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**IASB's Discussion Paper on Management Commentary**

Dear Mr. Enevoldsen,

The Committee of European Securities Regulators (CESR), through its standing committee on financial reporting (CESR-Fin), considered EFRAG's draft letter on the discussion paper published by the IASB on Management Commentary.

We thank you for this opportunity to comment on your draft letter and we are therefore pleased to provide you with the following comments:

- From CESR perspective, this paper is dealing with a very important matter as Management Commentary is strongly connected with financial information and aims at providing investors with key information on the manner in which the financial statements are looked at from the management standpoint. CESR fully supports enhanced Management Commentary information.
- It is primordial that IASB's project be designed in such a way as to fit well with the European regulatory framework. CESR-Fin would like to draw your attention to the fact that there are already various requirements on Management Commentary at European level (the 4<sup>th</sup> and 7<sup>th</sup> directives in process of being enhanced, but also the Transparency Directive and the Prospectus Regulation n°809/2004). The matter is also covered by various national regulations. We are concerned that a mandatory standard on Management Commentary may conflict with regulatory requirements and CESR-Fin therefore believe that IASB's output on Management Commentary should be in the form of non-mandatory guidance. Subsequently, this non-mandatory guidance can be given more prominence or a higher legal status by a region or a country, if it so decides. Moreover, although it is probably a premature question, it will be useful in the European context to examine whether the respective European legislation can encompass an IASB's standard on Management Commentary. Having the comfort of the EC legal services and a consultation of the ARC on this point would be most welcome.
- If IASB issue text on Management Commentary, such guidance should focus on areas that have a direct link with the financial statements. IASB has a clear and valuable knowledge of accounting and financial reporting standards and it is important in our view to leave sufficient flexibility for preparers to comment on all aspects of their business performance



that they deem relevant for investors' information. Developing principles for the elaboration of general financial information for investors about the company and its environment is the responsibility of legislators or securities regulators.

- Subject to decisions to be taken by CESR Chairs, CESR might consider the possibility of developing further work on these issues to ensure a convergent implementation of the Transparency and Prospectus Directives and to foster harmonised day-to-day application of this legislation. We would encourage a dialogue between the IASB and CESR to minimize the risk that any guidance issued by the IASB conflicts with the standards developed by regulators. It will be necessary to consider how such guidance would be adapted and implemented for interim reports.

I should be happy to discuss all these issues further with you.

Yours sincerely,

John Tiner  
Chairman of CESR-Fin

CC: Mr Alexander Schaub, Director, European Commission