



EUROPEAN COMMISSION

Internal Market and Services DG

FREE MOVEMENT OF CAPITAL, COMPANY LAW AND CORPORATE GOVERNANCE
Financial reporting

DIRECTORATE GENERAL FOR INTERNAL MARKET AND SERVICES

**CONSULTATION ON THE INTERNATIONAL FINANCIAL
REPORTING STANDARD FOR SMALL AND MEDIUM-SIZED
ENTITIES**

Please send this answer sheet only.

Consultation deadline: 12 March 2010

Preferred form of submission – email to: markt-review-consultation@ec.europa.eu

Postal address:

European Commission
DG Internal Market and Services
Financial Reporting Unit-F3
SPA 2/JII - 01/112
B-1049 Brussels
Belgium.

Submissions after the deadline will not be considered.

Please provide the following details together with your response:

You are:

Preparer:	<input type="checkbox"/> small company	<input type="checkbox"/> Other (please specify)	Legal Form:
	<input type="checkbox"/> medium-sized company		<input type="checkbox"/> unlimited liability
	<input type="checkbox"/> large company		<input type="checkbox"/> limited liability
User:	<input type="checkbox"/> bank/credit provider	<input type="checkbox"/> analyst	<input checked="" type="checkbox"/> Other organisation of stakeholders
	<input type="checkbox"/> private person	<input type="checkbox"/> investor/investor organisation	
Public authority:	<input type="checkbox"/> audit/market regulator	<input type="checkbox"/> Government Ministry/Agency	<input type="checkbox"/> other (please specify)
Accountants and Auditors:	<input type="checkbox"/> accounting firm	<input type="checkbox"/> audit firm	<input type="checkbox"/> organisation of accountants and auditors
Other:	<input type="checkbox"/> (please specify)		

Name of your organisation / company: [European Association of Co-operative Banks \(EACB\)](#)

Country where your organisation / company is located: [Belgium](#)

Name and location of parent company:

Contact details incl. e-mail address:

[Mr. Volker HEEGEMANN](#)
Head of Legal Department
European Association of Co-operative Banks (EACB)
Rue de l'Industrie, 26-38 - B-1040 Brussels
Tel: +32 (0)2 286 98 48
Fax: +32 (0)2 230 06 49
v.heegemann@eurocoopbanks.coop

[Ms. Johanna CARIOU](#)
Adviser Accounting & Audit
European Association of Co-operative Banks (EACB)
Rue de l'Industrie, 26-38 - B-1040 Brussels
Tel: +32 (0)2 286 98 44
Fax: +32 (0)2 230 06 49
j.cariou@eurocoopbanks.coop

Short description of the general activity of your organisation / company:

The European Association of Co-operative Banks (EACB) is the voice of the co-operative banks in Europe. It represents, promotes and defends the common interests of its 28 member institutions and of co-operative banks in general. Co-operative banks form decentralised networks which are subject to banking as well as co-operative legislation. Democracy, transparency and proximity are the three key characteristics of the co-operative banks' business model. With 4.200 locally operating banks and 63.000 outlets co-operative banks are widely represented throughout the enlarged European Union, playing a major role in the financial and economic system. They have a long tradition in serving 160 million customers, mainly consumers, retailers and communities. The co-operative banks in Europe represent 50 million members and 750.000 employees and have a total average market share of about 20%.

Do you trade cross-border? Yes No

Is your organisation registered in the Interest Representative Register? Yes No

If yes, please specify the address of your organisation and the Register ID number in the Interest Representative Register¹: 4172526951-19
Publication:

Do you object to publication of the personal data on the grounds that such publication would harm your legitimate interests? I object

Question 1:

Do you think the IFRS for SMEs is suitable for widespread use within Europe?

YES NO Don't know

Please comment, indicating whether there are any type(s) or size(s) of company that would benefit from adopting the Standard:

small² medium³ large⁴

other criteria (please explain)

¹ If your organisation is not registered, you have the opportunity to register here (<https://webgate.ec.europa.eu/transparency/regrin/welcome.do?locale=en#en>) before you submit your contribution. Responses from organisations not registered will be published separately from the registered organisations.

