



5 February 2018

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IFRS Enforcement

What does IFRS enforcement mean for listed companies?

[Video](#), in Finnish

Video script in English

“High quality financial information is a fundamental pillar for those operating in the capital markets. What does IFRS enforcement mean for listed companies?”

The purpose of the enforcement is to promote the provision of relevant, comparable and understandable financial information to the markets in order to support investors’ decision-making.

The FIN-FSA’s experts have the right to receive information from listed companies and their auditors as well as from other relevant parties. The FIN-FSA also has the right to carry out an inspection at the premises of a listed company. We may request a listed company to correct an error in its financial statements, and we can impose a penalty payment or issue a public warning.

We comply with the European Securities and Markets Authority (ESMA) Guidelines on the enforcement of financial information. In the enforcement, we aim for a smooth process and high quality, applying the process described in more detail below.

We carry out the enforcement with a risk-based approach. For the full review examinations, namely the comprehensive examination of financial statements, we select companies for review based on annually defined criteria. Other means of enforcement are thematic review, reactive enforcement and review of the IFRS information in prospectuses.

The enforcement is mainly carried out in writing. We aim to record our observations in detail and to justify our views. In addition to enforcement, the purpose of detailing our observations is to support companies in their application of the standards.

Our experts review a company’s consolidated financial statements and other information published by the company.

After reviewing the financial statements, we ask the company for further information on the application of the standards. We send the first enforcement letter with detailed questions to the company, and to the auditor for information. In the full review examinations, we also send a letter to the audit committee notifying it of the opening of the enforcement process.

When the company has received the enforcement letter:

- The company is asked to answer the questions and to submit documentation supporting the answers.
- The more carefully the company answers the questions, the more easily the enforcement process will be completed.
- The response time to the letter is generally approximately 3 weeks.



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When we have considered the company's answers to the first enforcement letter, we will send a second enforcement letter and possibly further letters. In the enforcement, we take into consideration the enforcement decisions of other European enforcers and we ask for their opinion about the application of the standards in significant cases. The enforcement process generally takes several months. Its duration depends on the issues to be resolved, the quality of the company's financial reporting and answers, and the schedule of the enforcer.

When the enforcement has been completed, we send a closing letter to the company, and to the auditor for information. We also send a letter to the audit committee notifying it of the completion of the enforcement process.

If a significant infringement of a standard is detected during the enforcement process, the infringement of the standard is corrected as required by IFRSs. Most often, the company makes the corrections in the next financial statements or interim report. The company primarily decides on the corrections and the disclosure thereof. The enforcer assesses the company's corrective actions from the perspective of investor protection.

In late November/early December every year, we organise an event on financial reporting, the purpose of which is to inform listed companies and stakeholder representatives about the enforcement during the past year as well as other topical financial reporting issues. We send an invitation to companies' chief financial officers and also communicate about the event in advance in the Market newsletter.

High quality financial information is a fundamental pillar for those operating in the capital markets."