SPECIAL PURPOSE ENTITIES

TECHNICAL COMMITTEE
OF THE
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

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Introduction

In its 2005 report entitled *Strengthening Capital Markets Against Financial Fraud*, the Technical Committee ("TC") of the International Organization of Securities Commissions ("IOSCO") identified seven areas that figured prominently in recent high-profile financial scandals. One of these areas included the use of complex corporate structures and unconsolidated special purpose entities ("SPEs"). SPEs are separate legal entities and, because multiple parties often interact with SPEs, it can be difficult to determine, for accounting purposes, which party should consolidate the SPE's assets and liabilities on its balance sheet. Although SPEs are used for legitimate purposes, SPEs and complex corporate structures were used to perpetrate some of the recent financial frauds. In certain instances, some sponsoring entities[1] provided an incomplete picture of their financial position by not disclosing the transfer of their assets and liabilities to their unconsolidated SPEs. In September 2005, the Technical Committee approved a project proposal for its Standing Committee on Multinational Disclosure and Accounting ("SC1") to assist the TC in determining whether the use of unconsolidated SPEs in TC and SC1 member jurisdictions warrants additional disclosures by issuers beyond what is currently required in those jurisdictions.

As part of its project, the SC1 conducted a survey of the current accounting and non-financial statement disclosure requirements applicable to the use of unconsolidated SPEs in the jurisdictions of TC and SC1 members, as well as the level of audit assurance required for this information. TC and SC1 member securities regulators were also asked to review a limited sample of filings prepared by issuers in their jurisdictions to identify, to the extent possible, current disclosure practices regarding the use of unconsolidated SPEs that may go beyond current requirements in each jurisdiction. This report reflects the findings from the survey and the review of filings.

Members from sixteen jurisdictions participated in the survey. Appendix A to this report identifies the TC and SC1 members that provided survey responses. Although several respondents indicated that laws or regulations pertaining to SPE disclosure are pending in their jurisdictions, this report only discusses requirements applicable as of March 14, 2007.

[1] A "sponsoring entity" is an entity that establishes the SPE and often, but not always, controls the SPE's actions, either through voting provisions, economic compulsion or because the SPE's activities were established upon its formation and were entirely (or almost entirely) performed for the benefit of the sponsoring entity.

Summary and Conclusions

Summary

Although fourteen IOSCO members have some sort of definition for SPE in their accounting regulations and/or their non-financial statement disclosure requirements, there is some variation in the way that SPEs are defined. Twelve IOSCO members have a specific definition for SPE, while two others use terms such as "Variable Interest Entity" and "off-balance sheet arrangements" that would encompass SPEs.

Thirteen of the IOSCO members that responded to the survey have accounting or non-financial statement disclosure requirements regarding issuers' use of unconsolidated SPEs. Seven of these respondents have specific accounting and/or disclosure requirements related to the use of these entities. The source of these requirements is almost equally divided between accounting and non-financial statement disclosure requirements. The remaining six of these respondents do not have requirements specifically aimed at unconsolidated SPEs, but rather have general accounting or non-financial statement disclosure requirements that would solicit disclosure about the use of unconsolidated SPEs, among other things.

Of the thirteen respondents that indicated that they have accounting or non-financial statement disclosure requirements pertaining to an issuer's use of unconsolidated SPEs, twelve of these respondents indicated that some type of auditors' assurance is provided on an issuer's SPE disclosures. The type of assurance that is provided depends on whether the disclosure is provided in the annual financial statements, for which a full audit is required, or whether the information is provided outside the financial statements. In the latter case, any auditor involvement is commonly limited to reading the non-financial statement disclosure to identify any material inconsistencies with the financial statements or any misstatements of fact based on the knowledge obtained by the auditor in the course of the financial statement audit.

In all of the thirteen jurisdictions in which some sort of disclosure about unconsolidated SPEs is required of issuers, issuers' disclosures are available to the public. Several of these jurisdictions indicated that members of the public would be able to retrieve this information through electronic filings that issuers make with the relevant securities regulator and/or securities exchange.

After reviewing a judiciously selected sample of filings made in their jurisdictions, none of the respondents reported that they found any filings in which issuers provided more disclosure about their use of unconsolidated SPEs than is currently required by applicable disclosure and accounting requirements.

