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Paris, le 20 Juillet 2018

**M. Valdis Dombrovskis**

Vice-Président pour l'Euro et le dialogue social, la stabilité financière, les services financiers et l'Union des marchés de capitaux

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N°

Commission Européenne  
SPA 2- Pavillon de Spa2/ Spastraat 2  
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OBJET : *Fitness check on public reporting by companies*

Dear Commissioner Dombrovskis,

The European Commission consultation on the European framework for public reporting by companies provides a fresh opportunity for the French accounting standards setter, the *Autorité des normes comptables* (ANC), to reiterate its commitment to the European Union's strong involvement in the various matters in question – preparing, publishing and auditing accounts, reports and additional information, market rules and company law. This framework covering these various issues ensures that all companies Europe-wide are treated in the same way, while also safeguarding transparency and economic security.

ANC has been widely involved in communicating on the European Commission's electronic consultation and has itself responded after prior discussions with all the various French stakeholders i.e. companies, accounting professionals, authorities involved and several accounting user groups.

The ANC's response to this consultation involves three aspects:

- The **response** to the electronic questionnaire itself (a hard copy can be found attached to this document),
- **Appendices on various issues**, which give a detailed overview of ANC's position on matters that the various stakeholders deem important (a hard copy is attached to this letter),
- Lastly, this letter, aimed at outlining a **summary of ANC's positions**.

## **Accounting framework applicable to all companies in Europe**

Consultations with the various stakeholders lead to the conclusion that the European accounting framework applicable to all companies is still appropriate and is suited to meet their various requirements: it is part of the *acquis communautaire* for all Member States. This framework provides companies with a reasonable range of possibilities. On the one hand are relatively complex international standards for the consolidated accounts of listed companies whose securities trade in a regulated market: development of these standards is delegated to an international body and endorsement by the Union must factor in general accounting principles as outlined in the Single Accounting Directive and in the interests of the European public good. On the other hand is a more simple set of standards for individual accounts of all European companies, which are derived directly from the Single Accounting Directive and transposed into national laws.

This set-up ensures that the various aspects of the corporate environment – accounting, legal, tax, statistical, financial, banking – are interrelated in a transparent and secure manner in the long term, as required by companies and third parties. Introducing a specific Europe-wide set of standards for companies in a group that carries out cross-border business – IFRS or IFRS for SMEs etc. – would hamper the pursuit of the goal of harmonisation and would hinder consistency between these various components. Furthermore, European regulation n°1606/2002<sup>1</sup> allows Member States to apply international accounting standards for individual accounts for companies that operate in their jurisdictions, and this option raises a number of legal and tax difficulties.

Looking to the European initiative to create a common consolidated corporate tax base, it is important to ensure that this planned measure also goes hand-in-hand with harmonisation with accounting standards where necessary to ensure that it does not create additional complexity for companies. ANC encourages the various Commission departments to work together in a coordinated way to ensure that accounting aspects retain a key role in developing the tax base.

In this context, ANC believes that it is unnecessary to set up a European conceptual framework *per se*, as the Single Accounting Directive already provides a general framework that Member States use to develop their local accounting standards on the one hand, and analyse all international standards during the endorsement's procedure on the other. However, ANC believes that it is useful to continuously specify and develop both the contents and the scope of the general principles that provide the foundations for the Single Accounting Directive. There is still room to deepen accounting harmonisation within the European Union, helping the group of countries further strengthen its identity and unlock aspects that were often already present in the founding texts.

A first step in this process could be to define a clear strategic goal in consultation with the Member States and embark on an in-depth assessment of the “potential differences” between local standards, identifying the areas where the Union can extend its efforts to promote economic development and transparency.

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<sup>1</sup> Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards

### **Applicable accounting framework for banks and insurance companies**

The European framework must take into account the specific accounting features that apply to the banking and insurance sectors, so it is vital to maintain a sector-based European accounting framework for entities that do not apply international standards. These specific accounting provisions and financial statement models could be included in the Single Accounting Directive in order to improve the way the directives fit together and also update sector directives.

### **Applicable accounting framework for listed companies**

The European Union's decision to require the use of IFRS standards for listed companies' consolidated accounts reflects its clear intention to implement global accounting standards: ANC fully supports this goal. In this context, the European Union, which is the first economic area to apply IFRS, must be in a position to emphasise the importance of its general principles with the IASB, as well as its pursuit of the public good, which accounting practices must also take on board.

This involves continuous and steady dialogue as part of a delegation process that respects the prerogatives of both parties, both mandator and mandatary, right throughout the standard development process. As a matter of principle, the European Union could not ultimately endorse standards that fail to fully factor in the region's identity and its goals, particularly on sustainability and financial stability, and if this unwelcome scenario were to materialise, the European Union could not merely accept a rejection. It is therefore vital that it sets the necessary framework at this stage to retain control of the delegation granted to the IASB in the event that dialogue is unsuccessful. The carve-in is one such aspect of this framework and acts as an instrument of last resort that can only be used with increased governance.

Looking to the IASB conceptual framework, ANC shares the Commission's view issued in November 2003: this document must not be included in European regulation as it is an item of guidance for the IASB and is not necessarily identical to the concepts outlined in the Single Accounting Directive.

### **Applicable framework for non-financial information**

The European framework for non-financial information is relatively recent, which makes it impossible to assess the full extent of its effects at this stage. ANC supports the Commission's efforts to take on board sustainability impacts and the issue of long-term investment throughout the process of endorsing international standards. ANC would like these concepts to be specified, without changing the criteria for endorsing accounting standards. It looks feasible for these concepts to be included in a broader definition of the European public good.

Looking beyond these specific matters, ANC encourages the Commission to embark on an overall independent assessment of the way financial and non-financial information is organised, the appropriate indicators, and the inclusion of both types of data in one single report. The overarching aim of this process is not to create new requirements for companies, but rather to define a general framework and adopt a European view on these matters. The Union has often taken the initiative in this field and can now continue its efforts and define the framework it wishes to set. A number of reports and proposals are

available, and practices are developing within the Union as well as outside, so ANC believes that it is now the right time for the Union to set strategic aims in this respect and develop an overall framework that will help move forward, remaining true to its identity and its tradition for innovation in this area.

Patrick de CAMBOURG

A handwritten signature in black ink that reads "Patrick de Cambourg". The signature is written in a cursive style with a comma at the end.

Président de l'ANC