Accounting Regulation in the European Union

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Abstract
We provide a comprehensive overview of accounting-related regulatory changes (financial accounting, auditing, tax, other disclosures) in the 27 EU countries and the UK since the EU's inception in 1993 (Maastricht Treaty) based on an extensive literature review, a survey, as well as input by country and topic academic experts. The accompanying website (http://www.eu-regulations.com) provides visual representations of these events by country, a short description of the regulations, links to selected relevant literature references, and to the regulations themselves. Our aim is threefold. First, we lower the cost for researchers, reviewers, and editors to become acquainted with the rich regulatory setting of each EU country over time. For example, we describe the different layers of the regulatory framework, and variations across and even within Member States. Second, the overview of regulatory changes helps improve research designs by identifying events that may coincide with the regulatory event of interest. Third, we provide researchers with insight into available research opportunities to address their research questions when using the EU or a particular EU country as a laboratory.

Keywords: accounting regulation, European Union, financial accounting, tax, auditing, disclosure regulation

1. Introduction

The European Union (EU), a supranational political and economic union of Member States, has evolved into one of the world's leading economies. As of 2022, it boasts a GDP of 25.43 trillion USD (International Monetary Fund, 2023a). With a very sizeable financial market, the EU has taken a leading role in accounting regulation. We define accounting regulation as the holistic system that governs financial reporting, tax, and auditing standards, creating a unified framework that governs how companies disclose financial information, meet tax obligations, and undergo independent audits. Academics, standard setters, accounting practitioners and regulated entities are keenly interested in assessing the costs and benefits of those regulations (Leuz and Wysocki, 2016; Minnis and Shroff, 2017; Brüggemann et al., 2013). However, the complexity of the EU's financial reporting, auditing and tax regulations poses significant challenges for researchers, reviewers and editors in addressing key research questions. By providing a comprehensive overview of accounting-related regulatory changes in the 27 EU Member States and the UK since the EU's inception in 1993 based on an extensive literature review, a survey, as well as input by country and topic academic experts, we offer a go-to reference resource that lowers entry barriers for researchers and stimulate more research in these important settings. All regulations are depicted and classified on the paper's accompanying website (http://www.eu-regulations.com).

The accounting regulatory environment is complex. The financial accounting function is affected not only by financial accounting regulation and enforcement, but also by auditing and auditor oversight, taxation (e.g., due to book-tax conformity and tax incentives), stock market regulations (for listed firms), and other regulations at various levels. This holds for any developed market worldwide, but it is particularly salient in the EU, where a large number of regulatory and enforcement bodies affect firms' accounting practices, stemming from many different origins: EU Regulations, EU Directives, Member States' laws, private bodies that are usually given authority by the EU or Member States (e.g., the International Accounting Standards Board (IASB), private local enforcement bodies, or private organizations writing and overseeing Member State-level audit regulations), and stock market regulators.

Furthermore, this patchwork of regulations applies to different sets of firms. As a first example, EU-rules governing publicly listed firms only apply to firms listed on EU-regulated markets. In contrast, other rules may apply to public firms listed on exchange-regulated markets (e.g., firms listed on exchange-regulated markets are mostly not required to use the International Financial Reporting Standards (IFRS)). Similarly, most non-listed firms in the EU apply local Generally Accepted Accounting Principles (GAAP), but some Member States permit or even require certain non-listed firms to apply IFRS. As another example, some EU-rules only apply to public interest entities (PIE), but what constitutes a PIE is, to some extent, defined by Member

States. Lastly, some regulations apply to all firms, albeit with size thresholds varying by country and regulator.

Additionally, experts in one topical area (e.g., tax) may lack familiarity with the coinciding events in other topical areas that influence the outcome variable, creating potential confounds. For example, disclosure and earnings management are shaped not only by local GAAP or IFRS but also by tax codes, audit enforcement, local stock market regulations that often require more frequent disclosures in quarterly reports, and any other regulations that affect disclosure and earnings management incentives. Furthermore, often researchers are topic experts and not familiar with all countries in the EU. This regulatory complexity increases the barriers to entry for researchers and limits the pool of reviewers with the necessary expertise in topics and countries. On the flip side, the EU accounting regulatory environment also provides an exciting setting with lots of variation and many regulatory changes to study. Furthermore, the amount of data available on EU firms typically exceeds that for firms based in other geographical areas due to mandatory filings for public and private firms, making the EU very amenable to executing empirical research projects. With 14.8 million unique company observations, the EU accounts for 59.1% of all worldwide observations with detailed information in Bureau van Dijk's Orbis database.[1] As a point of comparison, Compustat North America provides data for 80,000 active and inactive companies.[2]

Our first aim is to lower the barriers to entry and stimulate research in the EU setting. Therefore, we provide a comprehensive overview of accounting-related regulatory changes in the (current) 27 EU countries and the UK since the EU's inception in 1993 (as declared by the Maastricht Treaty) based on an extensive primary and secondary sources literature review, a survey of authors, as well as input by country and topic academic experts. We classify all

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[1] Source: Bureau van Dijk (accessed 02/06/2022).
[2] Source: https://www.marketplace.spglobal.com/en/datasets/compustat-fundamentals-(8) (accessed on 02/19/2022).

regulatory events in a framework that captures the topic being regulated as well as the set of firms to which the regulation applies. The accompanying website (http://www.eu-regulations.com) provides a timeline that captures these regulatory changes visually by country, adding a short description of the regulations, links to the literature references we identified as elaborating on these regulations and to the regulations themselves, as well as some further visual representations that depict the number of regulatory changes by year and the number of topical areas covered.

As a complement to the website, we take a higher-level perspective on accounting regulation in this paper. To further lower entry barriers, section 2 provides a brief history of the EU, including the decades culminating in the 1993 Maastricht Treaty. It explains why studying accounting regulation in the EU is important and highlights the key differences between the EU and the US settings. In section 3, we draw attention to the different layers of accounting regulation in the EU, and the variation this creates along four dimensions: cross-sectionally across countries, longitudinally over time, to the set of firms to which regulations apply, and in the intensity with which regulations are implemented and enforced. Section 4 explains the methodology and the classification scheme used to assemble the accompanying website.

Our second aim is to improve research designs by identifying events that may coincide with the regulatory event of interest. Section 5 quantifies how often regulatory changes coincide in the same period. Across all countries and years, we find that more than sixteen regulatory events occur in a typical difference-in-difference design that looks at event year t=1 and includes pre- and post-periods of four years. The events mostly span different topical areas. We highlight regulatory periods where replication may be valuable if these coinciding events are considered confounding. Of course, not all coinciding regulations are confounding as the coinciding regulatory event may not affect the outcome of interest, or treatment and control firms may be affected equally.

Finally, our third aim is to present promising research opportunities. Beyond the research opportunities offered by the various regulatory layers described in section 3, section 6 highlights six characteristics of the institutional environment in the EU that make it particularly interesting to use as a research setting. Next, we feature EU Member States that have only rarely been studied, even if they contribute substantially to EU GDP and firm-level data is widely available, and we discuss under-researched regulations that may provide exciting research opportunities. Finally, the section briefly summarizes important recent regulations and regulations soon to be implemented.

2. The European Union

The European Union is a supranational political and economic union of Member States, which was formally established with the Maastricht Treaty at the end of 1993, which is where our regulatory overview starts. However, the roots of this Union go much further in history, dating back to the end of World War II, when European countries were trying to come together to ensure lasting peace on the continent. In 1952, Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany established the European Coal and Steel Community to integrate the coal and steel industries in Western Europe. From there, the same six countries created the European Economic Community (EEC) in 1957 in the *Treaty of Rome*. The EEC paved the way to a customs union, where by 1968, all signatories were charging the same tariff to goods entering the EEC regardless of from which country they entered (Center for European Studies, 2023). To facilitate the economic union, progress was made on common agricultural and transportation policies. In 1973, the first wave of enlargement took place, with three countries joining. By 1985, there were ten Member States in the EEC. Five of these signed the Schengen Agreement, gradually abolishing checks at their common borders.

Twelve Member States signed the *Treaty of Maastricht* in February 1992 (effective November 1993) and formed the European Union: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Spain, the Netherlands, and the United Kingdom (UK). This treaty officially established the single market, permanently eliminating any trade barriers within the EU. The single market moves beyond being solely a customs union and is based on four principles: freedom of movement of people, goods, services, and money. It aims to remove barriers and harmonize regulations to facilitate trade and economic cooperation. The Financial Services Action Plan, launched in 1999 with various Regulations and Directives we will discuss later, made a big leap in delivering the integrated European financial sector and capital markets.

"Passporting", a key tool developed in phases as part of the European single market, is in effect across the European Economic Area (EAA) and allows a firm registered in an EAA country to do business in any other EAA Member State without needing further authorization from that other Member State (European Banking Authority, 2024).[3] "Passporting" is particularly important for the financial services sector and allows for a more integrated and competitive financial market. Upon withdrawal of the UK from the EU (Brexit) in January 2020, losing "passporting" negatively impacted the London financial sector (Reuters, 2023).

The 1993 *Treaty of Maastricht* legally comprised three pillars: the European Communities pillar dealing with economic, social and environmental policies, the Common Foreign and Security pillar overseeing foreign policy and military issues, and the Police and Judicial Cooperation in Criminal Matters pillar coordinating the fight against crime. In 2009, the *Lisbon Treaty* changed the legal structure by merging these three pillars into one single legal entity. The treaty also significantly increased the power of supranational European institutions, such as the European

[3] The European Economic Area includes all EU Member States, as well as Iceland, Liechtenstein, and Norway.

Parliament and European Council (Center for European Studies, 2023), the latter with Herman Van Rompuy, then prime minister of Belgium, as its first president. These institutions can set supranational regulations and directives, which are either immediately effective in all Member States (EU Regulations) or must be transposed into national legislation (EU Directives). There were several waves of enlargement of the EU, most notably the inclusion of several Eastern European countries during the first two decades of the 2000s, and one defection when the United Kingdom left the EU in 2020. Currently, the EU has 27 Member States.

The EU is a top-three player in the global economy, as evidenced by the following metrics. In 2022, the GDP of the US stood at 26.95 trillion USD (International Monetary Fund, 2023b), while that of the EU was approximately 25.43 trillion USD (International Monetary Fund, 2023a), with Germany, France, Italy and Spain as the largest contributors (Statista, 2023a). The International Monetary Fund (IMF) indicates that the US accounts for 15.4% of the world's GDP, while the EU accounts for 14.6%, ranking second and third respectively behind China at 18.8% (International Monetary Fund, 2023c). In 2022, the EU counted 447 million inhabitants (Statista, 2023b), while the US population stood at 338 million (Worldometer, 2023). In per capita GDP, with 12.5K USD, China ranks a distant third behind the US (80K USD) and EU (41K USD) (International Monetary Fund, 2023d).

