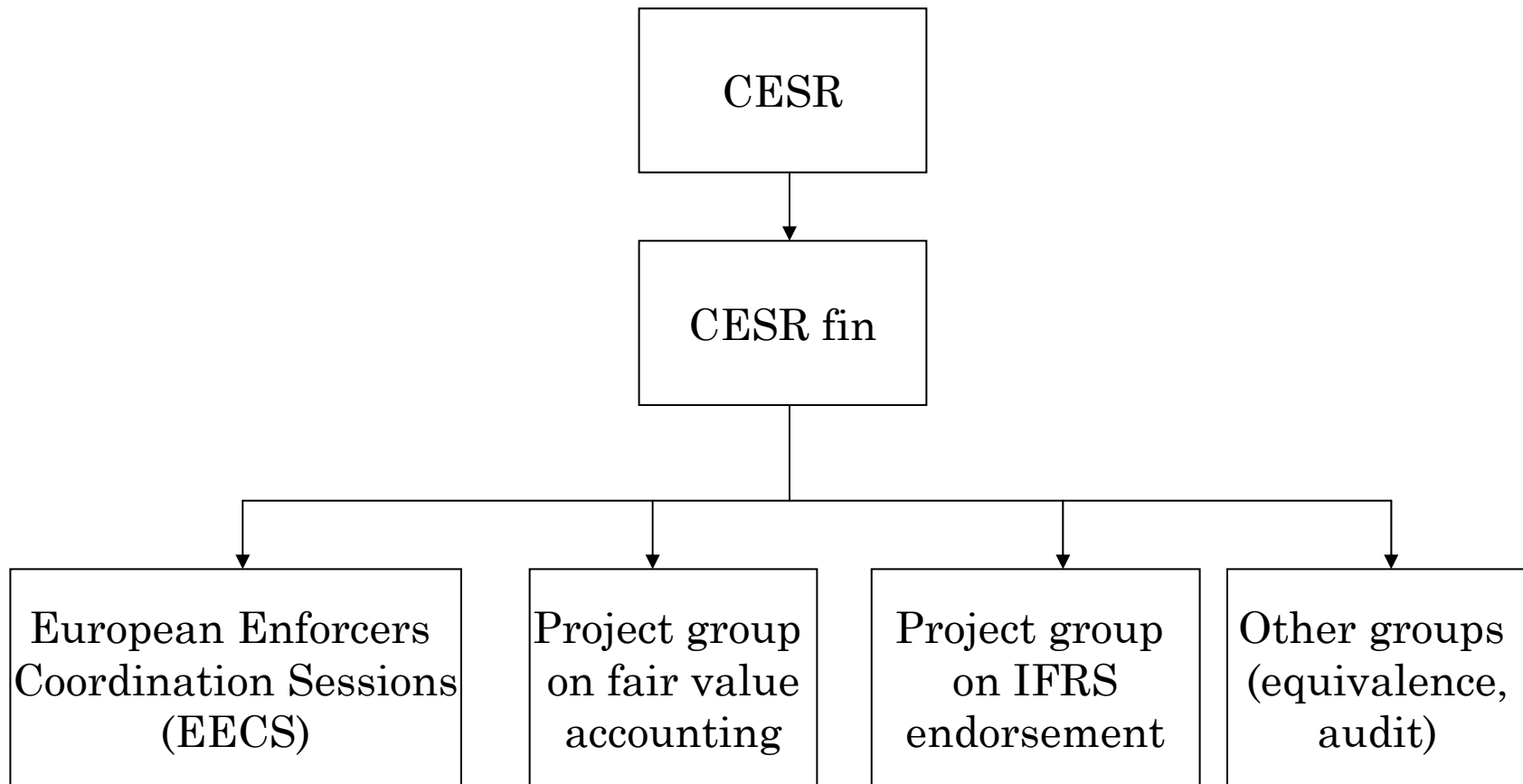
Agenda

Agenda

- Structure of CESR activities in accounting
- Enforcement system and activities in Europe
- CESR publication of decisions
- CESR review of implementation of enforcement activities in the member states
- CESR fin activities
- CESR fin priorities for 2009 and 2010



Structure of CESR activities in accounting





Enforcement system and activities in Europe (1)

