Note: Questions 1-5 ask for details of the organisation.
Questions that relate to Preparers (P), Users (U) and Public Authorities (PA) are not included in the questionnaire since FEE will not respond to these questions.

Relevance of the IAS Regulation
Objective

Question 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?

- o Yes
- o No

(1) "YES"

6.1 Comments

(2) The main objective of the IAS Regulation is to make the European Union (EU) capital market and single market operate efficiently. Today, capital markets are structured in an even more globalised manner than they used to be, which leads to an increasing need for a single financial reporting framework.

(3) Global standards are therefore necessary for and of benefit to the EU.

(4) The global character of IFRS allows the improvement of the quality, comparability and reliability of financial information.

(5) These are crucial benefits for the EU in remaining competitive, for attracting foreign investment and for restoring confidence in European financial markets.

(6) The adoption of IFRS in the EU has made it possible for listed EU companies to access international capital markets (including in the USA) with their IFRS based financial statements without any further reconciliation or preparation of other financial information.

(7) FEE believes that the IAS Regulation's objectives are still valid.

6.2. If you think the IAS Regulation should pursue new goals in future, what should they be?

(8) FEE believes that the IAS Regulation's goals are adequate to achieve its purpose.

Question 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?

- o Yes
- o No

(9) "YES"

7.1. Please explain.

(10) The IAS Regulation of 2002 demonstrated Europe's leadership and paved the way for IFRSs to be a global set of standards. Many jurisdictions have followed the EU's lead in adopting IFRSs with the number of jurisdictions and the scope of adoption (for example Japan) still expanding.

(11) Furthermore, according to the "IFRS as global standards: a pocket guide" (issued in July 2014 by the IASB) the non-EU users of IFRS have a combined GDP of US$23 trillion while the EU IFRS users account for US$17 trillion. This indicates that despite the EU being the largest single user of IFRS, IFRS are used by other users that in total form a larger group.

(12) EU companies seek capital from international markets and in doing so require a reliable, relevant, robust and globally accepted set of standards. In FEE's opinion IFRS can serve this purpose. The fact that IFRS are now being applied to more than 100 countries shows that the IFRS are considered as a robust and high quality set of financial reporting standards.

Scope

Question 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)?

- o Yes
- o No

(13) "NO"

8.1. How would you propose it be changed?

- By making IFRS compulsory for the individual accounts of listed companies on regulated markets
- By making IFRS compulsory for the consolidated accounts of large non-listed companies
- By allowing any company to opt for reporting under IFRS
- Other

8.1.1. Other - please specify.

(14) "By making IFRS compulsory for the individual accounts of listed companies on regulated markets"

(15) "By allowing any company to opt for reporting under IFRS"

8.2. Comments.

(16) In some instances listed entities are not required to prepare consolidated financial statements (since they do not have any subsidiaries), and this means that they are not required to present financial statements under IFRS even though their equity and/or debt is publicly traded. FEE suggests that the scope of the IAS regulation should be updated to include those entities that are listed and are not currently required by the IAS regulation to present consolidated financial statements.

(17) In addition, in FEE's opinion reporting under IFRS should be available for entities that are currently not included in the scope of the IAS Regulation. This would be beneficial if the entity seeks to go public in the future. Therefore we suggest that reporting under IFRS should be available for every company irrespective of the member states' options (refer to Question 9).

(18) The scope of the IAS Regulation covers only those companies that are traded on a regulated market in the EU. Consideration might be given to extending that scope, in the context of the wider application of the small and medium sized companies reliefs that will be introduced by the EU Accounting Directive. For some entities, such as small biotech companies, there is a risk that they might otherwise qualify as small or medium. Although it might be expected that the related stock exchanges would put requirements in place to prevent those companies from issuing financial statements which take advantage of the related reliefs, it might be desirable for there to be EU-wide requirements.

Question 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
- other companies' individual annual financial statements.

In your view, are the options open to national governments:
- o Appropriate
- o Too wide
- o Too narrow
- o No opinion

(19) "Too narrow"

9.1. Please give details.

(20) In line with our response to Question 8, we believe that the scope of the options available for each member state available is too narrow.