Because regulation has been a key tool to advance European integration, EU institutions have pursued an ambitious regulatory agenda. This had the ancillary effect of establishing the EU as a global regulatory power, promoting its regulatory framework internationally (Bradford, 2019). For example, the EU took the lead in promoting EU data privacy laws as a benchmark for global standards, resulting in the General Data Protection Regulation 2016/679 (GDPR) in 2018 (European Parliament, 2016). Because of its economic influence, the size of its financial markets, and its comprehensive regulatory framework, the EU has become heavily involved in global financial and disclosure regulation.[4] The EU participates in international bodies such as the Financial Stability Board, has a partnership with the World Bank, and all its individual Member States are members of the IMF. The EU promotes bilateral agreements with other countries such as Canada, the USA, Switzerland and Japan to facilitate cooperation and coordination in financial market regulation and supervision (European Commission, 2023). The EU also advocates for the integration of Environmental, Social and Governance factors in disclosures, which has important knock-on effects in other countries in which multinationals have a presence (Lexology, 2023).

Several aspects add striking complexity to the accounting regulatory environment in the EU compared to that of the US and most other jurisdictions, but at the same time also offer interesting opportunities for researchers, which we discuss later in detail, when using the EU as their research setting. First, EU Member States have much more independence from the EU than US states have from the US federal government. For example, taxation is regulated mostly at the Member State-level. As another example, while the EU provides regulations and directives about GAAP and disclosure, each Member State can, within those constraints, define its own local GAAP. We will develop on these various layers of regulation in the next section.

Second, the Euro was introduced for financial and commercial transactions in 1999 as a single currency, and Euro notes and coins were introduced in 2002. The Euro's monetary policy is governed by the European Central Bank. Unlike in the US where all states use the common US Dollar, currently only 20 out of 27 EU countries use the common Euro as their currency; other countries use their local currency (European Union, 2023). Some countries that joined the EU after 2002 have not yet adopted the Euro but must do so once they have met the necessary conditions

[4] For example, a recent Wall Street Journal article calls for the SEC to copy European climate disclosure regulations (Kiernan, 2023).

lined out in the Maastricht Treaty: Bulgaria, Czech Republic, Hungary, Poland, Romania, and Sweden. Denmark is an exception. While it joined the EU in 1973, it has negotiated an opt-out from adopting the Euro and continues to use the Danish Krone. Sweden held a referendum in 2003, where a majority voted not to adopt the Euro. Sweden has not joined the European Exchange Rate Mechanism that ties currencies of EU countries outside the eurozone to the Euro, thereby deliberately not fulfilling all conditions that would require it to adopt the Euro. Obviously, the UK – no longer an EU member – continues to use the British Pound.

Third, there are 24 official languages spoken in the EU. While the EU has Member States that rank at the very top of the English language proficiency index (the Netherlands, Austria, Denmark, and Belgium), France, Spain and Italy, three of the region's largest economies, still lag behind their neighbors (Education First, 2022). All EU Directives and Regulations need to be translated into the local languages. The EU Commission's spending on translation increased from Euro 26.5 million in 2012 to Euro 35.8 million in 2023 (Politico, 2023). For decades, the EU has defended this multilingualism rather than moving to the English language only. The linguistic diversity within the EU also significantly influences the cross-border operations of auditors and accountants, despite the substantial harmonization of accounting and auditing rules (see for more detail below). This diversity also impacts the language choices firms make in their reporting.

3. Layers of regulatory framework

The EU accounting landscape is shaped by EU legislation, country-specific laws, and exchange-specific rules (European Commission, 2020). While EU legislation aims to harmonize and standardize accounting and audit practices, country- and exchange-level regulations introduce variability, both across and within Member States. In this section, we dissect these regulatory layers, highlighting key examples from each layer and emphasizing the variations in these regulations that make these settings intriguing for research. We use these variations in the regulatory layers as the foundation for our classification scheme on the accompanying website.

3.1 EU legislation – Accounting regulation and the EU single market

3.1.1 A brief history of accounting regulation in the EU

The EU single market established a common framework and legal basis for financial reporting and disclosure requirements, fostering transparency and simplification of cross-border transactions. The European Parliament and Commission passed multiple Directives and Regulations that affected company reporting and auditing, company law, and security markets; we highlight a few below. EU Regulations have immediate binding legal force throughout all Member States, while EU Directives include certain goals that all Member States must reach. For EU Directives, Member States are responsible for transposing these goals into national laws and can exert some decision-authority in how and when to implement such transposition, allowing for consideration of their specific institutional differences.[5] Member States often also issue national legislation to transpose EU Regulations, defining the local enforcement agencies, inspection and sanctions on the topic. Overall, enforcement of EU Directives and Regulations is mostly left to the Member States, resulting in important variation (see below).

In the early years of the EU, all Member States had their own local GAAP. The first major step towards harmonization was the 4th Company Law Directive 78/660 (Council of the European Union, 1978) which introduced the requirement to prepare unconsolidated (individual) financial statements in 1978. From 1983 onwards, the 7th Company Law Directive 83/349 (Council of the European Union, 1983) also introduced the requirement to prepare consolidated financial

[5] Reaching consensus on EU Directives is often easier for Member States, as they tend to be less detailed compared to EU Regulations. If a Member State does not transpose, the EU Commission can launch a formal infringement procedure and may bring proceedings against the Member State before the Court of Justice of the EU (European Parliament, 2024a).

statements for companies (parents) that control another entity (subsidiary). Therefore, all limited liability companies in the EU must prepare financial statements, independent of their listing status. One of the most notable, and widely studied, regulations that shaped company reporting is the International Financial Reporting Standards (IFRS) Regulation (1606/2002), which adopted IFRS for the preparation of consolidated financial statements by firms listed on EU-regulated public markets in 2005 (European Parliament, 2002). The current accounting rules are laid down in the Accounting Directive 2013/34 (European Parliament, 2013a), which increased the comparability of local GAAPs within the EU (European Parliament, 2013a).

On the auditing side, the Statutory Audit Directive 2006/43 sets minimum requirements for statutory audits, such as the engagement of approved auditors and disclosure of the responsible auditor's identity (European Parliament, 2006). The Statutory Audit Directive has been amended by the Audit Directive 2014/56, which established uniformity in the rules concerning the independence and professional ethics of auditors, and in conjunction with the Accounting Directive 2013/34 laid down the current requirement to publish *audited* financial statements. Almost simultaneously, Audit Regulation 537/2014 improved the statutory audits of public-interest entities, enhancing transparency in the audit market.[6] It introduced mandatory audit firm rotation, the publication of significant risks (key audit matters), and the separation of audit and non-audit services (European Parliament, 2014a). The Statutory Audit Directive 2006/43 also states that statutory audits should comply with the International Standards on Auditing (ISA) as developed by the International Auditing and Assurance Standards Board (IAASB), an independent standard setter. Additionally, both the Statutory Audit Directive 2006/43 and the Audit Directive 2014/56 state that the European Commission (EC) should adopt the ISA, but to date, the EC has

[6] The Audit Directive 2014/56 and Audit Regulation 537/2014 are often jointly labelled as ‘EU Audit Legislation’.

not formally endorsed them. Therefore, there is no requirement to use the IAS across the entire EU. Almost all Member States, however, have voluntarily adopted the ISA. According to the International Federation of Accountants, France and Greece have only partially adopted the ISA.[7]

While taxation is regulated mostly at Member State level, two examples of EU-level tax regulation are the Value Added Tax (VAT) Directive (Council of the European Union, 2006) and the parent-subsidiary Directive (Council of the European Union, 2011a). The VAT Directive harmonized the VAT system across the EU, while the parent-subsidiary Directive aimed to exempt dividends and other profit distributions paid by subsidiary companies to their parent company from withholding taxes, eliminating the double taxation of such income at the level of the parent company. Other examples are the Anti-Tax Avoidance Directive 2016/1164 (Council of the European Union, 2016a), which defines anti-tax-abuse measures, and more recent regulations such as country-by-country reporting (Directive 2021/2101, European Parliament (2021)) and Directive 2022/2523, which introduced the global minimum tax (Council of the European Union, 2022).

As a result of this layered regulatory framework, companies often effectively report under a three-book system: First, firms listed on EU-regulated markets prepare their consolidated statements in line with IFRS. Second, in most countries, the unconsolidated statements of the parent and all its subsidiaries must be prepared in line with local GAAP. Third, with tax mostly regulated at Member State level, firms must file tax returns that differ from IFRS and local GAAP.

3.1.2 IFRS endorsement process

After replacing in 2001 the *International Accounting Standards Committee* that had issued International Accounting Standards since 1973, the *International Accounting Standards Board* (IASB), a part of the IFRS Foundation, started developing IFRS. For an overview of the due

[7] The information is based on the country profiles of www.ifac.org/who-we-are/membership (accessed Nov. 15, 2024).

process that the IASB exerts in the development of these standards, and the various parties involved, we refer to Deloitte (2023). After the IASB publishes a final draft of a new standard or a revision of an existing standard, the EU needs to endorse it before it comes into force. The *European Financial Reporting Advisory Group* (EFRAG), a non-profit organization operating under Belgian law, steps in to evaluate the standards. EFRAG assesses whether the standards meet the criteria for endorsement, as outlined in Article 3(2) of Regulation 1606/2002. For example, IFRS can only be adopted if "they meet the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management" (Article 3(2) 1606/2002). Upon receiving the advice from EFRAG, the EC prepares a draft endorsement of the IFRS standards. This draft is voted on by the *Accounting Regulatory Committee* (ARC) as defined in Article 6 of Regulation 1606/2002. If accepted, the EU Parliament and the Council of the European Union are granted a three-month period to review and potentially oppose the Commission's draft endorsement. If no objections are raised, the Commission's draft is published in the 'Official Journal', making them applicable and legally binding within the EU Member States.

The endorsed 'EU-IFRS' are not necessarily the same as the IFRS issued by the IASB. First, there is a timing difference between the IASB publication and the EU endorsement. Second, the EU can reject or only partially adopt IFRS and leave out certain aspects ('carve-outs'). For example, the EU adopted IAS 39 (Financial Instruments: Recognition and Measurement) except for certain provisions on the use of the full fair value option and on hedge accounting (EY, 2022). Conversely, Dobler (2020) describes that the 'top-up' that "extends the scope of an optional temporary exemption from IFRS 9 from predominate insurers to the insurance sectors of EU-based financial conglomerates" in the endorsement of 'Amendments to IFRS 4' is effectively an unprecedented 'carve-in'.

3.1.3 Security markets regulations

The EU also significantly shaped the securities markets across the Member States. The groundwork was laid in the Financial Service Action Plan (1999 – 2004), which included over 40 regulatory changes to create a single market for financial services (Byard et al., 2021). The four so-called Lamfalussy Directives, named after the former chair of the EU Advisory Committee Alexandre Lamfalussy, constitute the core of the action plan: The Market Abuse Directive 2003/6 aims to prevent insider trading and market manipulation (European Parliament, 2003a), the Prospectus Directive 2003/71 increased IPO prospectus disclosure (European Parliament, 2003b), the Markets in Financial Instruments Directive (MiFID I) 2004/39 was the culmination of the "passporting" efforts discussed above in that it created a single European financial service market (European Parliament, 2004a), and the Transparency Directive 2004/109 harmonized transparency requirements for firms listed on EU-regulated markets, and included the introduction of mandatory quarterly reporting for publicly listed firms (European Parliament, 2004b). The *European Securities and Markets Authority* (ESMA) monitors Member State enforcement activities and collects data on the number of examinations performed and the number of actions taken by local enforcers, but there exists no EU-wide enforcement body.