- The enforcement system in Europe was firstly regulated in 2002 by European Regulation 1606/2002 (IAS regulation)
 - “A proper and rigorous enforcement regime is key to underpinning investors' confidence in financial markets. Member States, by virtue of Article 10 of the Treaty, are required to take appropriate measures to ensure compliance with international accounting standards. The Commission intends to liaise with Member States, notably through the Committee of European Securities Regulators (CESR), to develop a common approach to enforcement.”
- And in the Transparency Directive from 2004:
 - “Each competent authority shall have all the powers necessary for the performance of its functions. It shall at least be empowered to:
... examine that information referred to in this Directive is drawn up in accordance with the relevant reporting framework and take appropriate measures in case of discovered infringements”.
- Approximately 7.500 listed companies have been identified by European regulators as IFRS users and are under supervision of competent authorities.



Enforcement system and activities in Europe (2)

- Enforcement activities in Europe started in 2005
- CESR developed guidelines in
 - CESR standard no 1:
 - Enforcement of standards on financial information in Europe
 - Aims at harmonising the oversight systems in the EU
 - Is also aimed at achieving a high level of coordination and convergence in the enforcement decisions.
 - Sets out 21 high-level principles on the purpose of enforcement, powers of enforcers, methods of enforcement, actions and EU coordination
 - CESR standard no 2:
 - Coordination of enforcement activities
 - Implementation Guidance
 - EECS (European Enforcers Coordination Sessions) is a forum of EU National Enforcers, whether CESR Members or not
 - Database of national enforcement decisions



Enforcement system and activities in Europe (3)

- The main functions of the European Enforcers Coordination Sessions are
 - To analyse and discuss decisions taken or to be taken by EU National Enforcers on the enforcement of financial information requirements to achieve harmonisation and coordination of future decisions.
 - To identify issues which are not covered by financial reporting standards or which may be affected by conflicting interpretations for referral to standard setting or interpretive bodies such as IASB or IFRIC.
 - To share and compare practical experiences in the field of enforcement on issues such as selection, risk assessment and enforcement methodology.
 - To help identify and provide advice on enforcement issues that may require future CESR standards and guidelines
- All enforcement decisions are taken on national level under the responsibility of the national enforcer and according to the national laws



CESR Publication of enforcement decisions (1)

- CESR publishes enforcement decisions on a regular basis with the purpose of contributing to the promotion of market confidence and supervisory convergence of IFRS
- CESR has published five packages of enforcement decisions containing 63 decisions where almost two thirds of the decisions (41 out of 63) relates to the following standards:
 - IFRS 3 Business Combinations
 - Identification of the acquirer
 - Recognition of negative goodwill
 - Step acquisition
 - Application of the pooling of interest method in a business combination under common control
 - Merger
 - Reverse acquisitions



CESR Publication of enforcement decisions (2)

- Decisions relating to
 - IAS 39 Financial instruments: Recognition and measurement
 - Individual assessment of impairment of loans
 - Forward purchases and sales of non-financial assets to be settled through physical delivery
 - Use of the fair value option
 - Partial reimbursement and modifications of the term of the contract of a borrowing
 - Reclassification
 - IAS 32 Financial instruments: Presentation
 - Classification of financial instruments
 - Equity instruments and preference shares
 - Written puttable instrument on a minority interest
 - IAS 38 Intangible assets
 - Amortisation of intangible assets with finite useful lives included in goodwill
 - Method of amortising intangible assets
 - Internally generated intangible assets
 - Recognition of intangible assets
 - Indefinite useful life



CESR Publication of enforcement decisions (3)

- Decisions relating to
 - IAS 27 Consolidated and separate financial statements
 - Control of a subsidiary
 - Control when the holding is passive
 - Consolidation of a subsidiary
 - IAS 34 Interim Financial Reporting
 - Employee benefits
 - Presentation of half-yearly financial statements including comparative information
 - IAS 19 Employee Benefits
 - Change in accounting for employee benefits
 - Post retirement benefit
- A significant number of EECS members have published, in their own jurisdiction, reports that set out their findings in respect of their first reviews of accounts prepared in accordance with IFRS which often can be found on the websites of the enforcers in English