(21) In relation to our answer to Question 8, we believe that if the option to apply IFRS were given at entity level, this would not result in a conflict between the IAS Regulation and Member States' legislation.

Cost-benefit analysis of the IAS Regulation

Question 10

Do you have pre-IFRS experience/ experience of the transition process to IFRS?
- o Yes
- o No

(22) "YES"

Question 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?

- o Significantly more transparent
- o Slightly more transparent
- o No change
- o Slightly less transparent
- o Significantly less transparent
- o No opinion

(23) "Significantly more transparent"

11.1. Please elaborate.

(24) FEE firmly believes that since IFRS have been endorsed in the EU, transparency has been enhanced in financial reporting due to increased disclosure. IFRS have also reduced the level of divergence in the EU and thereby increased the comparability of EU financial statements.

(25) IFRSs require an entity to present in all material aspects its financial position, performance and cash flows in a way that enhances the transparency of its financial statements.

Question 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.

(26) FEE is not in a position to answer the first part of this question re the country specific situation.

(27) In FEE's opinion comparability has been enhanced significantly on a European and International basis. Entities are required to apply the same set of standards which means that transactions that have the same economic consequences for each entity have been reported similarly in financial statements.

(28) In addition the IAS Regulation significantly reduced divergence among different EU listed entities (in different jurisdictions) that existed due to the differences between the local GAAP, which were only comparable by preparing time-consuming reconciliations.

(29) Furthermore, the disclosures required under IFRS improve comparability of financial statements since the users are in a position to understand the accounting policies used and compare different entities.

(30) Moreover, since IFRS are now applied in more than 100 jurisdictions comparability is enhanced not only within the EU but also with the financial statements of many non-EU countries. This enhances companies' ability to attract international investors.

Question 13

Have financial statements become easier to understand since the introduction of IFRS, compared with the situation before mandatory adoption?

- o Yes, in general
- o Yes, but only in certain areas
- o No, in general
- o No, except in certain areas
- o No opinion

(31) "YES in general"

13.1. In which areas?
13.2. Please elaborate.

(32) In FEE's opinion, IFRS are a complete set of accounting standards. As a result some areas of financial reporting have become easier to understand, for instance the criteria for recognition and measurement are now the same in the EU due also to the increased transparency and comparability brought about by IFRS. Understandability has also increased as users interested in investing in listed entities in the EU only need to understand a single set of financial reporting standards. Additionally the application is consistent. Preparers are becoming more familiar with the IFRS requirements and, IFRSs being principle based standards, their main principles can be more easily understood by financial reporting constituents.

(33) However, in some other areas (stock options, financial instruments and related, disclosures, fair value measurements, etc.), complexity may have increased for non-expert users, reflecting to some extent the fact that transactions have themselves become more complex. Whilst disclosures provide increased transparency, their overload may also render IFRS financial statements sometimes more difficult to understand. However, we note that the IASB has a project for addressing this issue.

Question 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?

- o Yes
- o Yes, to some extent
- o No
- o No opinion

(34) "YES".

14.1. Please elaborate.

(35) The same financial reporting framework and set of financial reporting principles and standards apply to all entities across the EU that prepare consolidated financial statements and are listed on a regulated market. The cost of preparing financial statements is part of the cost of getting access to finance. Since all of those listed entities (and their subsidiaries) are subject to the same EU IAS Regulation, a level playing field is created for all EU companies.

(36) Furthermore the fact that the EU is using one set of standards (IFRS) and the US SEC allows US listed EU companies to report under IFRS has significantly reduced the compliance cost for the many multinational/multi-jurisdiction entities with a US listing. However, the level playing field can be affected by the regulatory environment, where EU regulators adopt regulations that use IFRS data and non-EU regulators do not adopt similar approaches.

Question 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		☑				
EU capital other than domestic	☑					
Non-EU capital	☑					

15.1. Please provide data / examples if available.

(37) The endorsement of IFRS in the EU has enabled listed EU companies to access international capital markets (including in the USA) with their IFRS based financial statements without any further reconciliation or preparation of other financial information. The use of IFRS has enhanced their access to worldwide capital markets and the competitive possibilities they offer.