3.2 Member State-specific rules - variation across countries

Although the EU standardizes numerous aspects of accounting and audit regulation, Member States legislators and authorized private entities play a crucial role in shaping these regulations and their enforcement. These private bodies, often empowered by Member States, include local enforcement agencies responsible for licensing accountants and private organizations that develop and oversee Member State-level accounting and audit regulations. This leads to four distinct types of variations in accounting and auditing regulations across Member States: (1) differences in the set of firms to which regulations/directives apply, (2) variations in the intensity of implementation and enforcement, (3) variations in implementation dates, and (4) the issuance of rules that are Member State-specific and not originating from the EU. We will detail each source of country-level variation and highlight key examples below.

3.2.1 Variation in the set of firms to which regulations / directives apply

EU Regulations and EU Directives specify the set of firms subject to their legislation. However, Member States often are granted the discretion to expand the scope of these laws or to restrict certain exemptions, leading to more stringent requirements in some Member States. A prime example of this is the Accounting Directive 2013/34, which primarily aims to alleviate administrative burdens, especially for businesses categorized as 'micro-undertakings.'[8] However, the Directive also specifies that the discretionary authority to exempt micro-undertakings from certain obligations resides exclusively with Member States, and that Member States can choose to apply it partially, fully, or not at all. Similarly, the Directive allows medium-sized firms to file abridged financial statements and allows small companies an exemption from the obligation to file income statements.[9] However, these strategies to reduce administrative burden are not uniformly applied across the Member States; for instance, Italy mandates that even small firms must file income statements. This variation in the set of firms to which EU directives/regulations apply leads to notable differences across countries in terms of which firms provide income statements

[8] In order to be considered a micro-undertaking, two of the following conditions must not be exceeded: balance sheet (€350,000), net turnover (€700,000), and average employees (10).

[9] Small firms must not exceed the limits of at least two of the following criteria: (1) €4,000,000 total assets; (2) €8,000,000 net turnover; and (3) 50 average employees. Medium-sized firms must not exceed the limits of at least two of the following criteria: (1) €20,000,000 total assets; (2) €40,000,000 net turnover; and (3) 250 average employees. Firms exceeding these criteria are classified as large.

(Beuselinck et al., 2023). Literature has exploited these size-dependent disclosure regulations to cleanly identify causality (e.g., Breuer et al., 2018).

Under the provisions of IFRS Regulation 1606/2002, firms listed on EU-regulated markets are mandated to prepare their consolidated financial statements in accordance with IFRS. Article 5 of the regulation elaborates on this requirement, stipulating that Member States may permit or necessitate these firms listed on EU-regulated markets to also prepare their *un*consolidated accounts (individual accounts) in alignment with IFRS. With respect to firms not listed on EU-regulated markets, Article 5 further states that "Member States may permit or require other firms to prepare their consolidated accounts and/or annual (unconsolidated) accounts in accordance with IFRS." This provision furnishes Member States with the discretion to opt between IFRS and local GAAP for various categories of firms. Such discretion engenders disparities in accounting practices and comparability across different jurisdictions in the EU. These distinctions not only manifest in the choice between different types of firms but also in the type of accounts (consolidated vs. unconsolidated), rendering cross-country comparisons of unlisted firms within the EU a complex undertaking. While all countries permit IFRS for consolidated accounts of unlisted firms (and some require it for certain types of firms such as banks and insurance companies), it is not permitted in some countries for *un*consolidated accounts (e.g., Austria, Belgium, and Germany). An overview delineating the types of firms that are either disallowed, permitted, or required to use IFRS can be found in André (2017) and on our accompanying website.

Another example of variation in the set of firms to which legislation applies is the country-specific definition of public-interest entities (PIE). Many European legislations, for example, the Audit Regulation 537/2014 and the Non-Financial Reporting Directive 2014/95, only apply to PIEs, which consist of all firms that are admitted to trading on an EU-regulated market, credit institutions, insurance companies, and firms that are “designated by Member States as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees” (Audit Directive 2014/56). Consequently, EU Member States have the autonomy to enforce stricter requirements on firms they consider to be of public importance, a designation that varies from country to country. For example, some countries define pension funds, investment companies, Member State-owned companies, or firms that pass certain size thresholds as a PIE. Additionally, countries might change this definition when new Directives are issued (Federation of European Accountants, 2014).

3.2.2 Variation in the intensity of implementation and enforcement

EU Directives necessitate transposition into national law by each Member State, creating variation in how they are incorporated into their legal frameworks. Such variations emerge as Member States adapt Directives in alignment with their distinct legal and administrative systems, and potentially even political considerations may influence the manner of implementation. While the European Commission is overseeing the implementation of Directives, as one area of variation in intensity of application, the responsibility for enforcement within national jurisdictions resides with the Member States, leading to divergent levels of compliance across Member States.

Despite the Accounting Directive 2013/34 specific aim to “ensure the clarity and comparability of financial statements” (European Commission, 2022), the flexibility afforded in local GAAP results in another particular area of variation in the intensity of application. This variation emanates from the individualized systems within each Member State concerning the development of local GAAP and the assignment of responsibility for this task. Consequently, there are substantial differences across countries in the national transposition of Directives and important differences in local GAAPs. For example, Spanish GAAP is based on the General Chart of Accounts (*Plan General de Contabilidad*) issued by the Accounting and Auditing Institute (*Instituto de Contabilidad y Auditoría de Cuentas*) (Mora, 2017). In Germany, local GAAP is mainly described in the German Commercial Code (*Handelsgesetzbuch*, HGB) (Fülbier et al., 2017), and UK GAAP is embodied in the *Companies Act 2006* (Collis et al., 2017).

In contrast to EU Directives, EU Regulations do not have to be transposed into national law, although many Member States often do so to define the competent national authorities (i.e., the local enforcement agencies), inspection, and sanctions on the regulated topic. Nevertheless, also EU Regulations may not be applied uniformly across countries. For example, the IFRS Regulation 1606/2002 states that Member States "are required to take appropriate measures to ensure compliance with international accounting standards." However, there is substantial variation in how Member States design enforcement of this exemplar EU Regulation. Countries like Germany[10], Austria, and Sweden have special enforcement agencies, while for other countries, the securities market regulator or the central bank might be responsible.

The *European Securities and Markets Authority* (ESMA, introduced in Section 3.1.3) only monitors local enforcement activities and publishes guidelines on enforcement. Local enforcers are required to confirm in writing to the ESMA whether they comply, intend to comply, or do not (intend to) comply with the guidelines. Currently, Austria, Bulgaria, and the Netherlands are not fully compliant, and Greece, Hungary, and Malta intend to comply in the future (European Securities and Markets Authority, 2023a). Since enforcement is not harmonized, enforcement actions vary among Member States (see Table 1). In 2022, enforcers undertook 640 examinations

[10] The 2004 Bilanzkontrollgesetz (balance sheet control act) introduced the German Financial Reporting Enforcement Panel (FREP), a private-law entity. However, as a result of the Wirecard scandal, the FREP stopped its activities and the Federal Financial Supervisory Authority (BAFIN) is solely responsible for examining the financial statements of publicly listed firms since January 2022. Heese (2022) attributes some of the FREP's weakened oversight to it allowing its senior regulators to serve on boards of public firms during their FREP tenure.

(16% of issuers whose securities are admitted to trading on EU-regulated markets), which led to 225 enforcement actions, mostly requiring a correction in future financial statements (179), and in a few cases a public corrective note (30) or a re-issuance of financial statements (16) (European Securities and Markets Authority, 2023b). However, the proportion of issuers examined in EU countries varies between 5.9% (Croatia) and 67.9% (Slovakia). Similarly, the proportion of actions taken varies between zero percent (Croatia, Estonia, Latvia, and Slovenia) and 15.8% in Luxembourg. Lastly, the proportion of actions taken per examination ranges between zero percent (again, Croatia, Estonia, Latvia, and Slovenia) and 100% (Romania).

<<< Insert Table 1 here. >>>

While many EU Member States have (partially) adopted the International Auditing and Assurances Standards Board (IAASB)'s International Auditing Standards (IFAC, 2022), the auditing profession itself remains largely organized nationally, leading to variations across Member States. For example, while the Audit Directive 2006/43 sets a minimal basis for access requirements to the audit profession, there are considerable differences as to who can become an auditor across Member States. The approval and registration of statutory auditors are among the most frequently delegated tasks. For example, ten Member States allow access to the auditing profession even without a university degree, and in these cases, the necessary practical training period varies between 5 and 15 years (Jahn and Loy, 2023).

3.2.3 Variation in implementation dates

Some EU Regulations and Directives may not lead to an implementation in a Member State, because a Member State may have already instituted a specific measure for unrelated reasons, making further implementation unnecessary. For example, Regulation 537/2014 requires the publication of key audit matters for all public interest entities since 2016, but France already had a similar rule in place since 2003 (Bédard et al., 2019), the Netherlands since 2014 (Woudenberg et al., 2021), and the UK since 2013 for firms listed on EU-regulated markets (Gutierrez et al., 2018; Porumb et al., 2021) and since 2017 for firms listed on the Alternative Investment Market (Gutierrez et al., 2022a). Similarly, the regulation requires mandatory auditor rotation, which Italy has had in place since 1975 every nine years (Cameran et al., 2016, 2015; Horton et al., 2021). Another example is the requirement to take appropriate measures to ensure compliance with the IFRS Regulation (1606/2002). Christensen et al. (2013) argue that only a few countries (e.g., Finland, Germany, the Netherlands, Norway, and the UK) made substantive changes to the enforcement of financial reporting.

Conversely, most Directives require transposition into national law by a stipulated deadline, and factors such as national legal processes, political priorities, and administrative capacities may influence the pace of this process (Christensen et al., 2016). While some Member States may complete the transposition prior to the deadline, others may do so only just-in-time or even subsequently. Consequently, implementation dates frequently diverge from the formal transposition deadlines. This temporal variation can and has been used by researchers in their research designs. For example, the Transparency Directive 2004/109 was implemented between 2007 and 2009, and the Shareholder Rights Directive 2007/36 between 2009 and 2012 (Bonetti et al., 2020).

3.2.4 Country-specific rules

Country-specific rules, by definition, create variation across EU Member States. For example, with some EU-level exceptions, tax policy remains largely the sole responsibility of the Member States. Member States are free to set the statutory tax rates for corporate taxation and tax-loss offsetting rules. However, the EU has established some measures to prevent double taxation or double non-taxation (i.e., the case in which profits are not taxed at all). Furthermore, there are many bilaterally negotiated double-tax treaties between Member States.

The 2013 "Say-on-Pay" regulation that mandated enhanced disclosure of executives' renumeration and the 2010 UK Bribery Act are examples of regulations that were implemented at the country level in the UK. Other examples include the 2014 anti-takeover law in France, the 2023 supply-chain act in Germany, changes in audit size thresholds in Italy in 2020, and the introduction of a minimum tax in Slovakia in 2014, which was again abolished in 2018. Furthermore, some countries (e.g., the Czech Republic, Hungary, and Italy) also introduced a requirement for EU-regulated listed firms to prepare unconsolidated statements using IFRS.