Conclusions

Since the publication of the TC's 2005 report, several IOSCO members have implemented regulatory and legislative changes that are expected to address the concerns raised by the recent financial frauds. Specifically, some IOSCO members have adopted additional non-financial statement disclosure requirements to solicit information about unconsolidated SPEs, while others have looked to changes in the relevant accounting standards that were intended to make it more likely that SPEs would be consolidated. The results of the survey and limited review of filings indicate that IOSCO members have only recently taken different approaches in this area and have not yet had an opportunity to evaluate the effectiveness of their initiatives. As a result, the Technical Committee has concluded that it would be premature at this time to determine a global approach for addressing the reporting of information to investors regarding unconsolidated SPEs. However, IOSCO will continue to monitor developments with respect to off-balance sheet financings, including unconsolidated SPEs, and may consider at a later date whether guidance from IOSCO on unconsolidated SPEs would be useful.

Although the focus of the TC's 2005 report was on additional non-financial statement disclosures that might be needed in light of the recent international frauds, the International Accounting Standards Board (IASB) and some national accounting standard-setters have been working on accounting issues in this area. IOSCO will continue to work closely with the IASB on issues that may affect the financial reporting and disclosure related to the use of SPEs.

I. Background

Many issuers routinely create and enter into arrangements with SPEs that are used for legitimate business purposes. For instance, some issuers use SPEs in securitization transactions, which serve as funding sources for a wider range of lending and securities transactions. In these types of transactions, the issuer may sell a pool of receivables to an SPE, which purchases these assets with cash that it has raised through issuing debt securities backed by the assets of the SPE to third-party investors. The SPE is usually dissolved when the investors holding the asset-backed securities have been paid all the amounts due to them. As a result of the structure of this transaction, payments made on the asset-backed securities are based on the creditworthiness of the underlying pool of receivables, rather than on the issuer's creditworthiness.

In spite of the many legitimate uses of SPEs, several recent financial frauds included the use of unconsolidated SPEs and off-balance sheet arrangements that enabled several large, publicly held corporations to conceal the risks that eventually played a role in their collapse. Shortly after these frauds, some securities regulators adopted new disclosure requirements aimed at providing improved transparency of off-balance sheet arrangements. Some national accounting standard-setters also adopted new accounting interpretations and guidance to address concerns in this area. In addition, the IASB announced that it has added a project to its agenda to address consolidation and SPEs/complex corporate structures, including the consideration of SIC 12 (Consolidation—Special Purpose Entities). Concerned about the role of unconsolidated SPEs in the recent financial frauds, the IOSCO Technical Committee decided to undertake a study of current accounting and non-financial statement disclosure requirements and practices in TC member jurisdictions.

This report summarizes the results of this study. Parts II through VI of the report set forth the results of the survey on the accounting and non-financial statement disclosure requirements currently applicable to issuers' use of SPEs in TC and SC1 member jurisdictions. Part VII of the report discusses the results of IOSCO members' review of filings in their jurisdictions to ascertain whether current accounting and disclosure practices exceed applicable requirements.

II. Definition of "Special Purpose Entity"

Fourteen of the respondents indicated that they have some sort of definition for SPE. Twelve indicated they have a specific definition for SPE. Two others responded that they do not have a definition for SPE per se, but that they have definitions for "Variable Interest Entities" and "off-balance sheet arrangements" that encompass SPEs. In all fourteen of these jurisdictions, these definitions are contained either in the applicable accounting regulations or in the non-financial statement disclosure requirements.

Ten of these fourteen respondents have adopted International Financial Reporting Standards (IFRS), and referred to the definition for SPE contained in the IFRS. *Under IFRS SIC 12.1 (Consolidation – Special Purpose Entities), SPEs are generally defined as entities created to accomplish a narrow and well-defined objective.* Of these ten respondents, one member indicated that national Generally Accepted Accounting Principles (GAAP), rather than IFRS, may apply to an issuer in its jurisdiction if the issuer does not have securities listed on a regulated market, or if the issuer's securities are listed on a regulated market, but the issuer is not obligated to produce consolidated financial statements and chooses not to do so on a voluntary basis. *Under this respondent's national GAAP, SPE is defined as a distinct legal structure created specifically to manage an operation or a group of similar operations on behalf of an entity.* Another of these ten respondents indicated that its national periodic information requirements (as opposed to the applicable EU-wide requirements) also contain a definition of SPE. *These periodic disclosure requirements define an SPE as every entity, whether or not included in the scope of consolidation, which is created to accomplish a narrow and well-defined objective, regardless of its legal structure.* These entities are often created with legal arrangements that impose strict, and sometimes permanent, limitations on the decision-making power of their governing board, trustee or management over the operations of the SPE.