Question 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

(38) “No opinion”.

16.1. Please provide data/ examples if available.

(39) This question is addressed to preparers of financial statements. FEE has not gathered input from preparers to respond to this question on the cost of capital for companies. In addition, it is very difficult to isolate the effect of IFRS on the cost of capital and as it may be affected by many other factors beyond the financial information provided (for example changes in regulatory requirements).

(40) FEE is not aware of the existence of evidence gathered and analysis on a scientific basis to support its views that the use of IFRS significantly reduced the cost of capital for entities.

(41) FEE believes that IFRS financial statements enhance comparability, accountability, stewardship, relevance and transparency of financial reporting. This means that market participants’ confidence is enhanced and, ceteris paribus, from a conceptual point of view, this would normally lead to a reduction of cost of capital.

Question 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

(42) “Yes, to a great extent”

17.1. Please provide data/ examples if available.

(43) Users of financial statements (existing and potential investors, lenders and other creditors) are provided with financial information that is more comparable and transparent. This enhances the transparency, accountability, reliability and stewardship by management. Although this might come at the expense of additional complexity in financial reporting, to an extent this is unavoidable due to the additional complexity arising from ever more complex business transactions and not from IFRSs themselves.

Question 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.)

- o Yes, to a great extent
- o Yes, to a small extent
- o It had no impact
- o No, confidence in financial markets has decreased
- o No opinion

(44) "Yes, to a great extent".

18.1. Please provide data/ examples if available.

(45) The quality of financial information is only one of the elements that contribute to confidence in financial markets. The fact that international standards (IFRSs) are applied in the EU allows European companies to be comparable with other International companies. The investors only need to study one complete set of financial reporting standards to be able to assess entities in different jurisdictions.

(46) IFRS provide comparable and transparent information of quality. FEE considers that financial markets can gain confidence from such information. Therefore, in FEE's view, the application of IFRS in the EU achieves the goal of enabling and maintaining the confidence in financial markets.

Question 19

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

- o Yes
- o No
- o No opinion

(47) "YES"

19.1. Yes - please specify (you may select more than 1 option). o Improved ability to trade/expand internationally o Improved group reporting in terms of process o Robust accounting framework for preparing financial statements o Administrative savings o Group audit savings o Other 19.1.1. Other - please specify.

(48) All of the above including other.

(49) Please refer to Question 19.2

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

(50) Applying International reporting standards (IFRSs) enables an entity to have access to International markets (not limited to capital markets). Increased transparency, accountability, reliability and stewardship enable international expansion as they enhance the confidence of business partners (and market participants) across the world.

(51) Furthermore FEE believes that consistent application of IFRS in a group of companies (especially if a group has international presence) results in economies of scale in terms of cost savings for group financial reporting and for internal/external audit. Reference is also made to our comments on costs in paragraphs 57 and 58 in the FEE response to Question 20.

(52) In addition, use of IFRS have helped bring credibility to EU financial reporting and allows the EU to participate actively and effectively in the international standard-setting process.

(53) Finally, FEE believes that the use of international standards increases the mobility of expertise and resources across different jurisdictions.

Question 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?

- o Benefits significantly exceed the costs
- o Benefits slightly exceed the costs
- o Benefits and costs are broadly equal
- o Costs slightly exceed the benefits
- o Costs significantly exceed the benefits
- o No opinion

(54) "Benefits slightly exceed the cost"

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

(55) FEE very much agrees that the complexity of businesses and the resulting transactions have dramatically increased over the last decade. Such increased complexity of a business needs to be portrayed in its IFRS financial reporting to reflect the economic reality of complex business transactions which may create additional costs.

(56) Additionally, transitioning to IFRS a decade ago generated costs and in the future moving to new standards (which respond to new business realities) is expected to add additional costs.

(57) As discussed in Question 19, FEE identifies a number of benefits that European entities have from applying International standards (IFRSs). One of them, relevant to international groups, may be that IFRS reporting enables management to better monitor the performance of the individual business units/subsidiaries, the quality of its internal processes and internal controls, and this may generate improvements.