3.3 Exchange-specific rules - Variation across/within countries

3.3.1 Variation in the set of firms to which regulations / directives apply

Variations across countries and even within countries can stem from exchange-specific rules. Most stock exchanges in Europe distinguish between EU-regulated market segments and exchange-regulated market segments, and stock exchanges are free to choose if a market segment is EU-regulated or not.[11] This distinction is important as many EU Regulations and Directives only apply to firms listed on EU-regulated markets. For example, the Market Abuse Directive[12], Transparency Directive, and IFRS Regulation only apply to EU-regulated markets. Thus, firms listed on market segments that are exchange-regulated are not required by the European Commission to prepare their consolidated accounts in accordance with IFRS.

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[11] The list of EU-regulated exchanges can be found here: https://finance.ec.europa.eu/publications/list-eu-regulated-markets_en . Note that the stock exchanges typically have multiple segments, some of which can be EU-regulated and some of which can be exchange-regulated.
[12] The Market Abuse Directive was replaced by the Market Abuse Regulation 596/2014 in 2016 (European Parliament, 2014b). The Market Abuse Regulation expands the scope of the Market Abuse Directive to non-EU-regulated markets. The aim is to prevent insider trading and market manipulation.

However, some exchange-regulated markets allow or even require IFRS (Byard et al., 2021; Pierk, 2018), which leads to differences across and within countries in whether publicly-listed firms apply IFRS. For example, firms listed on the 'Scale' market segment of the Frankfurt Stock Exchange can voluntarily adopt IFRS, but firms listed on the Alternative Investment Market at the London Stock Exchange have been required to use IFRS since 2007. Similarly, Audit Regulation 537/2014 does not apply to exchange-regulated markets, but the London Stock Exchange has required expanded auditor reports since 2017 (Gutierrez et al., 2022b).

3.3.2 Variation in the intensity

Stock markets often require more detailed or more frequent disclosure for some of their stock market segments than what is required by the EU. For example, the Transparency Directive 2004/109 required quarterly reporting for firms listed on EU-regulated markets. However, these reports were only required to include an explanation of material events and a general description of the financial positions (Article 6). The Transparency Directive Amendment Directive 2013/50 made even those interim reports no longer mandatory. Yet, Bornemann et al. (2023) show that most firms continued to file quarterly after the interim report mandate was abolished, but most firms reduced the amount of disclosure. However, certain stock exchanges continue to mandate quarterly reports, primarily for their main market segments where the largest firms are typically listed, and which are often also EU-regulated. These quarterly reports can range in complexity from relatively rudimentary overviews highlighting significant events and key financial positions to comprehensive, fully audited quarterly reports. Note that Directive 2013/50 amended the Transparency Directive and quarterly reports are no longer mandated by the EU (European Parliament, 2013b).[13]

[13] An overview of the quarterly reporting requirements for 15 European countries can be found in Table 2 of Hitz and Moritz (2019).

4. Methodology, accompanying website and classification

4.1 Methodology to identify relevant regulatory changes

Our strategy to identify relevant regulatory changes is as follows: First, we consider all publications included in the Scopus database in the top-15 accounting journals and *Accounting in Europe* between 1993 and 2021.[14] Within these 15,048 publications, we initially screen for all country names and 'Europe', and variations thereof (e.g., 'Denmark' and 'Danish') in the title, abstract, or keywords. In total, we identified 2,660 unique papers that include these search terms, with some papers mentioning multiple countries, resulting in 3,342 paper-country combinations. We systematically review these papers to identify regulatory changes. Second, we screen the last 5,000 publications in the SSRN accounting research network (originally posted between March 2021 and January 2022) to identify recent institutional changes described in working papers that have not yet been published. Since the data is not available in a database, we gathered the title, abstract, and keywords from each publication. Within these 5,000 working papers, we identify 455 unique papers that include country names in the title, abstract, or keywords. We again review these to identify regulatory changes. Third, we additionally engage with primary sources such as IAS Plus, and the websites of the ESMA and Euronext. We use a searchable website of all legislative EU documents[15], search all titles for the keywords "account", "statutory audit", and "tax" and

[14] Top-15 accounting journals are selected based on the 2020 impact factor ranking of journals with at least a 4-year impact factor history. In alphabetical order: Accounting and Business Research, Accounting, Auditing, & Accountability Journal, Accounting and Finance, Accounting Horizons, Accounting in Europe, Accounting Organizations and Society, British Accounting Review, Contemporary Accounting Research, European Accounting Review, International Journal of Accounting Information Systems, Journal of Business Finance & Accounting, Journal of Accounting and Economics, Journal of Accounting and Public Policy, Journal of Accounting Research, Review of Accounting Studies, and The Accounting Review. We acknowledge that other journals have published research studies using regulatory changes in the EU. We believe that the next steps in our process likely identify the most relevant studies in journals not included in our initial selection.

[15] https://eur-lex.europa.eu/browse/directories/legislation.html?displayProfile=allRelAllConsDocProfile&classification=in-force#arrow_01

assess all the hits for relevance. Fourth, for every relevant regulatory change identified in one country, we checked if it is applied in other countries.

Fifth, we contacted all national representatives of the *European Accounting Association* as well as EU Member State representatives of the *International Accounting Section* of the *American Accounting Association* to request their input on whether we have missed an important regulatory change in their country or an important paper that studies any of the regulations in their country's context, incorporating any feedback we got. We focused first on country-level expertise, as the probability of a regulation being under-researched is higher for a specific country-level regulation than for an EU-level regulation. Sixth, we contacted the authors of all cited papers on the website with a link to an online questionnaire to ask for additional input on references that our screening algorithms may have missed, with a particular focus on the country where they are experts. The response rate was approximately 38% (92 out of 255 active email addresses), but it is possible that authors did not respond if they did not notice any missing regulation. Seventh, of the 2,660 unique papers we identified in the top-15 accounting research journals that mentioned our search terms, 753 were published in the last 5 years, and hence are presumably written by researchers still actively publishing accounting research. Approximately 1,500 unique authors contributed to these papers. To the extent possible, we collected the email addresses of these authors and sent out a mailing to refer those researchers to the paper and the website, accompanied by an online questionnaire should they have additional input.[16] Eighth, we screened an additional five journals in which tax research is published to ensure broad coverage of studies on corporate tax regulation.[17]

[16] The main aim of this emailing phase was to raise awareness of the website and the paper. Therefore, the response rate in this stage is low, as we do not explicitly ask recipients to fill out the survey yet only use it should they note a missing regulation or have further feedback.
[17] These journals are the Journal of the American Taxation Association, International Tax and Public Finance, Journal of Public Economics, American Economic Journal: Policy, and the National Tax Journal.

Nineth, we identified countries for which we did not receive much input, and we further contacted local accounting experts in those (using a mailing list maintained by one of the coauthors as well as searching for accounting faculty on university websites) to identify relevant changes not mentioned in existing publications. We also scoured practitioner resources for these countries. Overall, across all our feedback efforts, we achieved broad country and topical expert coverage.[18]

Regulation changes specific to a certain industry are not included. For example, banks, utilities, non-profit and governmental agencies, real estate, insurance, asset management, and agriculture are highly regulated sectors, that face a lot of additional regulatory requirements specific to only that sector, warranting to be studied separately. Additionally, we did not include regulatory spillover from other jurisdictions such as EU-based subsidiaries of U.S.-listed firms subject to the Sarbanes-Oxley Act. Lastly, we subjectively determined if the changes were minor and we excluded those. For example, we excluded corporate tax rate changes below three percentage points. Overall, we acknowledge that there exists subjectivity in what we identify as relevant or important regulatory changes.

4.2 Classification of regulatory changes

We classify every regulatory change along two dimensions. The first dimension is the topical domain and uses four categories: *Financial Accounting* (*FA*), *Audit*, *Tax*, and *Other*. The first topic (*FA*) covers changes to the financial accounting system, which includes, for example, changes in recognition and subsequent measurement of assets and liabilities as well as disclosure rules. Regulatory changes are mostly due to EU Regulations and EU Directives, changes to the local GAAP system, or disclosure rules of the stock market regulators. The second topic (*Audit*)

[18] Across all our feedback request efforts, we have engaged in significant ways with experts from all covered countries other than a handful of smaller formerly East European countries, and with roughly 80, 20 and 35 experts specializing in financial accounting, tax and auditing, respectively.

includes changes to audit regulations and audit oversight. Regulatory changes are mostly either due to EU Regulations and EU Directives, or changes to the audit system. The third topic (*Tax*) is related to changes in corporate taxation; for example, major tax rate changes or changes in tax-loss offsetting rules. All accounting regulatory changes that do not fall into the previously mentioned categories are classified as *Other*, e.g., regulations related to corporate governance, initial public offerings (IPO), or mergers and acquisitions (M&A).

The second dimension classifies regulations based on the set of affected firms into four categories: *All Firms* (applying to all firms albeit with varying size thresholds and sometimes excluding smaller private firms), *Public Interest Entities (PIE)* (including in most Member States public firms listed on EU-regulated markets, banks and insurance companies, and often large private firms), *Firms listed on EU-regulated markets (Public-EU)*, and *Firms listed on exchange-regulated markets (Public-Other).* The definition of PIEs is country-level, and, therefore, may include any company that the country classifies as such.

4.3 Accompanying website

The accompanying website (http://www.eu-regulations.com) provides a comprehensive overview of accounting regulation in the EU. For each country, we provide the following information. First, the website presents a graphical overview of the regulatory changes over time for each country. This graphical overview uses a color-coding that classifies the topic of the regulation as *Financial Accounting* (purple), *Auditing* (blue), *Tax* (green), and *Other* (red). It uses shape-coding to indicate the application of regulations to *All* firms (circle), *PIE*s (triangle), *Public-EU* (square), and *Public-Other* (plus sign). Regulations affecting public firms only are indicated above the timeline, while regulations affecting a broader set of firms are below the timeline.

Second, below the timeline for each country is a list of all regulatory changes with a brief description. We caveat that we do not discuss each regulation in detail but include links to the respective official documents, regulations, or IFRS standards (if applicable), and a paper that discusses the respective change (if available) where the interested reader can dive deeper. The EU legal text to which we link under the "EU Regulations" tab on the website includes the rationale behind each regulation and directive under the "aims and scope" section, and the links to the IFRS standards typically also lay out such rationale for these. If official documents are not available, we refer to secondary sources.[19] The papers mentioned cover the respective country if such paper is available. However, in the case of EU Directives and EU Regulations, the papers might mention the Directive and national transposition into another country if no country-specific paper is available. For EU Directives, we included the official transposition deadline as reported by the European Commission, unless we found the entry-to-force date in the literature (denoted with a * on the website).[20] The "papers" and "SSRN" tabs list the full references of, respectively, published and working papers on accounting in the respective country.[21]

Third, the tab "number of regulations" provides a graphical overview of the number of regulatory changes eight years around a given year in the country. Fourth, the tab "number of categories" shows the number of different topical areas (Financial Accounting, Auditing, Tax and Other) affected by regulatory changes for eight years around a given year in the country. The next section will explain how we use the information in these last two graphical overviews to identify coinciding and hence potentially confounding events in research studies on a specific regulation,

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[19] The transposition of EU Directives often affects several local laws. If the transposition affects three or fewer local laws, we list these, separated by three slashes ('///'). If more than 3 are affected, we state 'National transposition into several laws' and link to the EU Directive itself.