One IOSCO member that has not adopted IFRS reported that *SPEs are defined under its national consolidated financial statement regulation. Under this national regulation, SPEs are defined as entities that are created for a specified purpose, have activities that are predetermined by their articles of incorporation or by other contractual arrangements among the parties involved and cannot modify their activities*. These would include entities that are established in connection with asset securitizations.

Another IOSCO member that has not adopted IFRS indicated that SPEs are defined under its national accounting rules exclusively in relation to securizations. Moreover, this definition only applies to financial intermediaries, and not to public companies. In this jurisdiction, SPEs are defined as *a trust, entity or other legal figure, whose main activities (consistent with their social objective) are permanently limited to (i) keeping possession of financial assets transferred to the vehicle in securitizations; (ii) issuing securities that represent rights over financial assets; (iii) receiving proceeds from financial assets, reinvesting any excess of cash flows and providing administrative services related to the financial assets transferred; and (iv) distributing benefits and other proceeds to holders of securities issued by the vehicle.*

Two IOSCO members that have also not adopted IFRS responded that the term SPE is not specifically defined in their national accounting regulations or non-financial statement disclosure requirements, but that financial statement and disclosure requirements relating to unconsolidated SPEs are triggered by reference to the existence of a significant variable interest in a Variable Interest Entity (as defined by applicable accounting regulations) or the existence of "off-balance sheet arrangements" (defined in the disclosure requirements of the securities regulator). Under the accounting literature of these two jurisdictions, *an entity is a Variable Interest Entity if the total equity* *investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support, or the holders of the equity investment at risk, as a group, lack any of the characteristics of a controlling financial interest.* The characteristics of a controlling financial interest include substantive voting rights, the obligation to absorb expected losses and the right to receive expected residual returns of the entity.

In addition, under the non-financial statement disclosure requirements of these two jurisdictions, information about unconsolidated SPEs is disclosed under the Management's Discussion and Analysis (MD&A) as "off-balance sheet arrangements." *In general terms, an "off-balance sheet arrangement" is defined as any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the issuer is a party, under which the issuer has: any obligation under a guarantee contract; a retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity for such assets; certain derivative instruments that are excluded from the scope of national accounting standards because they are indexed to the issuer's own stock and classified in stockholders' equity in the issuer's statement of financial position; and any obligation arising out of a variable interest in an unconsolidated entity that is held by, and material to, the issuer, where such entity provides financing, liquidity , market risk or credit risk support to the issuer, among other things.*

One IOSCO member permits issuers to use one of three accounting standards (IFRS, national GAAP or U.S. GAAP). In this jurisdiction, no national legislation or regulation defines SPEs beyond what exists in each of the three applicable accounting standards.

Finally, one IOSCO member indicated that no definition for SPE exists in its financial reporting and disclosure requirements.

III. <u>Determination of whether consolidation of an SPE is required</u>

All of the IOSCO members who participated in the survey indicated that their accounting regulations contain criteria for when issuers in their jurisdictions must consolidate an SPE. For all of the respondents, control is an important criterion.

Twelve IOSCO members have either adopted IFRS, or have national accounting standards regarding the consolidation of SPEs that are identical to IFRS. Under IFRS, IAS 27 (Consolidated and Separate Financial Statements) and SIC 12 contain the consolidation criteria. *Under IAS 27, consolidated financial statements must include all subsidiaries of the parent company. SIC 12 describes circumstances that may indicate a relationship in which an entity controls an SPE, and is thus required to consolidate the SPE.* These circumstances include situations when, in substance: the SPE's activities are being conducted on behalf of the entity according to its specific business needs, so that the entity obtains benefits from the SPE's operations; the entity has decision-making powers to obtain the majority of the benefits of the SPE or, by setting up an “autopilot” mechanism, the entity has delegated these decision-making powers; the entity has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the SPE’s activities; or the entity retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

One of these twelve respondents reported that when IFRS does not apply in its country either because the issuer has securities listed on an unregulated market, or has securities listed on a regulated market but does not produce consolidated financial statements, issuers must apply the consolidation criteria of its national GAAP. These criteria are broadly in conformity with IFRS, but *national GAAP also refers to the following criteria: the entity has the decision-making powers over the SPE (even if the powers are not used); the entity has the capability to obtain the majority of the economic benefits; and the entity retains the majority of risks.*

Another of these twelve respondents indicated that national GAAP, which is applied by non-listed issuers rather than IFRS if the issuers do not produce consolidated accounts, did not contain specific requirements for the consolidation of SPEs. However, the general rules on consolidation under national GAAP also refer to control as the main criterion for consolidation.

