Press release: Activity Report 2020

During its 15th year of operation, the FREP had to overcome numerous challenges: The changeover of its technical work to remote operations, the cancellation of the FREP acknowledgment agreement with proper notice effective at the end of 2021, and the performance, completion, and subsequent ESMA peer review of the examination of Wirecard AG tied up a large portion of the FREP’s capacity in 2020. This is also true for the initiation of 17 focused examinations, more than twice the number initiated in this category in prior years.

Despite this exceptional strain, the FREP completed 74 examinations in 2020 (prior year: 86). The error rate of 15% was in line with the error rates for 2017 and 2018; the acceptance rate amounted to 75%.

The new financial reporting standards IFRS 15, IFRS 9, and IFRS 16 were focal points once more in 2020; the FREP made recommendations to companies for future financial reporting purposes regarding each of these financial reporting standards and is publishing them with this year’s activity report for a more general preventative effect.

The follow-up was encouraging once again: To the extent determinable, the errors identified were corrected in the subsequent financial statements. As in prior years, companies implemented the large majority of recommendations made by the FREP.

The first-time enforcement of financial statements disclosed in the European Single Electronic Format (ESEF) and the appropriate reflection of Covid-19-related impacts in these financial statements represent the major operational challenges for 2021.

Publication of the Covid-19-specific enforcement priorities was therefore particularly significant with respect to prevention this year.

The current draft of the German Law on Strengthening Financial Market Integrity [Finanzmarktin-""TEGRIT""TS""ÄRK""UNGSGESETZ] (FISG) provides the basis for the FREP to continue its work in the form of regular financial statement oversight procedures after 2021. Therefore, the FREP will work toward signing a new acknowledgment agreement in 2021 in order to continue the successful two-tier enforcement model in regular financial statement oversight activities. Procedures with suspected financial statement fraud, however, will be performed directly by the BaFin, which will be equipped with additional powers. As such, the restructured financial statement oversight procedure offers a good basis for regaining investors’ confidence in the capital markets.

The FREP’s activity reports can be downloaded at https://frep.info/presse/taetigkeitsberichte_en.php.