[20] The information that is available in tabular format on the website can be downloaded in csv form here: http://www.eu-regulations.com/source_data.csv.

[21] Note that this list is compiled by searching accounting journals for country names, so many of the papers do not concern a change in an accounting regulation.

and particularly the role of interdisciplinary (cross-sub-discipline) awareness. While the website includes forward-looking regulatory changes until 2027, the graphs and analysis in the next section only cover regulatory changes until 2022 to have a clean cutoff point where we can be reasonably sure we have captured all existing regulatory changes.

5. Improving research designs: coinciding regulatory events

5.1 General trends

The overview of regulatory changes over time per country helps authors, reviewers, and editors to see which events may coincide with the regulatory event of interest. If these coinciding events also affect the outcome of interest, they are confounding events, threatening the validity of a finding that connects the regulatory event of interest to the outcome of interest. Of course, not every coinciding regulatory event is a confounding regulation. For example, the coinciding regulatory event may not affect the outcome of interest, or treatment and control firms may be affected equally. Nevertheless, it is important to be aware of potentially confounding events, and we hope our regulatory overview will be useful in helping authors think through which events may or may not be confounding, thereby avoiding wrong conclusions in their research findings.

Our work shows that the number of coinciding regulations may be large. We aggregate the data on the country websites by counting the number of regulations implemented in the EU countries and the UK over time, using the framework of a typical difference-in-differences design that looks at event year t=0 and includes a pre- and post-period of four years, respectively.[22] Figure

[22] To determine what is "typical", we looked at the 45 papers that mention an EU country and use a difference-in-difference design published in The Accounting Review, Journal of Accounting and Economics, Journal of Accounting Research, and Review of Accounting Studies. The difference in difference test windows used in these papers range from 2 to 27 years. The average window is 8 years, and this is also the most frequently used window (10 out of 45 papers). In almost all cases, year 0 is part of the post-period. Additional versions of Figures 1, 2, and 3 are available on the website (http://www.eu-regulations.com/Different_diffn_diff.html), reporting on alternate windows that range from event-year only through 10 years.

1 plots the average number of accounting regulations implemented across all countries over the period t-4 to t+3 in year t=0. We observe a very noticeable peak in the 2014-2019 period, with an average of more than 22 regulations in the eight-year period around each of those years.

<<< Insert Figure 1 here. >>>

Figure 2 plots this average number of accounting regulations over the eight-year period by category (Financial Accounting, Auditing, Tax, and Other). The 2014-2019 peak is largely driven by Tax regulations and, to a slightly lesser extent, Financial Accounting regulations. To combat corporate income tax avoidance, the EU introduced several Directives on Administrative Cooperation ("DAC"), starting with Directive 2011/16 (Council of the European Union, 2011b), and Directive 2016/1164 (Council of the European Union, 2016a), better known as the first Anti-Tax Avoidance Directive ("ATAD I"). In Financial Accounting, the Accounting Directive 2013/34 (European Parliament, 2013a) and the elimination of mandatory quarterly reports through the amendment of the Transparency Directive 2013/50 (European Parliament, 2013b) were key changes. Auditing contributed to the peak, with the Audit Directive 2014/56 (European Parliament, 2014c) and the Audit Regulation 537/2014 (European Parliament, 2014a) that improved audit market transparency. The most important "other Disclosure" regulation during this period was the Non-Financial Reporting Directive 2014/95 (European Parliament, 2014d).[23]

<<< Insert Figure 2 here. >>>

Table 2 presents the average number of accounting regulations over the 8-year period by country-year. The *column* labeled "avg" is the average across all countries over time, as plotted in Figure 1. Countries have an average of 16.3 regulatory events per year, ranging between 14.3 for

[23] A country-specific version of Figure 2 is available on the website for each country.

Croatia and 20.9 for Germany.[24] The *column* labeled "1" indicates the count of countries in which in the eight years around that year (from t-4 to t+3) only one regulatory event occurred and would hence provide a clean treatment in a research design. There are fourteen such country-years, which make up less than 2% of all country-years covered (14/784). Noticeably, those country-years tend to be early years after the formation of the EU, and there have been no such definite clean treatment country-years since 1999. The *row* labeled "1" indicates similarly the count of clean treatment years for each country over time. It averages 0.5 years across countries and ranges between zero (no 'clean setting' for Austria, Belgium, Bulgaria, Czech Republic, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Lithuania, Luxembourg, Poland, Romania, Slovakia, Slovenia, Spain, Sweden, and the UK) and four (Malta). Note that these tabulated "clean treatment country-years" provide a lower bound on the number of country-years that are not impacted by confounding events, as these are calculated on the assumption that every regulation happening in this country over the eight-year period also affects the outcome of interest. Careful consideration of the various regulatory events will most likely lead authors to conclude that some of these regulations are *not* impacting the outcome of interest, and hence, are not to be considered confounding events.

The last *column* labeled "0" indicates the count of countries in which in the eight years around that year (from t-4 to t+3) no regulatory events occurred and would hence provide an entirely clean control group in a research design. There is one such country-year, which makes up around 0.1% of all country-years covered. Again, this year takes place in the early years (i.e., 1999) after the formation of the EU. Lastly, the *row* labeled "0" indicates similarly the count of clean control years in each country. It averages 0.04 and is zero for all Member States other than Malta.

[24] We acknowledge that, although we applied an extensive search and feedback process, we may have missed some regulations in some countries, and that there may be some bias in this measurement error given it is harder to identify the regulatory changes in understudied countries.

<<< Insert Table 2 here. >>>

5.2 Interdisciplinarity

One of the challenges we previously highlighted is that researchers tend to be topical experts and may, therefore, be less aware of the institutional detail outside their primary area of expertise. For example, a financial accounting researcher may not be up to date on tax regulatory changes, or a tax researcher may not be aware of changes to auditing regulation. Yet, presumably, researchers should be familiar with changes to regulation within their own discipline. To understand how large the potential of coinciding events that cross disciplinary lines is, and hence unfamiliarity likely a larger problem, we repeat the analysis of Table 2, but now count the number of different categories of regulations that would be changing in a difference-in-difference design over a 8-year period (from t-4 to t+3) for a given country-year. Given that we capture four categories of accounting regulation (Financial Accounting, Auditing, Tax, and Other Regulations), this number ranges from zero to four. Table 3 shows this analysis. As the *column* labeled "avg" shows, the average number of categories affected across years is 3.4, indicating that coinciding events cross between three and four disciplinary lines, and making it likely that specialized researchers may not be fully aware of these events. Figure 3 graphs this average over time. Notably, during the previously identified peak regulatory period (2014-2019), we see that, on average, four or close to four different disciplinary categories are affected. Also, the average never drops below two.[25] Coinciding regulatory events in accounting are interdisciplinary by nature.

<<<< Insert Table 3 and Figure 3 here. >>>

The column in Table 3 labeled "1" indicates the count of countries in which in the eight years around that year (from t-4 to t+3) only one discipline within accounting regulation was

[25] A country-specific version of Figure 3 is available on the website for each country.

affected. There are 36 such country-years, entailing that only in around 4.6% of country-years (36/784) a specialized researcher is likely aware of all the regulatory changes, and again highlighting the need for interdisciplinary expertise beyond the multi-country institutional knowledge needed when using a sample that pools multiple EU Member States. The years when, on average, around two disciplines were affected were in the early years after the formation of the EU. The row in Table 3 labeled "1" indicates the number of years by country in which only one discipline within that country's accounting regulation was affected. The average is around 1.3 (36 / 28 countries), indicating that over the 28 years covered from 1995 to 2022 a country has just over one period of eight-year spells where regulatory changes only affect one discipline within accounting. This number ranges between 0 periods (Austria, Belgium, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Lithuania, Luxembourg, Poland, Romania, Slovakia, Slovenia, Spain, Sweden, and the UK) and seven periods (Croatia).[26]

5.3 Specific highlights

Our analysis serves to illuminate specific country-years where the assumptions of a difference-in-difference design may not hold if the coinciding events are judged to be also confounding, pinpointing areas in which replication studies could be instructive. Our objective is not to target any singular study for replication nor to undertake such replication ourselves within the confines of this paper. A fair and just examination of such exercise would necessitate a focused exploration of a single setting, requiring a level of detail that diverges from the broader perspective of this paper. Moreover, we acknowledge that many studies examining specific regulations have appropriately controlled for potential confounding events, and we do not assert otherwise here. Furthermore, we want to reiterate that it is conceivable that not all coinciding regulations are

[26] Note that Croatia only joined the EU in 2013, which is explains why there was less regulatory activity before then and why Table 2 shows a large catch-up effort on EU regulation reaching a count of 25 for the years 2014-2015.

pertinent in every context, and that for certain research questions, neither the treatment nor control group may be affected by a particular regulation. Nevertheless, based on the guidance our work offers in identifying potential concerns, future studies may re-evaluate specific previous studies and their conclusions. Additionally, our paper can help researchers anticipate which alternate regulations a reviewer or editor may be concerned about and explain why these are not confounding events. If coinciding events are judged to be confounding, the researcher may attempt to find an alternate setting to study the research questions or, at a minimum, acknowledge the confounding events.

Nevertheless, we now focus on two specific cases where we observe a heightened number of coinciding events. First, the 2005 introduction of IFRS represents one of the most scrutinized regulatory shifts in accounting research.[27] Many studies have attributed important economic outcomes to IFRS adoption; however, there were simultaneous changes that may complicate these interpretations. These concurrent shifts could either affect whether a firm genuinely reports under IFRS, creating potential measurement error, or influence the economic outcomes themselves, creating potential confounding events problems. An illustration of the former concern centers on many stock exchanges introducing new market segments in which firms could choose whether they followed local GAAP or IFRS around the time of the IFRS introduction. For example, the New York Stock Exchange opened the market segments “Alternext Brussels” in Belgium, “Alternext Paris” in France, “Alternext Amsterdam” in the Netherlands, and “Alternext Lisbon” in Portugal in May 2005. Similarly, the Frankfurt Stock Exchange opened the market segment “Entry Standard,” and the Luxembourg Stock Exchange opened the market segment “Euro MTF”

[27] For a comprehensive literature review of the IFRS adoption literature, we refer the reader to De George et al., (2016).

in October 2005. None of these new market segments require compliance with the IFRS regulation, and firms can choose to follow local GAAP or IFRS.

