



# US SEC Regulatory Update

Capital Link

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 **ERNST & YOUNG**  
*Quality In Everything We Do*

# SEC Regulatory Update

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- ▶ Issues for FPIs (including IFRS)
- ▶ Provisions and contingencies
- ▶ CGUs for impairment and discussion in M,D&A
- ▶ Multiple element clarifications
- ▶ Operating segments (determination, aggregation, product and service disclosures)
- ▶ Going concern requires “substantial doubt” language

# SEC Regulatory Update - MD&A

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## Most staff comments

- ▶ Answer the “why” question in providing analysis
- ▶ Consider peer group disclosures and related comment letters
- ▶ Segregation of revenues, but what about costs?
- ▶ Focus on segment level discussions in detail
- ▶ FCPA – growing profile and can be difficult to assess
- ▶ If non-GAAP measures are significant for disclosure, they should be discussed

# SEC Regulatory Update – Other points

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## Other points

- ▶ Conflict minerals (guidance forthcoming)
- ▶ Iran threat (C&DI released 4 December)
- ▶ Avoid boilerplate risk factors
- ▶ Future direction of alignment for FPI and domestic rules

# PCAOB Regulatory Update

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- ▶ Tone and focus on audit quality above all
- ▶ Foreign-registered firms (SEC action against China firms announced 3 December; risk factor requests)
- ▶ Audit failures vs. financial statement restatements
- ▶ Professional skepticism
  - ▶ “client service” vs. “quality audits”
  - ▶ “client relationship” vs. “professional courtesy”
  - ▶ “trust but verify” is not acceptable
  - ▶ “ examiner” – bank or insurance

# Status of IFRS for US

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- ▶ “Stay tuned”...but differences cannot be in interpretation
- ▶ Tone of interaction between IASB and FASB and related stress
- ▶ Desire for US influence, but....need tangible sign of commitment
- ▶ Increasingly hard to find common ground
- ▶ Territorial diversity undermines and creates skepticism
- ▶ Evaluate why other countries are adopting
- ▶ MOU and joint projects, but then...maybe back to past working protocols?