

PRESS RELEASE 15/01

■ ENFORCEMENT OF THE 2014 FINANCIAL INFORMATION PUBLISHED BY ISSUERS OF SECURITIES SUBJECT TO THE TRANSPARENCY LAW

Pursuant to the law of 11 January 2008 on transparency requirements for issuers of securities (hereafter referred to as the "Transparency Law"), the CSSF ensures that the financial information published by those issuers, in particular their consolidated and non-consolidated financial statements, is drawn up in accordance with the relevant applicable accounting standards.

As issuers are now preparing and finalising their financial information for the 2014 fiscal year, the CSSF wishes to draw the attention of those issuers preparing their financial statements in accordance with International Financial Reporting Standards (hereafter referred to as "IFRS ") on a number of topics and issues that will be the subject of specific monitoring during its enforcement campaign planned for 2015.

These concern mainly issues related to the new consolidation standards (especially IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities") whose mandatory application is effective since 1st January 2014, namely:

- In addition to the criteria defining control and based on a single model, IFRS 10 provides many indicators, documented by examples, with a view to determining whether an investor controls an entity. The analysis of all these factors is thus necessary in order to assess the existence of control, especially in the case of specific vehicles (SPV). Moreover, IFRS 12 requests that the significant judgments and assumptions established when determining control are disclosed in the financial statements. This same standard also requires specific disclosures in relation to consolidated entities and any non-controlling interests, risks associated with interests in non-consolidated structured entities and restrictions on the assets and liabilities of the group.
- IFRS 11, replacing IAS 31 "Interests in Joint Ventures", defines the criteria differentiating between joint ventures and joint operations, on the basis of existing rights and obligations. To assess its rights and obligations, the entity considers the structure and legal form of the company, the terms agreed between the parties in the contractual agreement and, where appropriate, other facts and circumstances. This differs from the approach previously in force based on the legal form of the agreement. Note that the proportionate consolidation method disappears for entities under common control. Specific disclosure is also required by IFRS 12, including the significant judgments and assumptions made when classifying joint ventures or joint operations.

Another point of attention identified by the CSSF concerns the recognition and measurement of deferred tax assets. The economic environment of recent years may have led entities to scale back their performance and in some cases to generate tax losses carried forward and deductible temporary differences. In this respect, the CSSF will particularly analyse the deferred tax assets recognised following these deductible tax losses as well as the existence and valuation of future taxable profits. It will watch over the information provided on the judgments made for the recognition of these deferred tax assets, as required by IAS 12 "Income Taxes".

The topics listed above are also included among the priorities defined by the supervisory authorities of the European Member States and ESMA. The full list of these priorities has been published by ESMA on 28th October 2014 (statement available on the websites of the CSSF and of ESMA).

In addition to these European issues, the CSSF has decided to focus also on three other aspects specifically relevant for issuers under its supervision:

- This year again, the impairment of intangible assets will be subject to a detailed analysis by the CSSF. Indeed, the current economic environment continues to give rise to many uncertainties about the future financial performance of entities and therefore impairment tests need to be based on realistic assumptions and remain a particularly sensitive exercise for issuers. In addition to the impairment tests as such and the evaluation of any necessary value adjustments, the CSSF expects issuers to disclose appropriate detailed quantitative and qualitative information in their financial statements, in accordance with the requirements of IAS 36 "Impairment of Assets" (including on the underlying assumptions for impairment tests and on sensitivity analyses).
- The quality of information disclosed on methods and assumptions used for measuring fair value in accordance with the requirements of IFRS 13 "Fair Value Measurement" will also be part of the priorities of the CSSF. For many issuers, the information provided is still insufficient or too generic. The CSSF considers that such information is essential for users of financial statements in order to enable them to assess the merits of the evaluations presented in the financial statements of an issuer.
- Finally, the CSSF expects the sensitivity analyses disclosed in the financial statements of issuers to be sufficiently relevant and complete. When required, by IFRS 13 and IAS 36 in particular, the sensitivity analyses are important because they allow users of financial statements to form an opinion on the impact of the assumptions and judgments of the issuer on its financial condition.

More information on inspections and findings by the CSSF within the framework of its mission under Article 22 (2) h) of the Transparency Law are given under the section [Supervision > Securities markets > Enforcement of financial information](#) of the CSSF website and in its annual report, available under [Documentation > Publications > annual reports](#) of the same website.

Luxembourg, 8 January 2015