Examples of other coinciding changes encompass significant regulatory events that occurred around the same time as the IFRS introduction. These include the 2006 Disclosure Directive, which introduced penalties for non-disclosure of financial statements, increasing the number of firms that have transparent financial information (Bernard, 2016); the 2007 Transparency Directive, introducing mandatory quarterly reporting for publicly listed firms, increasing the frequency with which information comes to the market (Ernstberger et al., 2017); and the 2007 M&A Directive, harmonizing the legal basis for cross-border mergers in the EU, thereby facilitating economic activity. Thus, in this intricate regulatory environment, a pre-post analysis employing a difference-in-difference design may oversimplify the setting and economic outcomes could be erroneously attributed to the IFRS regulation, overlooking the confluence of influential factors that shaped the accounting landscape during this period.[28]

Second, while it is a common assumption that all EU publicly listed firms began using IFRS in 2005, Pownall and Wieczynska (2018) show that this assumption is inaccurate. Some firms used the option to defer IFRS by two years, and other firms are not required to use IFRS since they do not provide consolidated statements or are not listed on an EU-regulated market. Nobes and Stadler (2023) show that this non-adoption is *not* non-compliance. Furthermore, many take the entire post-2005 IFRS period to be somewhat “fixed” over time, even though it is clear from the timelines that IFRS is constantly changing, with IFRS 7 through 17 introduced between 2007 and 2023. The various country-level timelines also show that local GAAP has changed a lot over this time period. The EU Directive 2013/34/EU aimed to increase the comparability of local

[28] Two examples of papers that carefully revisited effects of IFRS are Byard et al., (2021) and Christensen et al., (2013).

GAAP within the EU as well as between local GAAPs and IFRS. However, with that much change in both IFRS and the various local GAAPs, it is challenging to study the effect of this Directive in ensuring longitudinal comparability. Private equity firms are aware of this lack of comparability over time and make adjustments to facilitate comparability with prior similar transactions (Bourveau et al., 2023); for example, they adjust for IFRS 16 (the new leasing standard) to ensure that the estimated multiples in their valuations are comparable over time.

6. Opportunities for research

While the prior section urges researchers to exert caution when using the various regulatory changes in research designs, this section highlights the various interesting opportunities for research we see. It first outlines six aspects of the EU's institutional setting that make it compelling for study. Next, we explore research opportunities along three dimensions: understudied countries, previously under-researched regulations, and recent and upcoming regulations.

6.1 The EU as a setting

At least six aspects of the institutional context of the EU make it very interesting to use as a research setting. First, since all limited liability firms, independent of their listing status, must file financial statements, and Bureau van Dijk data collects this information[29], the European Union is particularly suitable for researching private firms. Since private firms represent close to 43% of corporate assets and employ the majority (61.8%) of the total workforce in Europe (Beuselinck et al., 2023), and the vast majority of these firms use local GAAP, understanding the determinants and consequences of changes in local GAAP is as important as examining the determinants and

[29] For the European Economic Area, the Amadeus data base maintained by Bureau van Dijk consists of 99.87% private firms (Beuselinck et al, 2023).

consequences of IFRS.[30] Additionally, since the vast majority of public firms' subsidiaries are privately owned (by public firms), this setting and data provide ample opportunity to study group structures. We refer to Beuselinck et al. (2023) for an overview of research opportunities on private firms using a three-pronged structure: (1) research opportunities to understand private firms per se, (2) research opportunities to understand the difference between private and public, and (3) using private firms as a research setting.

Second, as previously explained, companies listed on exchange-regulated markets operate under a different regulatory framework. Although their shares are publicly traded, they are not subject to most security market Directives and the IFRS regulation. While a few firms may choose to adopt IFRS or offer supplementary information, there remains a gap in our understanding of the demand and supply of accounting information and auditing within these markets.

Third, as we mentioned before, the layered framework of regulation in the EU creates substantial variation in the intensity of implementation and enforcement. We only have a limited understanding of why countries choose certain options allowed within the Directives, such as which firms are allowed or required to use IFRS, or why countries exempt smaller firms from some administrative burdens or choose not to do so, or why countries choose different levels of enforcement[31]. Potential differences might be explained by differences in legal systems, administrative processes, tax considerations, differences in funding opportunities, or shareholder composition. Furthermore, new EU regulations build on both the existing local GAAP regulation as well as prior EU regulations implemented with varying degrees of intensity. Therefore, the

[30] Consistent with that, several papers have already homed in on country-specific major local GAAP changes: Germany in 2010 (Pierk and Weil, 2016), Ireland in 2015 (Arafat et al., 2020), Malta in 2009 (Alexander and Micallef, 2011; Micallef, 2017), Portugal in 2010 (Guerreiro et al., 2015; Isidro and Pais, 2017), Sweden in 2003, Spain in 2008, and the UK in 2015 (Arafat et al., 2020).

[31] To our knowledge, there are not currently any good proxies available for the intensity of enforcement that can be easily compared across different Member States, exactly because enforcement is organized differently in each Member State. Further research constructing such empirical proxies would be highly valuable.

change brought on by new regulation is not uniform across all Member States, and more work is needed to understand the effect of differing existing regulatory environments, making it crucial to develop proxies comparing local GAAP across Member States. For example, prior evidence suggests that regulations aiming at the convergence of practices across jurisdictions will not necessarily lead to convergence but rather to divergence based on initial differences in the quality of institutions and enforcement (Christensen et al., 2016). As another example, EU regulation may potentially lead to different effects in code versus common law countries. After Brexit, Ireland is the only remaining member of the EU that is governed under common law.

Fourth, there are 24 official languages spoken in the EU, making it a very interesting setting to study the importance of commonality or lack thereof in languages spoken on the financial accounting, auditing, and tax functions, as well as on the accessibility of financial statements by audiences of differing language ability.[32] Jeanjean et al. (2015) find that firms issuing an annual report in English in addition to the local-language report is associated with a decrease in information asymmetry and an increase in analyst following. In an experiment where participants had to classify a person as a related or non-related party following the relevant accounting standard where they were given either the English-language or translated into local language version of the text of the standard, Holthoff et al. (2015) find that the use of the mother tongue version of the standard improved the classification, potentially affecting both the provider and the auditor of this financial information. Understanding that languages may create barriers in audits of multi-nationals, global audit firm networks may employ bilingual professionals during a group audit

[32] Language differences are also correlated with culture differences. The EU is a setting with major across and within country variability in culture (Kaasa et al., 2014). This provides for interesting research opportunities such as on the effect of culture on teamwork in the auditing process or on tax compliance.

(Deloitte, 2021). A particular regulation that researchers could investigate is Denmark, which requires English-only annual financial reports in 2014.

Fifth, as mentioned before, only 20 out of 27 EU countries use the Euro as their currency; other countries use their local currency. The functional currency of an entity is determined based on the primary economic environment where it operates and generally a foreign currency transaction is recorded using the spot conversion rate on the date of the transaction (IAS 21). To include entities with a different functional currency in consolidated financial statements, the functional currency will be translated into the reporting currency. Foreign currency translations are, hence, an interesting topic to research in this setting. For example, Hribar and Collins (2002) show that errors in estimating accruals are large in the presence of foreign currency translations.

Sixth, each Member State of the EU has its distinct tax policy, and the EU offers a dynamic environment when it comes to tax policies and tax rate variations. This is in stark contrast to the US, where the corporate tax rate has been fairly stable over time, except for the 2017 Tax Cuts and Jobs Act (TCJA), which reduced the corporate tax rate from 35% to 21%.[33] Data availability in the European Union, combined with the many tax policy changes, can serve as a laboratory for answering country-specific as well as broader research questions. For example, recent examples of tax rate changes (expressed in percentage points) in the EU include Belgium in 2020 (-4.4), France in 2021 (-3.6), Greece in 2018 (-5.0), Hungary in 2017 (-10.0), and Latvia in 2018 (+5.0).

6.2 Under-researched countries

Echoing Leuz and Wysocki's (2016) observation of an overemphasis on the US in accounting research, with unequal attention paid to other countries, we also notice a similar imbalance within the EU, where accounting research studies disproportionately focus on certain

[33] The TCJA included not only a tax rate change, but a whole range of policy changes. For example, the TCJA implemented a shift from a worldwide tax system to a territorial tax system for multinational corporations.

Member States. While some countries (e.g., the UK) are widely studied, other economically important countries within the EU are rarely studied, although data is widely available. For example, 13 counties were added to the EU in 2004/2007/2013[34] that account for 11.1% of the EU's GDP in 2020 and 23.6% of all firm observations from the EU in Bureau van Dijk's Amadeus database in 2019 (with non-missing total assets).[35] However, Table 4 shows that these countries are covered in only 3.31% of the EU studies in the top-15 accounting journals. One issue of interest is that late joiners must quickly translate numerous earlier EU Regulations and Directives, often facing simultaneous regulatory changes. For example, Croatia exhibits a notable peak in regulatory activity at the time of joining the EU (2013) (http://www.eu-regulations.com/croatia.html).

<<< Insert Table 4 here. >>>

As a statistic to measure the amount of research attention relative to the economic importance of a Member State, we calculate the number of publications per one billion GDP and report this metric in Table 4. For the average country, we find 0.115 publications per one billion GDP, with a minimum of 0.027 (Luxembourg) and a maximum of 0.359 (UK). We classify countries as understudied in the top-15 accounting journals when the ratio of publications per one billion GDP is below 0.05. These countries are Austria, Bulgaria, Hungary, Luxembourg, Poland, Romania, and Slovakia. For most countries, the Bureau van Dijk Amadeus database provides data on more than 100,000 firms (with a maximum of 736,154 for Romania).[36] These countries make for interesting research settings in their own right as well as for useful research laboratories. Replicating studies here can test a generalizability and provide insights for local policy makers.

[34] 2004 EU enlargement: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. 2007 EU enlargement: Romania and Bulgaria. 2013 EU enlargement: Croatia.

[35] Accessed via WRDS on 2/5/2022.

[36] Romania is the second largest economy (measured in GDP) in Eastern Europe, after Poland. It is expected to outpace neighboring Eastern European countries in growth, partly because of foreign direct investment driven by reshoring from Russia and Ukraine (Ilie and Szakacs, 2023).

Should results not replicate, it could reveal how institutional, cultural, or economic conditions influence outcomes. Rykaczewski et al. (2022) provide a detailed overview of the English-language accounting literature on Eastern European countries, pointing out how their Communist past and delayed process of joining the EU makes accounting in these countries quite different from accounting in their Western European counterparts. They also highlight a general lack of auditing research in Eastern European countries, even as their auditing markets and auditor supply vary substantially.

6.3 Under-researched regulations

While the first step of our methodology relied on an extensive search of the academic literature, we also identified several regulatory changes that have not or barely been studied by perusing primary sources, contacting local accounting experts and surveying the authors of papers cited on the accompanying website. We acknowledge that, while we analyzed the journals with the largest impact, other journals may have published such research studies, and we did not become aware of these papers while writing this paper. Research on local GAAP, audit, tax, or other disclosure regulatory changes in smaller countries may be more likely to be published in journals not on our list (including journals published in local languages), so our process could have exhibited a bias against identifying the existence of this research.

Any regulation on the website without an academic reference is technically "under-researched," but we discourage a "matrix" approach to research where gaps automatically demand study. Instead, we highlight more subjectively where important research opportunities arise, motivated by the importance of the regulation or the setting. This includes previously studied regulations with room for further exploration of fundamental questions. Table 5 highlights accounting regulations we deem under-researched and presents some potential research questions.

