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**Intergovernmental Working Group of Experts on  
International  
Standards of Accounting and Reporting  
(ISAR)**

**29<sup>th</sup> SESSION**

31 October – 2 November 2012  
Room XIX, Palais des Nations, Geneva

Thursday, 1 November 2012  
Morning Session

**Regulatory and institutional foundations for high-  
quality corporate reporting**

Presented by

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Executive Director, Financial Reporting, Swiss Exchange

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Exchange Regulation

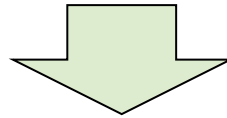
# Implementation and Enforcement of Global Standards

SIX Exchange Regulation (Switzerland) - Philipp Leu

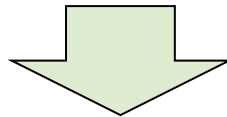


# Objectives of enforcement

Integrity und reputation of market place



Transparency, equal treatment and reflection of international developments



High-quality financial reporting

# National and International Coordination

**Financial Reporting  
Expert Advisory Panel**



**IOSCO IFRS Database**

**Specialist Pool  
for IFRS Issues**



Federal Audit Oversight Authority (FAOA)



Exchange Regulation

IFRS / US GAAP / Swiss GAAP FER



Eidgenössische Finanzmarktaufsicht FINMA  
Autorité fédérale de surveillance des marchés financiers FINMA  
Autorità federale di vigilanza sui mercati finanziari FINMA  
Swiss Financial Market Supervisory Authority FINMA

**Auditing bodies  
(Audit Oversight)**

**Issuers  
(Securities Regulator)**

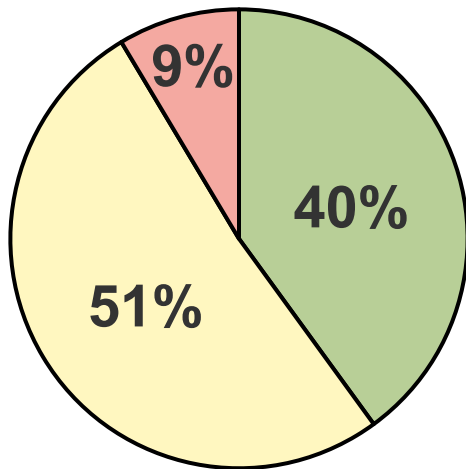
**Financial Services  
(Prudential Regulator)**



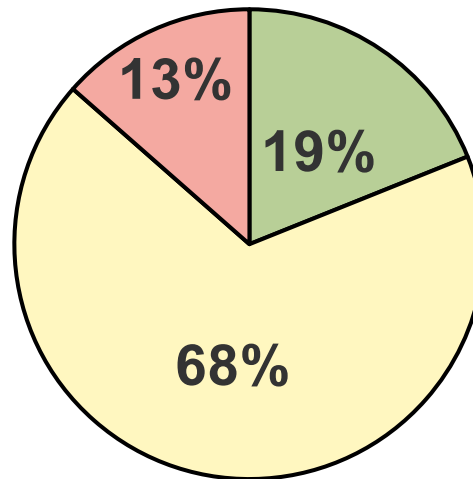
Exchange Regulation

# Enforcement actions 2010 – YTD 2012

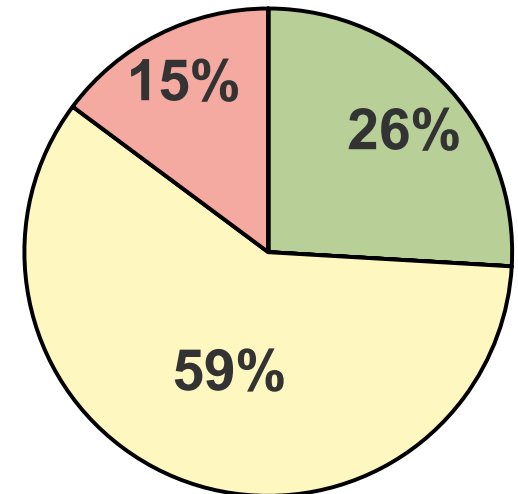
**2010**  
 $\Sigma = 35$



**2011**  
 $\Sigma = 37$



**YTD 2012**  
 $\Sigma = 27$



 No comments     Recommendations/expectations for improvement     Violations

The above statistics show the number of cases concluded in the corresponding calendar year.

# Sanctions

- Reprimand
- Fine of up to CHF 10 Mio. in cases of wrongful intent
- Fine of up to CHF 1 Mio. in cases of negligence
- Suspension of trading
- Delisting

All sanctions are published

# Enforcement: Effect of sanctions

- Investors: negative impact on share price  
-3% abnormal return (publication of a sanction)
- Issuer: higher employee turnover  
40% of CFOs are replaced (following a fine)
- Auditor: increased change of external auditor  
60% of audit firms resp. 100% of lead audit partners are replaced (following a fine)

Source:

Fehler und deren Korrektur in der Rechnungslegung, Universität St. Gallen, Prof. Peter Leibfried / Lea Zingg, Mai 2010

# Key thesis

- Need for international coordination to enforce international standards
- Preventive measures are more important than ex-post sanctions
- Rules without enforcement do not substantially improve quality
- Naming and shaming is a very effective measure
- Time to market is crucial for an enforcer



# Financial Reporting

- [http://www.six-exchange-regulation.com/obligations/financial\\_reporting\\_en.html](http://www.six-exchange-regulation.com/obligations/financial_reporting_en.html)

