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## **PRESS RELEASE**

### **CESR review identifies improvements in financial information throughout Europe in 2009**

CESR publishes today its first annual activity report on monitoring enforcement of International Financial Reporting Standards (IFRS) in Europe (Ref. CESR/10-917). The report shows both an increase in regulators' enforcement activities and greater consistency regarding the actions taken by enforcers. As part of the 2009 IFRS enforcement activities, EU enforcers also identified an overall improvement in the quality of reporting under IFRS, since its adoption in Europe. Nevertheless, the report also presents those areas identified by enforcers on which listed companies are urged to focus further, in order to ensure improvements in the information provided to investors.

Recognising the global nature of financial markets and the need to maintain investor's confidence globally, the report also outlines the steps taken by CESR in 2009 to engage with third country enforcers of financial information. This dialogue seeks to encourage further harmonisation of enforcement practices in IFRS reporting by listed companies worldwide.

**Fernando Restoy**, Chair of the Corporate Reporting Standing Committee and Vice-Chair of the Spanish Comisión Nacional del Mercado de Valores (CNMV), noted:

*"The deterioration of the global capital markets in 2009 posed significant challenges to listed companies and has underlined the critical importance of clear financial information in ensuring investor confidence. The report illustrates the benefit of gathering enforcers together and how this can contribute to bringing about greater convergence amongst practices of enforcers across the EU. This is tangible step forward, which CESR and EU enforcers are keen to build on further.*

*The report also provides a clear message for listed companies, operating under challenging market conditions, that they must focus their efforts further to ensure the highest possible quality in financial reporting in order to maintain investors confidence . This report will provide them with a valuable indication of areas on which, enforcers across Europe, will be particularly vigilant and seeking improvements."*

The report is based on the activities of the European Enforcement Co-ordination Sessions, (EECS) which is a group formed under the auspices of the Corporate Reporting Standing Committee of CESR. The main objective of the EECS is to co-ordinate the IFRS enforcement activities of Member States in order to foster and maintain investor confidence.

#### ***Significant enforcement activities in 2009***

In total, European enforcers performed a full review of around 1,200 companies' accounts (annual and interim), covering in the region of 18% of listed entities in Europe. The coverage from one country to another varies because of the very different number of issuers across jurisdictions, the diversity in size and their risk profile.

The report shows, that around 900 enforcement actions were taken overall in Europe, out of which the EECS reviewed and discussed 170 cases further. The findings of these discussions both contributed to increased consistency amongst Member States enforcers in the actions taken which is encouraging. Of the 900 actions taken in Europe, in 19 of these cases, the issuer was required to



issue revised financial statements. In around a further 160 cases the issuer was required to publish corrective notes or to make other public announcements. In approximately 560 actions corrections in future financial statements were required; and a further 170 cases resulted in other actions by enforcers, such as a notice to the issuer, without requiring any corrective action or public announcement.

The report also notes that many enforcers also took additional pre-emptive steps to improve the quality of future financial reporting in Europe. This included issuing alerts indicating the main areas that the national enforcer would focus on in the forthcoming financial year or hosting open seminars for issuers and auditors. The choice of approach adopted reflects the differing size and nature of national markets.

### ***Areas for improvement on which issuers should focus***

The report also outlines recurring issues identified by enforcers on IFRS financial information, providing a clear indication to listed companies in the EU and preparers of financial information, in which areas their reporting could be improved.

The heightened significance of the issues identified in the report, are in some cases due to the economic crisis or because they represent the most challenging requirements to apply when accounting for complex transactions and arrangements. Such issues include, for example, various aspects of financial instruments' reporting, impairment of non-financial assets and business combinations.

### ***Increasing dialogue with global enforcers:***

Finally, in order to contribute to the quality of future financial reporting under IFRS on a global basis, CESR has continued its dialogue with the US Securities and Exchange Commission (SEC) and other third country enforcers of financial information. CESR also notes that it arranged an inaugural seminar of global IFRS enforcers in 2009 allowing European enforcers greater opportunity to share experiences with fellow regulators outside the EEA. A further seminar is planned for 2011.

CESR will continue to communicate with the market on matters relating to the future development of European enforcement activity.



#### **Notes for editors:**

1. CESR is an independent Committee of European Securities Regulators. The role of the Committee is to improve co-ordination among securities regulators and act as an advisory group to assist the European 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 initially established under the terms of the European Commission's decision of 6 June 2001 (2001/527/EC) which was repealed and replaced by the Commission Decision of 23 January 2009 (2009/77/EC). CESR was one of the two Committees first envisaged in the Final Report of the Group of Wise Men on the regulation of European securities markets chaired by Baron Alexandre Lamfalussy. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on the CESR website.

2. Each Member State of the European Union has one Member in 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 as its representative the Director General of the DG MARKT. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level as observers.

#### **Further information:**

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