<<< Insert Table 5 here. >>>

6.4 Recent and upcoming regulations

Soon, several new accounting regulations will roll out, providing new research opportunities once data becomes available. Furthermore, firms may already be making changes to their accounting in anticipation of the proposed regulations taking effect (Chang et al., 2023). In Table 6, we highlight accounting regulations that went into effect in 2023 or 2024 (the post-period is not yet long enough to study) or will go into effect in the future. For each regulation, we list some potential first-order research questions.

<<< Insert Table 6 here. >>>

7. Conclusion

In this paper, we provide a comprehensive overview of accounting-related regulatory changes in the 27 EU countries and the UK based on an extensive primary and secondary literature review, a survey, as well as input from country and topic academic experts. We classify all regulatory events in a framework that captures the topic being regulated (financial accounting, auditing, tax, other disclosures) as well as the set of firms to which the regulation applies. The accompanying website (http://www.eu-regulations.com) provides visual representations. The website and this paper should lower the cost for researchers, reviewers, and editors to better understand the regulatory setting of the EU generally and each Member State over time. We also provide researchers with insight into available research opportunities to address their research questions when using the EU or a particular EU country as a laboratory. Beyond the future research opportunities that we hope this opens in the EU setting, we also provide an extensive list of accounting research papers published in non-EU countries (other than the US) at http://www.eu-regulations.com/all_countries_of_the_world.html so that other researchers may be able to give a similar primer on accounting regulation in these countries.

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Figure 1: Average number of regulations implemented in the EU countries and the UK 8 years around a respective year t (from t-4 to t+3)

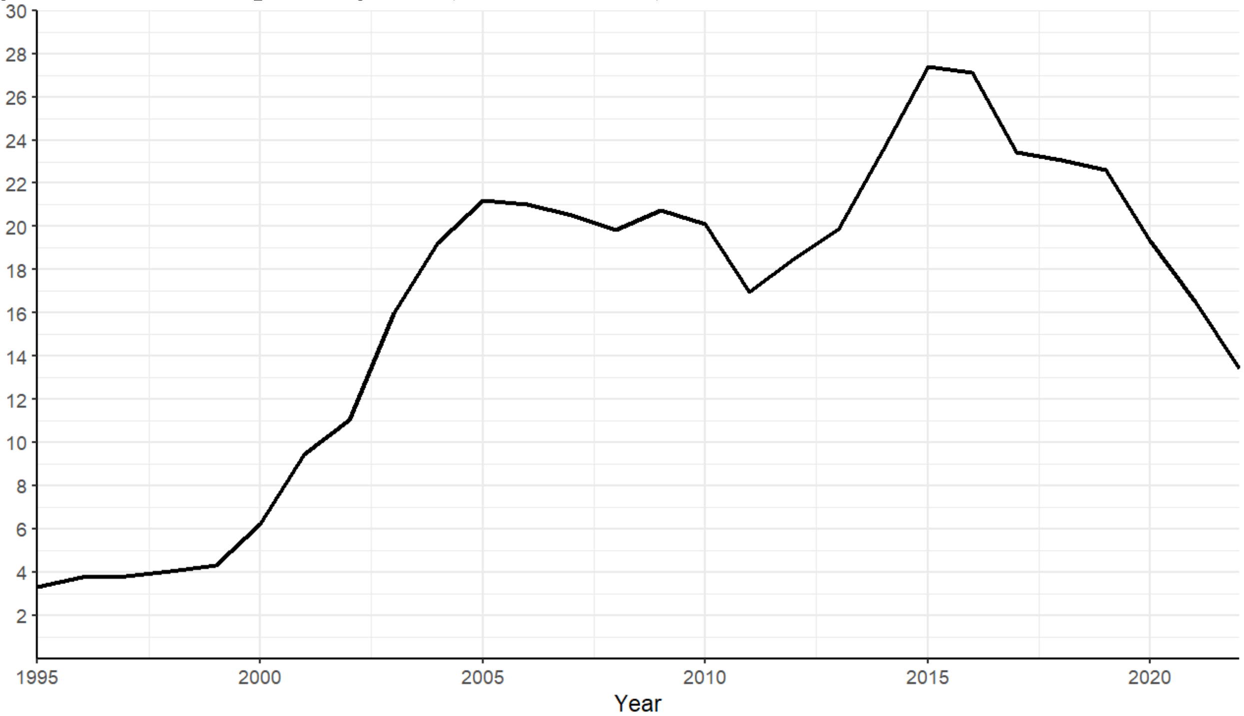


Figure 2: Average number of regulations eight years around a respective year t (t-4 to t+3) by category (Financial Accounting, Audit, Tax, Other Disclosures)

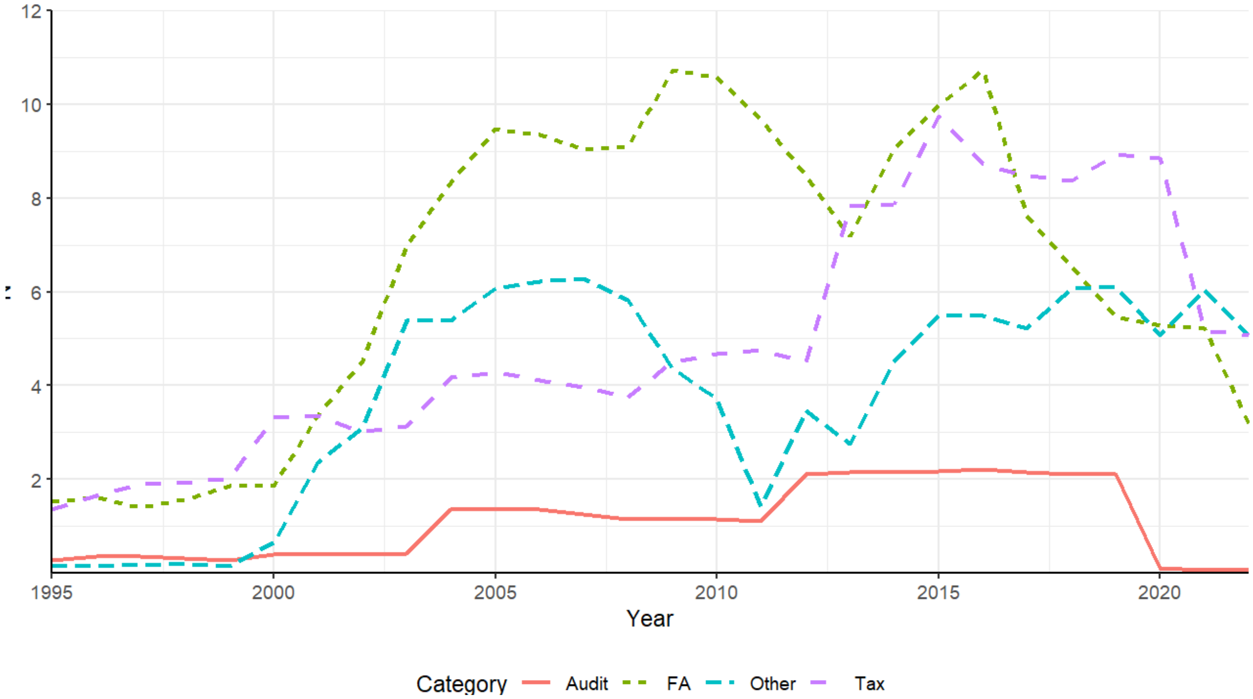
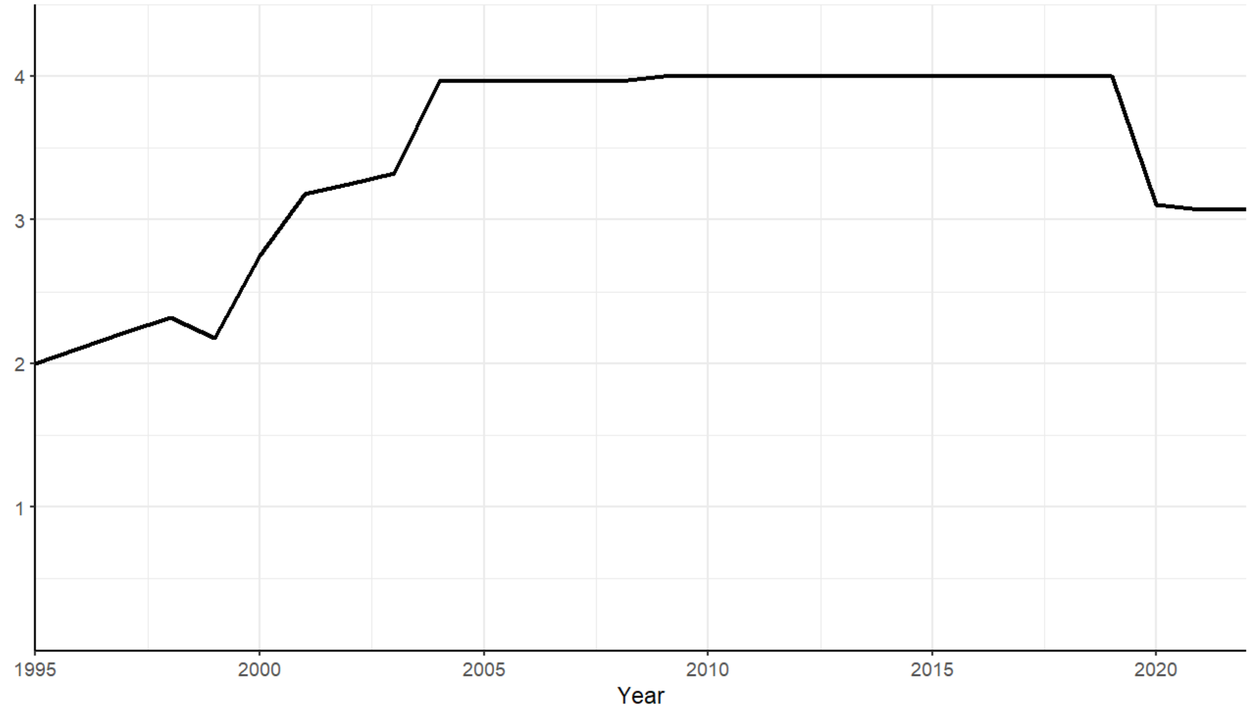


Figure 3: Average number of different categories of accounting regulations affected in eight years around year t (from t-4 to t+3)



Note: We define four categories of accounting regulations (Financial Accounting, Auditing, Tax, and Other Disclosures). Therefore, the number of categories affected ranges between 0 and 4.

