



13 May 2015

Lord Jonathan Hill
EU Commissioner
Financial Stability, Financial Services and Capital Markets Union
European Commission
Rue de la Loi / Wetstraat 200
1049 Brussels
Belgium

Dear Lord Hill,

The CFA Society of the UK represents more than 10,000 investment professionals in the UK working across the financial sector including asset managers, equity analysts and credit rating analysts, among others. The society, which was founded in 1955, is one of the largest member societies of CFA Institute which itself has more than 100,000 members across 140 countries.

We have read your green paper on "Building a Capital Markets Union" and found many of its proposals to be commendable.

Given our focus on corporate reporting and analysis we would like to specifically comment on question 8 on page 16: "Is there value in developing a common EU level accounting standard for small and medium-sized companies listed on MTFs¹? Should such a standard become a feature of SME Growth Markets? If so, under which conditions?"

We are concerned that this could open the way for separate accounting standards for European Union-listed SMEs. While we acknowledge that IFRS for SMEs may be simpler for companies to implement our committee believes that if listed, even SMEs should adhere to full IFRS.

Full IFRS is designed to meet the needs of investors in companies in public capital markets. Users of the financial statements of un-listed SMEs are more focused on short-term cash flows, liquidity, and solvency issues. While IFRS for SMEs may meet the needs of privately owned companies the reduced disclosures make it unsuitable for publicly-listed companies, in our view.

We believe that the adoption of IFRS across the EU has been a huge step forward for its capital markets, providing high-quality and comparable financial information. The recent EC IAS regulation review received broad-based stakeholder input which showed strong support for IFRS across the EU.

Making financial statements comparable across companies of different sizes and based in different countries is extremely important for investors. It plays a vital role in investor

¹ A multilateral trading facility (MTF) is a European regulatory term for financial trading venue outside of the traditional stock exchanges.



confidence in corporate reporting and capital markets, which promotes investment and reinforces the free movement of capital globally and within the EU.

As the green paper states: "European capital markets must be open and globally competitive, well regulated and integrated to attract foreign investment, which means maintaining high EU standards to ensure market integrity, financial stability and investor protection. Given the global nature of capital markets, it is important that the Capital Markets Union is developed taking into account the wider global context." We fully agree with this statement. The prospect of an alternative accounting standard for small and medium-sized EU-listed companies would be a retrograde step for Europe, in our view.

We thank you for considering our views and remain at your disposal if you would like to discuss the issues we have raised in more detail.

Yours sincerely,

Marietta Miemietz
Co-chair, Financial Reporting and Analysis Committee
CFA Society of the UK

Paul Lee
Co-chair, Financial Reporting and Analysis Committee
CFA Society of the UK

Will Goodhart,
Chief Executive
CFA Society of the UK



About CFA UK and CFA Institute

The CFA Society of the UK (CFA UK) represents the interests of more than 10,000 leading members of the UK investment profession. The society, which was founded in 1955, is one of the largest member societies of CFA Institute and is committed to leading the development of the investment profession through the promotion of the highest ethical standards and through the provision of continuing education, advocacy, information and career support on behalf of its members. Most CFA UK members have earned the Chartered Financial Analyst® (CFA®) designation, or are candidates registered in CFA Institute's CFA Program. Both members and candidates attest to adhere to CFA Institute's Code of Ethics and Standards of Professional Conduct.

CFA Institute is the global association for investment professionals. It administers the CFA and CIPM curriculum and exam programs worldwide; publishes research; conducts professional development programs; and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry. CFA Institute has more than 100,000 members in 140 countries, of which more than 90,000 hold the Chartered Financial Analyst (CFA) designation.