Two IOSCO members that have not adopted IFRS, and do not have accounting standards on consolidation of SPEs that are based on IFRS responded that national accounting standards also refer to control as the criterion for consolidation. One of these jurisdictions also indicated that if SPEs are established and used solely to transfer assets (such as for securitization purposes) and are determined to be pass-through entities, they are not required to be consolidated. Under guidelines established by the national institute of certified accountants, the presence of control is established by certain facts showing that an issuer has the power to decide the financial and operating policies of the SPE.

Two other IOSCO members indicated that the accounting literature provides general consolidation criteria based on control, as well as specific guidance for the consolidation of Variable Interest Entities. In these jurisdictions, the term SPE is no longer used in the applicable accounting requirements, but Variable Interest Entities are widely regarded as encompassing SPEs. *The guidance applies when control exists through a controlling financial interest, rather than via voting control. In general terms, the determination of when to consolidate a Variable Interest Entity is based upon an analysis of economic risks and rewards.* An issuer must consolidate a Variable Interest Entity if it has an economic interest that will absorb a majority (more than 50 percent) of the Variable Interest Entity’s expected losses, receive a majority of the Variable Interest Entity’s expected residual returns, or both.

IV. Source of disclosure and accounting requirements or guidance for unconsolidated SPEs

A. Accounting and Non-Financial Statement Disclosure Requirements

Although three respondents indicated that they did not have any accounting or disclosure requirements in their jurisdictions that apply to the use of unconsolidated SPEs by issuers, a large majority of respondents (thirteen) indicated that they did have such requirements in their jurisdictions. However, the source and specificity of these requirements varied greatly among respondents.

1. Accounting requirements pertaining to unconsolidated SPEs

Five survey respondents indicated that they had specific national accounting requirements that applied to unconsolidated SPEs. Four of these respondents referred to national accounting guidelines and interpretations, and one IOSCO member referred to its securities market law as the source of these accounting requirements.

More specifically, two of these five respondents reported that under their national accounting guidelines, an enterprise holding a significant variable interest in a Variable Interest Entity that it has not consolidated must disclose information that enables users of its financial statements to understand and evaluate that interest. Specifically, the enterprise should disclose: the nature of its involvement with the Variable Interest Entity and when that involvement began; and the nature, purpose, size and activities of the Variable Interest Entity. In addition, these two IOSCO members require disclosure of the enterprise's maximum exposure to loss as a result of its involvement with the Variable Interest Entity, although one of the two members limits that disclosure to instances when that exposure is not reflected in the carrying amount of the assets and liabilities arising from such involvement.

Another of these respondents indicated that under its national GAAP and its consolidated financial statement regulation, an issuer's consolidated financial statements must include the name of unconsolidated subsidiaries, as well as the reason why such subsidiaries are not consolidated. The issuer should also disclose the relationship, transactions and outstanding balances between issuers and SPEs, as well as the location and line of businesses of the SPEs, in the notes to the consolidated financial statements if the SPEs are associates or unconsolidated subsidiaries. If the issuer gives guarantees and commitments to unconsolidated SPEs, the possible losses from the SPEs must be disclosed as contingent liabilities in the notes to its consolidated financial statements.

One of the five respondents indicated that issuers with a primary listing on its national securities exchange may apply one of three accounting standards, including the national GAAP, IFRS and U.S. GAAP. Disclosure about unconsolidated SPEs is required depending on which of the three accounting standards the issuer uses to prepare its financial statements.

Finally, one IOSCO member indicated that its securities market law requires issuers to prepare consolidated financial statements and to disclose in their consolidated financial statements the consolidated and unconsolidated SPEs. In addition, the issuer, acting as a grantor with an investment that represents 5% or more of its total consolidated assets, must include a brief description of the characteristics of the consolidated and unconsolidated trusts, as well as the main amounts recorded on the trust's balance sheet and income statements.

2. Disclosure requirements applicable to unconsolidated SPEs

Four survey respondents reported that they had specific non-financial statement disclosure requirements that solicited specific information about an issuer's use of unconsolidated SPEs. In these four jurisdictions, these requirements applied to periodic reports. In three out of four of these jurisdictions, these disclosure requirements applied to prospectuses, as well.

