

PRESS RELEASE

ESMA sees improved transparency of issuers financial statements – more information needed on forbearance practices and impairment tests

The European Securities and Markets Authority (ESMA) has published a report on the enforcement and regulatory activities of accounting enforcers within the European Union (EU) in 2014.

This report contains data on enforcement activities performed at national level, where European enforcers examined approximately a quarter of the IFRS interim or annual financial statements of the 6400 issuers listed on EU regulated markets. Following these examinations, to address material failures enforcers took action against 306 (22%) of the issuers subject to ex-post examinations, representing approximately 5% of issuers listed on regulated markets.

The report also includes quantitative and qualitative results of the review of the 2013 interim and annual IFRS financial statements of 176 issuers in the EU and examines the level of compliance with IFRS in the areas identified as common enforcement priorities. This concerned notably forbearance practices, fair value measurement and impairment of non-financial assets.

Although the assessment showed improvements in the quality of application of IFRS, ESMA identified room for improvement where insufficient information was provided relating to forbearance practices in financial statements as well as the lack of disclosure of key assumptions when performing impairment tests for non-financial assets with an indefinite useful life.

Steven Maijoor, ESMA Chair, said:

“Today’s report presents a comprehensive picture on enforcement activities and actions taken across EU member states in relation to IFRS financial statements. Its

results can help issuers to further increase their compliance with IFRS, improve the transparency of financial statements and increase investor protection and confidence.

“2015 will be the first full year of application of the ESMA Guidelines on Enforcement of Financial Information. These Guidelines will further contribute to enhancing the key strategic objective of supervisory convergence in the area of enforcement of financial information.”

Enforcement Guidelines

In 2014, ESMA published the final Guidelines on enforcement of financial information, which entered into force on 29 December 2014. The Guidelines constitute a key step in strengthening supervisory convergence across the EU by further building a common approach to the enforcement of financial information and reinforcing coordination among European enforcers.

Contribution to IFRS development

The report also analyses ESMA's contribution to the endorsement of IFRS through its participation in the reformed European Financial Reporting Advisory Group (EFRAG) and Accounting Regulatory Committee (ARC) and by ESMA's active participation in the standard-setting process, which has been reinforced by the signature of a joint Statement of Protocols with the IFRS Foundation.

Notes for editors

1. [2015/659](#) ESMA Report on Enforcement and Regulatory Activities of Accounting Enforcers in 2014
2. [2014/1293](#) ESMA Guidelines on enforcement of financial information
3. [2014/1309](#) European common enforcement priorities for 2014 financial statements
4. ESMA's activities on supervisory convergence in enforcement are carried out mainly through the European Enforcers Coordination Sessions (EECS), a forum of 41 European enforcers from 30 EEA Member States who have responsibilities in the area of supervision and enforcement of financial information. EECS currently constitutes the largest regional enforcers' network with supervision responsibilities for IFRS, with responsibility for coordination of supervision of approximately 6 400 issuers listed on European regulated markets preparing IFRS financial statements,
5. ESMA is an independent EU Authority that was established on 1 January 2011 and works closely with the other European Supervisory Authorities responsible for banking (EBA), and insurance and occupational pensions (EIOPA), and the European Systemic Risk Board (ESRB).
6. ESMA's mission is to enhance the protection of investors and promote stable and well-functioning financial markets in the European Union (EU). As an independent institution, ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU. ESMA contributes to the regulation of financial services firms with a pan-European reach, either through direct supervision or through the active co-ordination of national supervisory activity.

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