CESR Publication of enforcement decisions (4)

- Between 2005 and May 2009, enforcers in EECS
 - Have submitted 209 decisions to the confidential EECS database and have discussed most of them (relating to these main standards: IAS 32/39, IFRS 3, IAS 1, IFRS 1, IAS 27/SIC 12, IAS 8)
 - Have discussed 91 emerging issues in addition to the decisions in the database
 - Have had 28 meetings
 - Have an average of 7-8 meetings per year
 - Have as mentioned published 63 major decisions
 - Have more decisions ready for publication which are expected to be published later in 2009
- All decisions discussed in EECS are published by CESR unless the specific criteria are met (no consensus in EECS, breach of confidentiality at national level, the decision is simple and similar to other decisions published etc.)
- The decisions not published by CESR may still be published by the national enforcer



CESR review of the implementation of the enforcement activities in the member states

- CESR members have in 2008 reviewed the implementation of the enforcement regime according to CESR standard no 2 in the member states
- By August 2008 only one member state has not implemented any enforcement activities because they have not yet implemented the Transparency Directive
- Around half of the members has fully implemented the enforcement activities
- The remaining members are in the process of implementing enforcement activities in full
- The final report on this review will be available on the CESR website www.cesr.eu shortly



CESR fin activities (1)

- CESR is actively monitoring the developments regarding fair value accounting and financial instruments
- CESR has published a number of papers regarding fair value accounting in 2008 and 2009:
 - CESR statement on fair value measurement and related disclosures of financial instruments in illiquid markets, October 2008
 - Joint statement CESR, CEBS and CEIOPS regarding the latest developments in accounting, October 2008
 - Press statement: CESR welcomes IASB's guidance on measuring and disclosing the fair value of financial instruments in non-active markets, November 2008
 - Feedback statement regarding the consultation on CESR statement on fair value measurement and related disclosures of financial instruments in illiquid markets, November 2008
 - CESR statement on the reclassification of financial instruments and other related issues, January 2009



CESR fin activities (2)

- CESR is taking part in the debate as members or observers in the following groups:
 - Financial Crisis Advisory Group
 - EFC working group on procyclicality

- CESR has participated in the consultations regarding exposure drafts etc from IASB dealing with financial instruments and fair value accounting:
 - IASB DP on Financial Instruments with the characteristics of Equity
 - IASB DP on Reducing Complexity in Reporting Financial Instruments
 - IASB's Exposure Draft on IFRS 7 Improving Disclosures about Financial Instruments
 - IASB's Exposure Draft on IFRS 7 ED Investments in Debt Instruments
 - IASB's Exposure Draft of proposed amendments to IFRIC 9 and IAS 39 Embedded Derivatives
 - IASB's Request for Views on Proposed FASB amendments on Fair Value Measurement and Proposed FASB Amendments to Impairment Requirements for Certain Investments in Debt and Equity Securities



CESR fin activities (3)

- CESR Review of the application of the amendment to IAS 39 on reclassification from October 2008:
 - The CESR statement on reclassification focused on interim financial statements for the 3rd quarter 2008
 - The review currently on the way focuses on application in the annual financial statements for 2008 regarding the reclassification amendment
 - CESR is currently reviewing the results
 - The results of this analysis are expected to be published before the summer 2009



CESR fin activities (4)

- CESR is also reviewing the application of other areas of the disclosure requirements in IFRS 7
- The focus in this review is the application of requirements related to disclosures in areas especially relevant for the debate regarding the financial instruments linked to the financial crisis
- The results of this review are expected to be published later in 2009



CESR fin priorities for 2009 and 2010

- The priorities for CESR fin in the area of accounting are currently on both enforcement, financial instruments and fair value accounting and on other initiatives from IASB such as
 - Enforcement of compliance with IFRS
 - In depth discussions on cases and decisions on application of IFRS in order to achieve convergent and coordinated enforcement activities in Europe.
 - Publication of enforcement decisions (extracts from the EECS database)
 - Monitor the application regarding financial instruments and fair value accounting
 - Monitoring of IFRS developments and endorsement
 - On-going dialogue with the SEC to implement the CESR/SEC work programme on IFRS.