



Role of financial reporting for capital markets

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- I. Basic concepts to ensure financial information drives capital markets
 - a) Single accounting language
 - b) Transparency
 - c) Adequate supervision
 - i. Harmonized supervision:
 - 1. Guidelines for supervision of financial information
 - 2. Common priorities in terms of supervision
 - ii. Submission of the annual financial report in electronic format
 - iii. Application of IFRS 9 by financial institutions
 - iv. National supervisory factor
- II. Conclusion
 - Importance of non-financial information



Common accounting language

The importance of a single accounting language to prepare financial information and to achieve true capital markets.

Transparency

The need to promote and harmonize the requirements related to the transparency of financial information.

Harmonized supervision

The importance of an adequate and harmonized supervision.

The importance of a common accounting language in Europe to prepare financial information

European Regulation 1606/2002, of July 16 → Consolidated statements of listed companies must be prepared in accordance with International Financial Reporting Standards (IFRS), adopted by the European Union.

- **Discretion of the Member States** in extending the use of adopted IFRS to the preparation of individual financial statements and to the consolidated statements of companies that do not have securities admitted to trading.
 - ✓ In Spain, individual financial statements must be prepared in accordance with the General Accounting Plan and with the sector-specific accounting regulations (Spanish GAAP).
 - ✓ Consolidated statements of those groups where there is no entity that has issued listed securities may opt to prepare their consolidated financial information in accordance with adopted IFRS or use national accounting regulations.
- **Adaptation of the Commercial Code and the General Accounting Plan** to the adopted IFRS in 2007.
- The **European Commission decides if an IFRS is applicable** in Europe (assistance by the European Financial Advisory Group (EFRAG)). (Endorsed IFRS).
- **Debate at European level** on the appropriateness of the current process of adopting IFRS. Public consultation *fitness check* on corporate report.

Transparency Directive → Financial reporting obligations of entities with securities admitted to trading on European regulated markets (reinforcing transparency requirements).

- Publication by the issuer of securities on an annual basis:
 - ✓ Annual financial report, together with its audit report: **audited annual accounts, management report, statement of responsibility**. Publication: four months from the end of the year.
 - ✓ issuers of shares and debt issues admitted to trading on regulated markets must publish a financial report: condensed set of **financial statements, interim management report, statement of responsibility**. Publication: three months from the end of the period.
- **Modification of the Transparency Directive in 2013**: elimination of the obligation of the interim management reports.



In Spain obligation of reporting the interim management report (quarterly reporting).
CNMV position: elimination of the obligation.

- **Harmonized supervision in each Member State**

Guidelines for the enforcement of financial information issued by ESMA in October 2014.

- **Single electronic format**

As of 1 January 2020, all annual financial reports of European listed companies are to be reported in the European Electronic Single Format (ESEF).

- **Application of IFRS 9 by financial institutions and, especially, the model of expected credit losses**

More timely and prospective recognition of credit losses, dealing in time with a possible deterioration in credit quality.

- **Priority to the function of promoting the integrity and transparency of markets and safeguarding the interests of investors**

Special attention to the quality of financial information and relevant information disseminated by listed companies.

Importance of non-financial information as a complement to financial information

Law on disclosure of non-financial information and diversity. Reporting by companies on their impacts in relation to:

Social and personal

Environment

Human rights

Corruption and bribery

Importance of the transparency of financial (and non-financial) information in making investment decisions



Thank you