² Generally companies with turnover less than €4.4 million, balance sheet total less than €3.8 million and 50 or fewer employees (see Fourth Company Law Directive)

³ Generally companies with turnover less than €17.5 million, balance sheet total less than €5 million and 250 or fewer employees (see Fourth Company Law Directive)

⁴ Generally companies with turnover greater than €17.5 million, balance sheet total greater than €5 million and more than 250 employees (see Fourth Company Law Directive)

Please comment:

The application of the IFRS for SMEs to cross-border, non-publicly traded, large and medium-sized SMEs may be advantageous for those types and sizes of companies that are facing international competition.

However, we think that these benefits will usually not apply to small companies that only rarely engage in economic activities outside of their home country. We feel that, the provisions under the IFRS for SMEs will remain too comprehensive for the smaller businesses. Furthermore, in most cases the accounting systems which are being used by these companies are not sufficiently sophisticated. This means that – already under cost-benefit aspects – the application of the IFRS for SMEs would not prove advantageous for this subset of companies.

In addition, the application of the new standard by cooperatives will create some severe problems (e.g. definition of equity).

Therefore, we think that the standard should NOT be mandatorily applicable at EU level.

Question 2:

If you are a preparer of company accounts can you indicate any costs (both one-off and recurring) or benefits, and any other effects of adopting the IFRS for SMEs?

Please comment:

n/a.

In particular, do you think increased international comparability of accounts prepared under the IFRS for SMEs will benefit your business?

YES NO Don't know

Please comment:

n/a.

Question 3:

If you are a user of accounts (for example a bank) do you think the IFRS for SMEs will provide more useful information than national GAAP accounts?

YES NO Don't know

Please comment:

National accounting rules within the EU are already highly developed and stood the test of time. The national GAAPs are both transparent and reliable.

From a bankers' perspective, we are not interested in a roll-out of the IFRS for SMEs. When taking lending decisions, banks are capable of processing and analysing annual financial statements regardless of whether they have been prepared under international accounting standards or under national rules and regulations. At this juncture, the rating process is independent from the respective accounting standard. Hence, per se, an IFRS statement offers neither benefit for the rating process nor for the respective loan terms.

In this respect, we hold the view that the IFRS for SMEs do not provide more useful information than national GAAP and that the national accounting rules need to be maintained.

Question 4:

Does increased international comparability of accounts prepared under the IFRS for SMEs benefit users?

YES

NO

Don't know

Please comment:

We feel that accounts prepared under the IFRS for SMEs will generally lead to more comparability of accounts pertaining to cross-border companies in Europe. The use of one single set of international accounting rules results in enhanced comparability. This could also benefit users of the financial statements (e.g. clients and providers).

However, as expressed above, we doubt that international comparable accounts are a matter for small and medium-sized businesses without international aspects, especially when the national GAAP is convenient.

Question 5:

Do you think adoption of the IFRS for SMEs should be provided for within the EU accounting legal framework?

YES

NO

Don't know

Please comment:

Taking into account the different views in the EU on IFRS for SMEs (as some Member States want to adopt the IFRS for SMEs and other Member States try to avoid the implementation of IFRS for SMEs), we think that the Fourth and Seventh Council Directives should allow the application of the IFRS for SMEs in the EU.

However, we are opposed to an endorsement of IFRS for SMEs at EU level as it exists for full IFRS. In fact, an endorsement would lead to an increase of dependency on the IASB. It is questionable whether the EU should give away its power on accounting for SMEs to a private international standard setter.

The Fourth and Seventh Council Directives should be amended if necessary (e.g. in cases of conflicts) to make it possible for Member States to implement the standard. However, when amending the Directives, there must not be an impact on the national GAAPs. As expressed above, we think that most of national GAAPs in the EU are convenient. Moreover, we still have some concerns regarding the application of IFRS for SMEs to some cooperatives (e.g. narrow definition of equity in comparison to national GAAPs.).