(58) The benefits may also not be the same for every entity; they seemed to be more apparent for the larger entities due to the inherent economy of scale, the cost/benefits assessment may be less favourable for smaller entities

Note: Questions that relate to preparers ("P") , to users ("U") and to Public Authorities ("PA") will not be part of the questionnaire that FEE will answer using the on-line tool as these questions only appear once the responder selects certain options in questions 1-5.

Endorsement mechanism & criteria

Question 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.)?

(59) FEE actively participated in the review of EFRAG and ARC governance conducted by Mr. Maystadt. FEE therefore fully supports the outcome of this process, namely, a transformed EFRAG to reinforce the EU's contribution to the international accounting standards setting process.

(60) This stronger EFRAG organises stakeholders and standard setters' representation at European level which we understand aims at:

- Enhancing the genuine European dimension;
- Facilitating consensus building;
- Diminishing national oppositions and reduces risk of conflicts.

(61) In this new context, the current 8 month long endorsement process seems especially long and cumbersome. The EU should not run behind other parts of the world in the IFRS endorsement process. Furthermore, the number of steps in the process and the number of parties involved can per se be a source of blockages and misunderstandings and risks creating too many opportunities that may be misused for political manipulation.

(62) To maximise the European contribution to international accounting standards, proactive strategic input aimed at shaping the agenda and contributing thought-leadership sufficiently early in the process of standard development is most efficient and helps prevent political stalemate at the end of the process. Europe is more influential and effective when it speaks with one voice. FEE supports better coordination of European views and thinks that EFRAG plays an instrumental role to that end.

(63) The reformed EFRAG and the EC should take up an enhanced role in this process.

- EFRAG by actively engaging the EP and the Council earlier in the process. This on-going and regular dialogue and mutual education should help to develop a relationship as well-informed sparring partners between EFRAG and the EP and Council.
- The EC by taking up its independent role as standing for the European public good. Thereby, it can facilitate relations between the EP and Council on the one side and IASB on the other.

(64) If the length and complexity of the process cannot be reduced, it is essential that those participating are fully informed and engaged and share common European objectives.

Question 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)?

- Yes
- Yes, to some extent
- No
- No opinion

(65) “Yes”

(66) We believe that the endorsement of standards should remain based on the 2002 IAS Regulation. Therefore, the existing endorsement criteria do not need to be altered and/or expanded.

(67) If however felt necessary, it could be more helpful to clarify the existing criteria set forth by the IAS Regulation without changing the Regulation. Additional guidance in this regard may be of help. This would maximise the potential of the current endorsement mechanism, while avoiding a procrastinated legislative procedure to amend the IAS Regulation.

22.1. 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:

- that any accounting standards adopted should not jeopardise financial stability
- that they must not hinder the EU's economic development.

Please give any suggestion(s) you may have for additional criteria.

- 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

(68) There has been much debate on the endorsement criteria including the negative effects of flexible endorsement. In his report, Mr Maystadt clearly stated the potential negative effects of such a flexible endorsement. However, he seemed to suggest that these negative effects could perhaps be alleviated by 'precise and restrictive criteria and conditions'. As stated in our answer to question 23 below, FEE fundamentally disagrees with 'opening a door' towards more flexibility for the EU in endorsing IFRSs as this would not bring flexibility, but would defeat the very purpose of having global standards.

(69) Furthermore, we believe that the "public good" criterion will not be clarified by adding criteria as components of the public good.

(70) The additional criteria proposed by Mr Maystadt – i.e. that 'any accounting standards adopted should not jeopardise financial stability' or 'hinder the EU's economic development' – are too ambiguous and can be interpreted in a wide range of different ways. This also applies to the other additional criteria stated above. Interpreting these could actually be controversial.

(71) Furthermore, in requiring that global standards should not endanger financial stability, one must also consider how this would interact with the concept of transparency, a primary objective of financial reporting. Global standards aim to provide an accurate representation of existing economic realities. FEE considers that objectives of financial stability and prudential supervision should be achieved through regulatory regimes rather than affecting information that is provided to capital providers and investors.

