

**OIC's Technical Committee Observations and comments on the  
CESR's Consultation Paper "Proposed Statement of Principles of  
Enforcement of Accounting Standards in Europe" – October 2002**

The Statement of Principles enacted by CESR – Committee of European Securities Regulators (prepared by the Sub-committee on the Enforcement chaired by Mr. Angelo Apponi, Chief Accountant at CONSOB) illustrates a set of twenty-one general principles facing the aspects regarding the interpretation and application of International Accounting Standards in Europe (IFRS), based on the EU Regulation n.1606 enacted on the 19<sup>th</sup> July 2002.

The SOP deals with the following subjects:

- A) Context and scope of the SOP (Premise)
- B) Enforcers (Principles from 1 to 6)
- C) Companies subject to enforcement and documents for enforcement (Principles from 7 to 8)
- D) Definition of enforcement (Principles 9 and 10)
- E) Methods of enforcement (Principles from 11 to 15)
- F) Actions available to enforcers (Principles from 16 to 19)
- G) Coordination in enforcement (Principle 20)
- H) Periodic reporting on the enforcement activities

The following comments only concern the International accounting standards interpretation activity, addressed by the Principle 20 – Coordination in Enforcement.

This principle establishes that, in order to promote the harmonization of enforcement practices in the European bodies and to ensure consistent interpretations and applications of IFRSs in the enforcers' decisions, CESR (and Sub-Committee on Enforcement for CESR) will have to promote an activity of coordination, also with reference to enforcers different from Securities Regulators which are not part of CESR.

As far as issues related to interpretation of IFRSs are concerned, the Principle 20 establishes that all the questions which imply a decision on controversial accounting issues will have to be conveyed to the bodies responsible for standard setting or interpretation,

and that the enforcers will not have to set out any IFRSs' general application guidelines, because this interpretation activity is up to – and has to continue to be up to – IFRIC - International Financial Reporting Interpretation Committee – (once named SIC), which is a committee operating within IASB . Therefore, the relevant enforcers can take their experience in this field but should not institute interpretation committees parallel to IFRIC. OIC, after having taken in consideration the effects connected to this principle and after having taken in account the relating observations and the proposals included in the significant paper issued by FEE - Fédération des Experts Comptables Européens enacted in April 2002: "Discussion Paper on Enforcement of IFRS within Europe", exposes the following considerations:

It is to be shared the principle requiring to avoid the existence of a multitude of interpretations of IFRSs in the European area, due to the activity of the local enforcers; SIC-IFRIC has to be the unique committee able to issue general interpretations on Standards enacted by IASB. However, we believe that EFRAG can act a coordination role in this field at a European level, creating appropriate connections with IASB and IFRIC and sending them requests, advices and proposals for a better solution of the problems arising from the IFRSs' application experience in Europe, especially during the first years of adoption of these principles.

The EFRAG's operations will have to be coordinated with the activity of local Standard setter bodies. Given that the application of IFRSs in each European country can be not consistent with the local jurisdiction, the institutes or organizations representing the local Standard setter will have to be able to prepare application guidance and to solve specific issues, especially where it is not possible to assimilate the underlying circumstances to SIC-IFRIC's general interpretations or these interpretations are lacking. In Italy, this competence has to be recognized to OIC, preserving the competence of the Authorities in their relevant markets (Banca d'Italia, Consob e Isvap).