

Circular

Enforcement and Regulatory Activities of Accounting Enforcers

2016 Annual Report

The European Securities and Markets Authority (ESMA) has today published its [Annual Report](#) on the enforcement and regulatory activities of accounting enforcers within the European Union (EU) in 2016.

In 2016, ESMA continued to strengthen supervisory convergence in the area of financial reporting, to improve the consistency and quality across the EU. ESMA achieves this through coordinating the national enforcer's decisions, publishing annual enforcement priorities and publishing statements on areas of focus such as the implementation of the new standards IFRS 9 and IFRS 15.

The assessment of compliance with the [2015 European Common Enforcement Priorities](#) was based on the examinations of the financial statements of 206 listed issuers. The examination resulted in enforcement actions against 43 (21%) issuers with shortcomings related to the:

- i. disclosure of the assumptions and judgements made by management in relation to the potential risk exposure of the issuer due to the impact of financial market conditions; and
- ii. correct classification in the statement of cash flows and the need to include all relevant information.

Overall, national enforcers reviewed the interim or annual financial statements of 1,258 issuers, representing approximately 21% of issuers of securities listed on EU regulated markets, which led to actions against 311 (25%) of those issuers examined. This constitutes an increase of about 10% compared to the year before. The areas where most infringements were identified by European enforcers related to:

- i. presentation of financial statements;
- ii. accounting for financial instruments; and
- iii. impairment of non-financial assets.

These three areas represent more than 40% of all the issues addressed by enforcement actions taken by European enforcers in 2016.

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Next Steps

In 2017 accounting enforcers will review issuers' compliance with IFRS in line with the [Common Enforcement Priorities for 2016](#), focusing on the presentation of financial performance, the distinction between equity instruments and financial liabilities and disclosures of the impact of the new standards issued by the IASB. ESMA also urges issuers to provide disclosures on their exposure to risks arising from the UK's decision to leave the EU.

Contacts

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