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### Press Release

#### Co-ordinating enforcement of Financial Information

CESR launches today a consultation paper proposing greater co-ordination of enforcement activities by supervisors of financial information in Europe (Ref. CESR 03/317b 'Draft Standard 2 on Financial Information – Co-ordination of Enforcement Activities').

CESR's members consider that it is insufficient to adopt an internationally recognised set of accounting standards (as published by the International Accounting Standards Board, IASB and endorsed by the European Commission) without robust and consistent enforcement of those standards. Responding to this challenge, CESR proposes a set of standards on enforcement activities to accomplish this, and in particular the present draft standard no. 2 proposes to establish appropriate co-ordination of enforcement on a pan-European level.

The key proposals, which will shape regulators approach, are in the form of 'Standard No 2' and establish a set of principles, which include:

- In order to ensure a far broader coherence and harmonised approach to enforcement decisions beyond securities regulators, **CESR proposes to discuss decisions and experiences with non securities regulators in a regular manner within a formalised structure and therefore proposes establishing a 'European Enforcers Co-ordination Sessions (EECS)'** to fulfil this function. (Principle 4);
- **The principle that all supervisors should take into account *existing* decisions** taken by EU National Enforcers including not only CESR-Members but also delegated authorities that are non-securities regulators, for example, stock exchanges, or the UK review panel. These EU National Enforcers would form part of the proposed memberships of the EECS. Additionally, CESR proposes that where practicable within constraints of time and confidentiality, discussions with other EU National Enforcers should take place *before* significant decisions are taken (Principle 1);
- **The development of a database** as a practical reference tool which sets out decisions taken by EU National Enforcers, to provide a record of previous decisions reached in particular cases. The database of enforcement decisions will set out the principles upon which decisions have been taken by EU National Enforcers. The EU National Enforcers will also discuss and consider the decisions taken in specific cases in order to shape a more co-ordinated and similar reaction by supervisors when faced with comparable situations in the future. CESR will develop further guidelines shortly on how to manage this database (Principles 2 and 3).

The Draft Standard no. 2 indicates in a very practical way, how CESR regulators are developing greater co-ordination. As such, in the Lamfalussy environment within which CESR generally operates, this initiative can best be interpreted as an example of '**level 3**' of the 'four level Lamfalussy process'. Level 3 initiatives cover co-operation and convergence of regulatory practices. Nevertheless, it should be noted that accounting legislation is not formally covered by the scope of Lamfalussy.



The Standard no. 2 launched today builds on CESR's work in the area of enforcement which began with the adoption in April 2003 of the CESR Standard no.1 on 'Financial Information: Enforcement of standards on financial information in Europe' (Ref: CESR/03-074). Standard no. 1 developed a common definition and established the scope of what would be considered enforcement activities. Including agreed methods for enforcement and the types of actions that might be adopted in case of discovered infringement to the reporting framework.

In order to give all interested parties the opportunity to express their opinions on the draft standard and the principles set out above, CESR will hold an open hearing on **12 November 2003** at CESR's premises in Paris. Registrations for the hearing can also be sent to the email address set out below.

Written responses are also welcome and can be addressed to Mr Fabrice Demarigny, Secretary General of CESR, by email at [secretariat@europefesco.org](mailto:secretariat@europefesco.org). **The deadline for submission is 7 January 2004.**



#### Notes for Editors:

1. This draft recommendation has been prepared by CESR's standing committee CESR-Fin, chaired by M. Henrik Bjerre-Nielsen, Director General of the Danish Financial Supervisory Authority, and more specifically by its Sub-Committee on Enforcement (SCE) chaired by Angelo Apponi, Chief Accountant at the Italian Commissione Nazionale per le Società e la Borsa (CONSOB).
  2. The 'four level Lamfalussy approach' can be summarised very briefly as follows: Level one sets out the high level objectives that the legislation must achieve, through Regulations or Directives adopted in co-decision by the European Parliament and the Council of Ministers. Level two measures, adopted by the European Commission, set out technical requirements necessary to implement level 1 provisions where foreseen. Level three is intended to ensure common and uniform implementation by the use of common standards, recommendations or guidance agreed amongst regulators in CESR. Level four concerns the enforcement of EU legislation. Accounting Regulations and Directives are not formally covered by the scope of the Lamfalussy process.
  3. CESR-Fin is a permanent working group of CESR members active in the area of financial reporting. CESR-Fin plays a key role in the endorsement and enforcement of IFRS standards in Europe. CESR-Fin has established two permanent sub-committees, one dealing with issues related to the enforcement of financial reporting under IFRS (the Sub-Committee on Enforcement, SCE), and the other (the Sub-Committee on International Standards Endorsement, SISE). The SISE is chaired by Philippe Danjou, Chief Accountant at the French Commission des Opérations de Bourse (COB).
  4. CESR is an independent Committee of European Securities Regulators. The role of the Committee is to:
    - Improve co-ordination among securities regulators;
    - Act as an advisory group to assist the EU Commission, in particular in its preparation of draft implementing measures in the field of securities;
    - Work to ensure more consistent and timely day to day implementation of community legislation in the member states.
    - The Committee was established under the terms of the European Commission's decision of 6 June 2001 (2001/1501/EC). It is one of the two committees envisaged in the Final Report of the group of Wise Men on the regulation of European securities markets. Baron Alexandre Lamfalussy chaired this group. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on the CESR website.
  5. Each Member State of the European Union has one member on the Committee. The members are nominated by the Member States, and are the Heads of the national public authorities competent in the field of securities. The European Commission has nominated the Director General of the DG Market as its representative. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level. The following eight Authorities of the Candidate Countries joined CESR in 2003 with observer status: the Cyprus Securities and Exchange Commission, the Czech Securities Commission, the Estonian Financial Supervision Authority, the Hungarian Financial Supervisory Authority, the Lithuanian Securities Commission, the Malta Financial Services Authority, the Slovakian Financial Market Authority and the Slovenian Securities Market Agency.
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