



Exchange Regulation

**COMMUNIQUÉ NO. 4/2011  
OF 29 SEPTEMBER 2011**

***2011 Annual Financial Statements - Areas of Focus***

***Updated Findings on IFRS Financial Statements***

I. 2011 ANNUAL FINANCIAL STATEMENTS - AREAS OF FOCUS

In its review of annual financial statements for the 2011 financial year, SIX Exchange Regulation intends to check, on a random basis, compliance with the IFRS requirements on financial instruments (the corresponding areas of focus also apply to users of US GAAP). Particular attention will be paid to the financial statements of banks and securities dealers.

1. The appropriateness of the measurement methods applied to financial instruments that are not recognised at fair value through profit and loss, with particular regard to the evaluation of counterparty risk (IAS 39p58 ff.). To this end, SIX Exchange Regulation will request the issuer's documentation to assess impairment indicators and, where applicable, the impairment test on a sample basis.
2. The presentation of compound financial instruments specifically the identification of the equity component in accordance with IAS 32p28 ff., as well as the presentation of embedded derivatives in accordance with IAS 39p10 ff. To review the classification of the individual components of a hybrid financial instrument, SIX Exchange Regulation will routinely require the issuer's related detailed analysis, as well as the relevant contractual documents.
3. Sufficiently detailed disclosure of the valuation methods and underlying assumptions applied to financial instruments recognised at fair value in accordance with IFRS 7p27. For a better understanding, SIX Exchange Regulation considers it appropriate to provide a description of the valuation methods used, broken down by type of financial instrument and level in the fair value hierarchy.
4. A detailed description of the assumptions applied to the measurement and determination of credit losses and the effective interest rate upon the acquisition of impaired loan portfolios in accordance with IAS 39p46. Where such a loan portfolio is sold, SIX Exchange Regulation will review the appropriateness of disclosures under IFRS 7p13 and, where applicable, request the documentation of the derecognition analysis for the loan portfolio.

## II. UPDATED FINDINGS ON IFRS FINANCIAL STATEMENTS

The IFRS Circular, revised as at 29 September 2011, contains findings that SIX Exchange Regulation has identified with regard to semi-annual and annual financial statements in comment letters, agreements and sanctions ([http://www.six-exchange-regulation.com/admission\\_manual/07\\_03-CIR2\\_en.pdf](http://www.six-exchange-regulation.com/admission_manual/07_03-CIR2_en.pdf)). This Circular is revised and enhanced each year to support issuers in their application of IFRS. We would like to draw your attention in particular to findings related to financial instruments, as the current area of focus (reference numbers 29, 45 to 47 and 57 to 60).

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