Two of these four jurisdictions had both accounting and non-financial statement disclosure requirements. In addition to disclosures required to be provided in their financial statements pursuant to national accounting guidelines, issuers must disclose certain information about off-balance sheet arrangements in their MD&A.

One of these two respondents provided specific information about the MD&A requirements applicable in its jurisdiction. This IOSCO member indicated that a reporting issuer must make specific disclosures about its use of off-balance sheet transactions in the MD&A section of its registration statements, periodic reports, and any proxy or information statements that are required to include financial statements. In a separately captioned section of its MD&A, the issuer must disclose the off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the issuer's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. The issuer must also disclose such other information that it believes is necessary for an understanding of these arrangements. To the extent necessary to facilitate an understanding of such arrangements, an issuer must disclose the following: the nature and business purpose of such arrangements; the importance to the issuer of such arrangements in respect of its liquidity, capital resources, market risk support, credit risk support or other benefits; the amount of revenues, expenses and cash flows of the issuer arising from such arrangements; the nature and amounts of any interests retained, securities issued and other indebtedness incurred by the issuer in connection with such arrangements; and the nature and amounts of any other obligations or liabilities (including contingent obligations or liabilities) of the issuer arising from such arrangements that are or are reasonably likely to become material and the triggering events or circumstances that could cause them to arise. In addition, the issuer must disclose any known event, demand, commitment, trend or uncertainty that will result in or is reasonably likely to result in the termination, or material reduction in availability to the issuer, of its off-balance sheet arrangements that provide material benefits to it, and the course of action that the issuer has taken or proposes to take in response to any such circumstances. These MD&A disclosures are provided in addition to the disclosures that the issuer must provide in its financial statements according to national accounting interpretations.

Another IOSCO member has specific disclosure requirements that apply to the use of unconsolidated SPEs that are incorporated in offshore financial centers. National law in this jurisdiction requires that the annual accounts of companies incorporated there with shares listed on a regulated market and that are affiliated with companies that are incorporated in offshore financial centers be accompanied by a report prepared by the directors on the business dealings between that company and the foreign affiliates. In this report, special reference must be made to credit and debt positions and transactions that these parties conclude during the years to which the annual accounts refer, including the provision of guarantees for financial instruments issued in that jurisdiction or abroad by these companies. This report must be signed by the general manager and the manager charged with preparing the issuer's financial reports, and the opinion expressed by the statutory auditor must also be attached to the report.

Finally, one IOSCO member indicated that an issuer in its jurisdiction must disclose in its periodic reports, which are published on a semi-annual basis, all the details about any debt issuances by unconsolidated SPEs that are guaranteed by an entity that is included in the issuer's consolidated financial statements.

3. General accounting and disclosure requirements that would apply

Six IOSCO members indicated that they did not have specific disclosure or accounting requirements applicable to the use of unconsolidated SPEs, but that they did have general accounting and/or disclosure obligations that would apply to the use of such entities in their jurisdictions. For some members, this obligation is contained in the general requirement to give a true and fair view of the financial reports. One member indicated that national GAAP required issuers to disclose off-balance sheet arrangements as a general disclosure matter. One respondent pointed out that it has prospectus disclosure requirements that apply to the issuance of asset-backed securities by an SPE, including unconsolidated SPEs.

B. Best Practice Guidance

In addition to accounting and/or disclosure requirements that solicit disclosure of an issuer's use of unconsolidated SPEs, two jurisdictions reported that they also have best practice guidance on recommended disclosures.

One IOSCO member indicated that in December 2005 it published a recommendation for financial statements prepared according to IFRS. This recommendation noted that a possible presentation of the information as required by IFRS should enable the users of that information to understand the importance of arrangements involving unconsolidated SPEs, their impact on the financial statements, and the circumstances that would give rise to significant liabilities. In addition, issuers applying national GAAP are expressly required to fully disclose the assets, liabilities, profits and losses of SPEs that are subject to control, but that are not consolidated due to the absence of an equity interest.

This same IOSCO member also indicated that, under its national GAAP, there is a best practice recommendation dating back to November 2002 that is the result of a joint project launched with the national banking regulator. That recommendation suggests that if an SPE is controlled, but not consolidated due to the lack of an equity interest, the issuer should fully disclose the assets, liabilities, profits and losses of the SPE. The assets, liabilities, profits and loses of such entities should be valued using the same methods as those used by the consolidating entity for its consolidated accounts, and must be presented for at least two financial years for comparability purposes.