22.1.1 Other - please specify.

22.2. Comments.

Question 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?

- o Yes
- o No
- o No opinion

(72) "Yes"

(73) The primary objective of the IAS Regulation (article 1) is still valid*: adopting international standards to harmonise financial information in order to ensure a high degree of transparency and comparability of financial statements and hence an efficient functioning of the EU capital market and of the Internal Market.* In addition, on the basis of experience, Europe has shown that it struggles to agree on accounting matters and therefore greatly benefits from relying on an independent standard setter whose aim, according to its Handbooks, is to *develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based on clearly articulated principles.*

(74) The fact that all requirements of the standards are to be endorsed retains the advantages of truly global standards. Regarding specific EU needs, the existing deviations accepted within this framework suffice (although they can already endanger the objective of having global standards), namely:

a. Delays as far as timing of the first-time application of individual standards, is acceptable as long as early adoption is possible.
b. Deletion of options or limitation of the choice of options in the individual standards is acceptable as this encourages more (rather than less) harmonisation and consistent application, one of the very aims of using global standards like IFRS.

(75) Moving toward flexible endorsement of IFRS would be detrimental to Europe. In order to retain the advantages of global standards, the EU should avoid increasing the flexibility of the current endorsement process and moving directly or implicitly toward specific European standards. Mr Maystadt's final report duly recognises many of the risks associated with such an approach. We fully agree that increased flexibility in IFRS endorsement would negatively influence the worldwide efforts towards a single set of standards and would endanger the coherence of the financial reporting framework. Therefore, flexible endorsement would isolate Europe and damage its credibility.

(76) The aim of taking more adequate account of Members States' reservations to the adoption of certain IFRSs can be achieved in more constructive ways. Therefore, the EU should seek to increase its engagement with the international accounting debate, resulting in standards that better suit the needs of Members States.

(77) In our answer to question 21 we referred to the enhanced role that both the EC and EFRAG should play in this regard. In this respect, it should be underlined that the transformed EFRAG considers both the political and technical aspects of a standard which:

- Fosters consensus building in an early stage and facilitates an inclusive and informative debate based on merit of the respective arguments.
- Creates a level playing field for stakeholders and diminishes the potential for purely political manipulation and conflicts at a later stage.
- Can prevent shortcomings such as a standard reducing transparency or increasing undue volatility.
- Mitigates risks of non- or partial endorsement of a standard.

(78) Finally, flexible endorsement could actually decrease instead of increase the EU's influence on the IASB. In his report, Mr Maystadt quoted the following FEE statement directly in this regard: *Binary yes or no endorsement seems to bring more powerful dissuasion than opening the possibility of modifying a standard: the IASB might be less inclined to take Europe's concerns into account if Europe can freely modify the standard itself.*

23.1. If not, do you think the IAS Regulation should allow the Commission more leeway to modify standards adopted by the IASB? What conditions should be stipulated?

Question 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)?

- o Yes
- o No
- o No opinion

(79) "No".

(80) The carve-out is very limited in scope as it only affects banks that manage their hedging of interest rates on a net basis. The number of banks affected is limited to less than 20 entities. Therefore we do not believe that this has caused significant problems for the remaining entities that are within the scope of the IAS Regulation.

(81) In this respect, FEE welcomes the IASB's initiative to issue a discussion paper on how the IASB should accommodate a project for accounting for macro-hedging (issued in April 2014).

24.1. If so, please explain the nature of the problem and how it has (or has not) been resolved.

Quality of IFRS financial statements

Question 25

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

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

(82) "Very Good".

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

(83) The quality of IFRS financial statements is not just dependent on the IFRS standards. It is the quality of the standards used, the preparation of the financial statements, audit and enforcement that together contribute to make IFRS financial statements produced in the EU of quality. The standards are themselves only one component. If all components are present, IFRS financial statements are of very good quality compared to other frameworks.

