European Commission consultation

Reference: Ares(2018)744988

Roadmap for fitness check on public reporting by companies

On 8 March 2018, the Accounting Standards Committee of Germany (DRSC) submitted its comments to the EU Commission on the roadmap for the upcoming Fitness Check on public reporting by companies. Further information including all comment letters submitted can be obtained here:
https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2018-744988_en

The DRSC opinion in German language was posted into the textbox provided on the website of the European Commission. Below is the English translation of the opinion:

Dear Madam or Sir,

We would like to address the following comments on the roadmap for the Fitness check on public reporting by companies.

A. In our view, it is necessary to reduce or avoid redundancies in reporting obligations. Here are two examples:

1. The taxonomy to be applied for the supervisory reporting of financial institutions (FINREP) differs from the taxonomy proposed by the European Security and Markets Authority (ESMA) as part of the European Single Electronic Format (ESEF) for annual financial reports. There is an avoidable duplication of effort for financial institutions that have to report in two different taxonomies.

2. The Solvency and Financial Condition Report (SFCR) of insurance companies in accordance with Solvency II (EU Directive 2009/138/EC) includes similar information as required by the EU Accounting Directive (Directive 2013/34/EU). However, many of the disclosures required for the SFCR - e. g. on risk management and course of business or significant business events - are more detailed.

B. Particularly from the point of view of publicly-traded insurance companies, the timing of this fitness check is unfortunate, as these entities are currently facing the challenge of implementing IFRS 17 *Insurance Contracts* and furthermore contributing the to the field tests currently carried by EFRAG. This could prevent a significant number of insurance companies from participating in the forthcoming consultation. However, the involvement of insurance companies is essential as they are affected by most of the EU regulations to be evaluated.

Notwithstanding, including the Banks Accounts Directive (86/635/EEC) and the Insurance Accounts Directive (91/674/EEC) in the evaluation appears to be reasonable and appropriate. However, adjustments to these regulations should not result in IFRS rules becoming obligatory for financial service providers that have been exempted hitherto. We suggest awaiting experience with IFRSs and, building on this and afterwards, deliberating on possible consequences for these directives. In addition, we believe that a review of the definition of public interest entities (PiE) is useful and appropriate.

C. Also we would like to express our concerns that the IAS Regulation (EC) 1606/2002 will be reviewed again at this stage, i.e. four years after the last evaluation. We fail to see any significant change in the views of stakeholders in this respect. The tenor of the feedback to the 2014 public consultation was that IFRS has successfully created a common accounting language for the capital markets and improved transparency and comparability of financial statements. According to the EU Commission's final report of June 2015 (COM(2015) 301 final), the endorsement process could be improved, e. g. with the aim of a holistic assessment of standards also in connection with other aspects of EU law. However, an endorsement process is still necessary even if it could be simplified.

In this respect, we consider one of the recommendations made in the final report of the High-Level-Expert Group on Sustainable Finance (HLEG) as highly critical: The HLEG proposes to provide the EU Commission with extended powers that will enable it to modify the IFRS standards adopted by the IASB in the course of the endorsement process. We strongly oppose such interventions because the objective of global accounting standards would be jeopardized and ultimately become obsolete. This is not in the interests of either the preparer or the users, as the evaluation of IFRS in 2014 has clearly shown.

If you have any questions, please do not hesitate to contact us.

Andreas Barckow (President) *Sven Morich (Executive Director)*