Another IOSCO member reported that it has focused on the disclosure provided by issuers with respect to securitization transactions. In 1997, it issued a resolution requiring disclosure in the notes to the issuer's financial statements of the accounting policies used to recognize securitization transactions, as well as the nature of these transactions, among other things.

V. <u>The level of audit assurance that applies to an issuer's SPE disclosures</u>

Twelve survey respondents indicated that some type of auditors' assurance is provided in their jurisdictions when issuers are required to provide information about their use of unconsolidated SPEs. Ten of these respondents reported that if the information is provided in annual financial statements, a full audit is required. Four of these ten IOSCO members also indicated that if the information is provided outside the financial statements, but within a prospectus or other document, the auditor must review the information for consistency with the financial statements.

Another respondent in this group of ten indicated that if the information is provided outside the annual financial report, the level of audit assurance required is that level necessary to meet the issuer's general disclosure obligations, such as the obligation to provide the information that investors and their professional advisers would reasonably require to make informed decisions. As a result, the level of audit assurance will vary depending upon the specific circumstances. This IOSCO member also indicated that for half-year financial reports, issuers have the choice of obtaining a report on a negative assurance basis, or audit assurance.

One of the twelve respondents reported that some level of audit assurance may be provided, but indicated that this was only a voluntary basis. This respondent indicated that if the information is provided in the non-financial statement portion of a prospectus, an audit or limited review of the information may be provided on a voluntary basis.

Another of the twelve IOSCO members that responded that some level of audit assurance is performed indicated that the audit review depended on the materiality level established by the auditor.

VI. <u>Dissemination of information about the use of unconsolidated SPEs</u>

Thirteen IOSCO members indicated that issuers' disclosures about their use of unconsolidated SPEs are available to the public. Nine of these respondents indicated that this information would be disclosed to the public via filings made with the securities regulators and/or securities exchange. Several of these respondents indicated that they have an electronic filing system that facilitates public access to the filings made by issuers. Three IOSCO members indicated that there are no disclosure and/or accounting requirements applicable to the use of unconsolidated SPEs by issuers in their jurisdictions, so that there was also no requirement to disseminate this information.

VII. <u>IOSCO members' review of filings that contain disclosures about the use of unconsolidated SPEs</u>

As part of the analysis of this topic, the sixteen IOSCO members that participated in the survey were asked to review a limited number of filings in their jurisdictions to determine whether issuers provide more disclosure about their use of unconsolidated SPEs than is required under applicable requirements. No members reported that their review of filings yielded examples of disclosures that exceeded current disclosure and accounting requirements in this area.

One member reported that its disclosure requirements for "off-balance sheet arrangements" were principles-based, such that the disclosure issuers provided in the sample of filings that were reviewed, although in some cases very complete and descriptive about the various uses of unconsolidated SPEs, could not be viewed as providing more disclosure than is required under the relevant disclosure requirements.

Other IOSCO members indicated that companies listed in their jurisdictions were required to prepare accounts under IFRS, and that the strict consolidation criteria of IAS 27 and SIC 12 mean that listed companies now have fewer unconsolidated SPEs. These respondents reported that their review of filings suggests that issuers in their jurisdictions provide negligibly more disclosure in their annual accounts reports and accounts about their use of unconsolidated SPEs than what is currently required under applicable laws and regulations. These respondents concluded that this is because there is ostensibly little additional information to disclose in this area now.

Appendix A

List of Technical Committee and SC1 Members that Participated in the Survey

Australian Securities and Investments Commission

Commission Bancaire, Financière et des Assurances of Belgium

China Securities Regulatory Commission

Autorité des marchés financiers of France

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of Germany

Securities and Futures Commission of Hong Kong

Commissione Nazionale per le Società e la Borsa of Italy

Financial Services Agency of Japan

Commission de Surveillance du Secteur Financier of Luxemburg

Comisión Nacional Bancaria y de Valores of Mexico

The Netherlands Authority for the Financial Markets

Ontario Securities Commission *

Autorité des marchés financiers of Québec *

Comisión Nacional del Mercado de Valores of Spain

Commission fédérale des banques of Switzerland

Financial Services Authority of the United Kingdom

Securities and Exchange Commission of the United States of America

*****The Ontario Securities Commission and the Autorité des marchés financiers of Québec provided a joint survey response.