(84) As of today, FEE considers the overall quality of IFRS financial statements prepared under IFRS in the EU as being "very good". However, FEE believes that there is still room for improvement in some areas of the set of the IFRS standards. FEE has already commented in the past on these to the IASB during prior consultations. For instance, the IASB still needs to work (and is doing work) on the disclosure overload and to complete some key projects, such as the standard on insurance contracts, the conceptual framework, the accounting for macro-hedging, etc.

(85) Finally, we believe that national enforcement quality has improved in many EU countries which has helped to improve of the quality of financial statements. However in FEE's opinion, there is still room for improvement.

Question 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?

- o Very complex & difficult to understand
- o Fairly complex & difficult to understand
- o Reasonable
- o Not complex or difficult
- o No opinion

(86) "Reasonable"

26.1. Please provide any further comments you think might be helpful, specifying any particular areas of accounting concerned, if appropriate.

(87) Complexity that exists in financial reporting is not necessarily due to the financial reporting standards. In FEE's opinion the complexity that exists in financial statements is mostly due to the complexity in the business and transactions that entities undertake. Financial reporting's main aim is to faithfully portray the economic substance of transactions in a transparent manner. Therefore we strongly believe that given the complexity of transactions, IFRS's complexity is reasonable, taking into account the need for a high quality set of financial statements. However, some standards induce disclosure overload and may produce accounting outcomes in a few cases that can be difficult to explain to non-IFRS experts.

Question 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
Your local GAAPs				☑
Any other GAAPs				☑

27.1. What are your local GAAPs?
27.2. Please identify other GAAPs you are using as a basis for comparison.
27.3. Please provide any additional comments you think might be helpful.

(88) This question relates to the identification of local (national) or other GAAP. FEE believes that the local or other GAAP that aim to provide the same level of quality in financial statements as the IFRS have the same degree of complexity.

(89) FEE also identifies that some local GAAP do not serve the same purpose as IFRS, therefore they might have less complex requirements.

Question 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.

(90) We believe that this question is posed in such a way that makes it very difficult, if not impossible to answer, especially with reference to local or other GAAP that do not aim at the same level of quality financial statements.

(91) Therefore, the answer to this question depends on the main purpose that the local or other GAAP serve. In FEE's opinion some of the local GAAP would not provide the same quality of financial statements.

(92) IFRS are updated regularly in the search of providing a true and fair view of companies' performance and financial position. Accounting is a set of conventions at a given point in time. It is very difficult to define at a global level (or even at a European level) what gives a true and fair view. True and fair view can only be assessed by reference to the accounting framework that is being followed. We note that IFRS is a globally accepted set of accounting standards and, therefore, we conclude that it is considered to provide a true and fair view of companies' performance and financial position when it is applied. We note that there are hardly ever departures from IFRS (see also response in question 29), which indicates that this global set of standards allows companies to prepare financial statements that are generally considered to give a true and fair view. Still, as stated in question 25, IFRS standards can still be improved and this is the task of the IASB, to which all European constituents should contribute.

Question 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?

- o Often
- o Sometimes
- o Hardly ever
- o Never
- o No opinion

(93) “Hardly ever”

29.1. Please provide additional comments and examples of departures from IFRS that you have seen.

(94) Despite the fact that IFRS provide preparers the option to depart from the principles and requirements of an IFRS (in extremely rare circumstances) this only happens in truly exceptional circumstances as IFRS are principle-based and thereby are able to cover almost all business transactions. In addition, in many cases a departure from IFRS is not needed because a “true and fair view” can be achieved through compliance with the accounting standards combined with additional disclosures.

Question 30

How would you rate the extent to which IFRS allows you to reflect your company's business model in your financial statements?

- o This is not an issue
- o IFRS are flexible enough
- o IFRS should be more flexible, so different business models can be reflected
- o No opinion

(95) “No opinion”

30.1. Please explain.

Enforcement

Question 31

Are the IFRS adequately enforced in your country?

- Yes
- Yes, to some extent
- No
- Not applicable
- No opinion

(96) "No opinion"

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

(97) The national enforcement quality has improved in many EU countries which has helped in the improvement of the quality of financial statements. However there is still room for improvement in consistency of the quality of enforcement across Europe and therefore FEE supports ESMA's efforts to drive a common approach to enforcement of financial reporting in Europe with local regulators.