Question 6:

If yes, should such an option be limited to a Member State option (i.e. that each Member States would have a possibility but no obligation to accept IFRS for SME)?

YES

NO

Don't know

Please comment:

We feel that a Member State option is necessary for the application of the IFRS for SMEs in the EU. We think that defining the rules of application as well as the scope of the potential user groups of the IFRS for SMEs should be left to the discretion of the respective national regulators. The individual Member States' national regulators will base their deliberations on the respective company law and the situation of the economic policy. They are the ones who can judge best which company type, size or industries should become eligible for the preparation of accounts under IFRS for SMEs.

Question 7:

Do you have other views on the possible adoption of the IFRS for SMEs within the EU accounting framework?

Please comment:

As we said above, Member States should have the option to apply the IFRS for SMEs and the accounting directives should enable Member States to apply the standard if they want to.

Moreover, we think that Member States should give the choice to the entities to apply (or not) the standard. However, this "company option" should not be created at the EU level but at the national level.

Question 8:

Is there a case for giving companies, at EU level, an option to adopt the IFRS for SMEs?

YES

NO

Don't know

If yes, for which categories:

small

medium

large

other criteria (please explain)

Please comment:

Member States should have the possibility but no obligation to implement IFRS for SMEs (see our answer to question 7). In our view, the decision on whether the respective companies should be entitled to prepare their annual financial statement and/or consolidated accounts under IFRS for SMEs should be left to the discretion of EU Member States who may take into account national circumstances. It is of paramount importance that the relationship between the IFRS for SMEs and the national accounting principles remains a matter of national discretion.

Question 9:

What should be done, in your view, where there is incompatibility between the Directives and the IFRS for SMEs?

Please comment:

The framework for accounting principles in Europe should be provided by the Fourth and Seventh Council Directives. We are convinced that the accounting principles established under the EU accounting Directives have basically stood the test of time.

Thus, in cases of incompatibility between the IFRS for SMEs and existing EU Directives on accounting, conflicts should be resolved by amending those accounting directives (adding options). However, amending the Fourth and Seventh Council Directives MUST NOT have an impact on national GAAPs : in fact, we think that any changes to EU Directives must not incur immediate follow-up changes to national rules and regulations thus leading to a considerable bureaucratic burden for the concerned European companies.

Question 10:

In the light of the publication of the IFRS for SMEs, do you see a need for "rules-based" Accounting Directives in the future?

YES NO Don't know

If yes, for what type(s) or size(s) of company are detailed rules required?

small medium large

other criteria (please explain)

Other than the 5 items listed in paragraph 4.3 of the consultation document, what aspects of financial reporting should the revised Directives address, and to what level of detail?

Please comment:

The EU Directives should provide high level principles for financial reporting within in the EU (with "principles-based" Directives).

We feel that it is helpful if the framework is established by EU legislation whilst the detailed accounting provisions are defined at the level of Member States. In fact, we believe that one

should be very careful before adding new elements to the Directives; since this might increase the level of detail in the Directives without adding benefits.

Other comments

Question 11:

Are there any elements of the IFRS for SMEs that should be incorporated within revised Directives?

Please comment:

We see no specific regulatory elements of the IFRS for SMEs that would require incorporation within the revised Fourth and Seventh Council Directives.

A forthcoming amendment of the Directives should result of a provision according to which Member States may implement IFRS for SMEs in different ways. There should be the possibility to implement IFRS for SMEs in national law as general accounting practices. Alternatively, Member States should have the possibility to provide companies with the "option" to prepare their accounts under IFRS for SMEs. Thus, it has to be ensured that the continued use of the national accounting provisions will remain an option.

Question 12:

Do you have any other observations or comments on the IFRS for SMEs or the project to overhaul the Accounting Directives?

Please comment:

In some Member States, the introduction of IFRS for SMEs would lead to a duplication of work reporting for taxation purposes.

Thank you for your contribution