Question 32

Does ESMA coordinate enforcers at EU level satisfactorily?

- Yes
- Yes, to some extent
- No
- Not applicable
- No opinion

(98) "Yes, to some extent"

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

(99) In FEE's opinion ESMA's role is important in the context of the overall efforts to achieve consistency in the EU. ESMA coordinates an coherent approach by National Competent Authorities (NCAs) through:

a. Enforcement Coordination Sessions

b. Enforcement decisions

c. Setting common enforcement priorities

d. Concluding thematic reviews & issues reports with findings.

(100) On the other hand, FEE observes that ESMA operates within the boundaries of its role as a coordinator since ESMA is not an enforcer itself.

Question 33

Has enforcement of accounting standards in your country changed with the introduction of IFRS?

- o Enforcement is now more difficult
- o Same
- o Enforcement is now easier
- o Not applicable
- o No opinion

(101) "No opinion"

33.1. Please provide any specific relevant examples.

(102) FEE does not have input to respond to this question.

Question 34

In your experience, have national law requirements influenced the application of IFRS in the EU country or countries in which you are active?

- o Yes, significant influence
- o Yes, small influence
- o No
- o No opinion
- o Not applicable

(103) "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?

- o Much less transparent & comparable
- o Slightly less transparent & comparable
- o No impact on transparency or comparability
- o No opinion

(104) "No opinion"

34.1.1. Please detail.

(105) FEE has not identified differences in the way that IFRS are applied in different EU countries. Each member state is required to enforce the application of the IFRS as endorsed by the EU.

Question 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
- No
- No opinion
- Not applicable

(106) "Not applicable"

35.1. Please provide specific details.

(107) FEE is not aware of any instance of different enforcement practices.

Question 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
- No
- No opinion

(108) "No"

36.1. Please explain.

(109) The enforcement of the IAS Regulation falls within the responsibilities of National Competent Authorities (NCAs). ESMA exercises its role for coordination and cooperation however it cannot impose any penalties.

(110) ESMA's terms of reference include issuing best practice guidelines to NCAs, for example early in 2014 ESMA consulted with EU constituents re the revision of guidelines for

Alternative Performance Measures. Within its powers, ESMA issues publicly available reports which list those NCAs that do not comply (which also include the reasons for non-compliance).

Question 37 Should more guidance be provided on how to apply the IFRS? o Yes o No o No opinion

(111) "No"

(112) FEE believes that any implementation guidance should only come from the IASB and not from the EU or the national level in order to be authoritative and achieve consistency

Consistency of EU law

Question 38 How would you assess the combined effects of, and interaction between, different reporting requirements, including prudential ones?

(113) FEE identifies that there is, to a certain degree, overlap between some EU regulations and financial reporting. To a certain extent this is also true for regulatory reporting and financial reporting and the requirements under IFRSs. As a recent example, regarding the Country-by-Country Reporting requirements of the Capital Requirement Directive IV, some of the requirements (for instance in Article 89) are already partly available under the IFRS 8 –Operating Segments disclosures in the financial statements.

Question 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				☑

39.1. Other - please specify.

39.2. If you answered "yes" or "to some extent", please give details and state what the main effects of these tensions are.

(114) Tensions also exist with prudential regulations particularly where valuations are required, as the overall objectives of the information provided may not be the same.

User-friendliness of legislation

Question 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?

- o Satisfied
- o Need for improvements
- o I wasn't aware of it
- o I don't use it
- o No opinion

(115) "I don't use it"

40.1. Need for improvements - please specify.

(116) Many of our members prefer to consult the original texts as they are more comprehensive (they include bases for conclusions and illustrative guidance)

Question 41

Are you satisfied with the quality of translation of IFRS into your language provided by the EU?

- o Yes
- o Yes, to some extent
- o No
- o No opinion
- o Not applicable

(117) "No opinion"

41.1. Please give details.

(118) We acknowledge the need for, and the difficulty of performing, the translation exercise. However, we sometimes receive feedback that translations are not always satisfactory. This adds complexity in understanding the standards.

General

Question 42

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

(119) "No".