Table 1: European Securities and Markets Authority (ESMA) Enforcement Actions

Country	Issuer	Examinations	Actions	% Examinations	% Actions	%Actions/Examinations
Austria	81	22	5	27.2%	6.2%	22.7%
Belgium	112	18	6	16.1%	5.4%	33.3%
Bulgaria	294	44	9	15.0%	3.1%	20.5%
Croatia	102	6	0	5.9%	0.0%	0.0%
Cyprus	68	11	2	16.2%	2.9%	18.2%
Czech Republic	72	13	7	18.1%	9.7%	53.8%
Denmark	138	14	4	10.1%	2.9%	28.6%
Estonia	31	5	0	16.1%	0.0%	0.0%
Finland	152	19	6	12.5%	3.9%	31.6%
France	403	72	44	17.9%	10.9%	61.1%
Germany	416	34	8	8.2%	1.9%	23.5%
Greece	150	23	5	15.3%	3.3%	21.7%
Hungary	48	4	3	8.3%	6.3%	75.0%
Iceland	36	6	0	16.7%	0.0%	0.0%
Ireland	89	17	10	19.1%	11.2%	58.8%
Italy	223	59	7	26.5%	3.1%	11.9%
Latvia	16	7	0	43.8%	0.0%	0.0%
Lithuania	29	6	3	20.7%	10.3%	50.0%
Luxembourg	112	29	17	25.9%	15.2%	58.6%
Malta	72	7	2	9.7%	2.8%	28.6%
Netherlands	179	28	4	15.6%	2.2%	14.3%
Norway	273	9	4	3.3%	1.5%	44.4%
Poland	364	56	25	15.4%	6.9%	44.6%
Portugal	48	8	4	16.7%	8.3%	50.0%
Romania	89	11	11	12.4%	12.4%	100.0%
Slovakia	28	19	4	67.9%	14.3%	21.1%
Slovenia	21	3	0	14.3%	0.0%	0.0%
Spain	132	28	12	21.2%	9.1%	42.9%
Sweden	395	62	23	15.7%	5.8%	37.1%
TOTAL	4,173	640	225	15.3%	5.4%	35.2%

Note: Source: Own computations based on https://www.esma.europa.eu/sites/default/files/2023-03/ESMA32-63-1385_2022_Corporate_Reporting_Enforcement_and_Regulatory_Activities_Report.pdf**.** The number of covered issuers is counted in 2021, whereas the number of examinations are those concluded in 2022. %Examinations is calculated as the number of examinations divided by the number of issuers. %Actions is calculated as the number of actions divided by the number of issuers. The UK is no longer covered by ESMA, but other EAA countries are included.

Table 2: Number of regulations implemented eight years around a respective year t (t-4 to t+3) over time and across countries

	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	GR	HU	IR	IT	LV	LT	LU	MA	NL	PO	PT	RO	SK	SI	ES	SE	UK	avg	'1'	'0'
95	8	4	2	1	1	2	2	2	5	4	7	3	2	4	6	1	3	4	1	2	3	2	7	2	2	5	3	5	**3.3**	**4**	**0**
96	8	5	2	1	2	4	2	4	5	4	7	3	2	5	7	1	3	4	1	2	5	2	7	3	2	5	3	6	**3.8**	**3**	**0**
97	8	4	3	2	2	4	1	4	5	4	8	3	3	5	7	1	5	3	1	1	6	1	9	3	2	4	3	5	**3.8**	**5**	**0**
98	6	4	4	2	2	5	3	3	5	4	8	3	2	6	7	2	4	4	1	3	7	2	8	3	2	5	3	5	**4.0**	**1**	**0**
99	5	5	6	2	5	5	3	5	3	5	10	4	1	7	6	3	5	5	0	4	5	2	6	4	2	4	3	6	**4.3**	**1**	**1**
00	4	6	7	2	6	9	4	7	4	7	18	6	4	9	8	5	8	6	3	6	8	4	6	7	5	5	3	7	**6.2**	**0**	**0**
01	8	10	8	2	10	11	8	10	7	12	20	9	8	13	13	9	10	9	6	12	12	9	7	10	8	8	8	8	**9.5**	**0**	**0**
02	9	13	8	3	12	14	10	12	9	13	21	11	10	14	13	11	11	11	8	13	13	11	7	12	12	9	10	9	**11.0**	**0**	**0**
03	13	17	19	3	16	18	16	18	15	17	24	17	15	18	17	16	16	14	13	19	16	15	15	18	20	12	15	15	**16.0**	**0**	**0**
04	16	21	22	5	20	20	19	19	19	20	29	21	19	20	22	20	21	18	18	22	17	18	18	20	23	16	18	18	**19.3**	**0**	**0**
05	18	22	23	4	22	24	20	21	21	20	31	22	20	21	24	23	23	21	21	25	19	20	19	25	25	19	19	21	**21.2**	**0**	**0**
06	18	22	22	4	22	22	19	21	21	21	31	23	21	20	26	22	24	20	21	24	18	20	19	24	24	18	20	22	**21.0**	**0**	**0**
07	18	21	20	4	19	22	19	19	21	20	29	23	21	20	27	21	23	19	21	23	18	21	19	23	24	19	19	22	**20.5**	**0**	**0**
08	18	22	20	5	18	20	19	18	20	19	24	22	20	19	27	20	21	19	19	22	16	21	22	21	22	20	19	22	**19.8**	**0**	**0**
09	18	20	22	23	18	21	19	19	20	18	25	23	19	19	26	20	23	19	20	20	16	21	24	22	22	20	19	25	**20.8**	**0**	**0**
10	17	18	22	23	17	19	20	19	20	19	23	21	19	18	24	20	22	17	19	22	17	20	24	22	19	20	18	24	**20.1**	**0**	**0**
11	14	15	14	26	14	18	16	16	15	16	20	18	17	17	21	17	20	15	16	17	16	16	17	19	13	18	14	20	**17.0**	**0**	**0**
12	17	16	16	28	16	20	18	18	16	19	20	19	18	18	20	18	19	16	16	20	17	19	18	21	16	20	16	24	**18.5**	**0**	**0**
13	18	18	18	32	17	19	21	19	18	22	20	21	21	20	22	19	19	17	17	20	18	21	19	19	18	20	19	25	**19.9**	**0**	**0**
14	22	23	22	36	21	23	24	23	22	25	23	24	25	24	24	24	22	21	21	23	22	24	23	24	22	23	21	28	**23.5**	**0**	**0**
15	26	28	26	40	25	27	28	26	26	29	27	29	29	27	27	28	26	25	25	27	26	27	27	27	26	26	25	32	**27.4**	**0**	**0**
16	26	28	26	40	25	26	27	26	26	29	25	29	28	27	28	27	26	25	25	27	26	26	25	28	26	25	25	33	**27.1**	**0**	**0**
17	22	25	22	22	21	24	24	23	23	27	24	25	26	24	25	24	23	22	21	23	23	22	22	25	23	22	21	28	**23.4**	**0**	**0**
18	22	25	23	22	22	23	22	22	22	25	25	25	25	24	25	23	23	22	22	22	22	22	22	23	23	22	21	27	**23.1**	**0**	**0**
19	22	25	22	21	23	22	22	21	22	25	26	24	24	21	25	23	21	22	22	22	21	23	21	22	23	21	21	26	**22.6**	**0**	**0**
20	18	22	19	19	18	18	19	18	19	21	23	21	21	19	22	20	19	19	20	18	19	19	19	19	19	17	18	18	**19.3**	**0**	**0**
21	16	20	16	16	16	16	16	16	16	18	20	18	17	16	18	17	16	16	17	16	16	16	16	17	16	15	15	14	**16.5**	**0**	**0**
22	13	16	13	13	13	13	13	13	13	15	17	15	13	13	15	13	13	13	14	13	13	13	13	13	13	13	13	10	**13.4**	**0**	**0**
avg	**15.3**	**17.0**	**16.0**	**14.3**	**15.1**	**16.8**	**15.5**	**15.8**	**15.6**	**17.1**	**20.9**	**17.2**	**16.1**	**16.7**	**19.0**	**16.0**	**16.8**	**15.2**	**14.6**	**16.7**	**15.5**	**15.6**	**16.4**	**17.0**	**16.1**	**15.4**	**14.7**	**18.0**	16.3	0	0
'1'	**0**	**0**	**0**	**2**	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**3**	**0**	**0**	**4**	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**		14	
'0'	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**			1

Table 3: Number of categories of regulations implemented eight years around a respective year t (t-4 to t+3) over time and across countries

	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	GR	HU	IR	IT	LV	LT	LU	MA	NL	PO	PT	RO	SK	SI	ES	SE	UK	avg	'1'
95	3	2	1	1	1	1	1	2	4	2	3	3	1	2	2	1	2	2	1	1	3	1	3	2	2	3	3	3	2.0	10
96	3	3	1	1	2	2	1	2	4	2	3	3	1	2	2	1	2	2	1	1	3	1	3	2	2	3	3	3	2.1	8
97	3	3	1	1	2	2	1	2	4	3	3	3	2	2	2	1	3	2	1	1	3	1	3	2	2	3	3	3	2.2	7
98	3	3	1	1	2	3	2	2	4	3	4	3	2	2	2	2	2	2	1	1	3	1	3	2	2	3	3	3	2.3	5
99	2	3	2	1	2	3	2	2	2	4	4	4	1	2	2	2	2	2	0	1	2	1	2	3	2	2	2	4	2.2	4
00	2	3	2	1	3	4	2	3	2	4	4	4	3	3	2	2	3	2	3	3	3	2	2	4	3	2	2	4	2.8	1
01	3	4	2	1	3	4	4	3	3	4	4	4	3	4	3	3	3	3	3	3	3	3	3	4	3	3	3	3	3.2	1
02	3	4	2	3	3	4	4	3	3	4	4	4	3	4	4	3	3	3	3	3	3	3	3	3	3	3	3	3	3.3	0
03	3	4	3	3	3	4	4	3	4	4	4	4	3	4	4	3	3	3	3	3	3	3	3	3	3	3	3	3	3.3	0
04	4	4	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
05	4	4	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
06	4	4	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
07	4	4	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
08	4	4	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
09	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
10	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
11	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
12	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
13	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
14	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
15	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
16	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
17	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
18	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
19	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0	0
20	3	3	3	3	3	3	3	3	3	4	3	3	3	3	4	3	3	3	3	3	3	3	3	3	3	3	3	4	3.1	0
21	3	3	3	3	3	3	3	3	3	4	3	3	3	3	4	3	3	3	3	3	3	3	3	3	3	3	3	3	3.1	0
22	3	3	3	3	3	3	3	3	3	4	3	3	3	3	4	3	3	3	3	3	3	3	3	3	3	3	3	3	3.1	0
Ø	**3.5**	**3.6**	**3.1**	**2.9**	**3.4**	**3.6**	**3.4**	**3.4**	**3.7**	**3.8**	**3.8**	**3.8**	**3.3**	**3.5**	**3.5**	**3.3**	**3.4**	**3.4**	**3.2**	**3.2**	**3.5**	**3.2**	**3.5**	**3.5**	**3.4**	**3.5**	**3.5**	**3.7**	**3.4**	**0**
'1'	**0**	**0**	**4**	**7**	**1**	**1**	**3**	**0**	**0**	**0**	**0**	**0**	**3**	**0**	**0**	**3**	**0**	**0**	**4**	**5**	**0**	**5**	**0**	**0**	**0**	**0**	**0**	**0**		36

Note: We define four categories of regulations: financial accounting, auditing, tax and other disclosure regulations. Therefore, the numbers in the matrix range between 0 and 4.

Table 4: Country Overview

Country	Publications	SSRN	GDP	Publ./GDP	Firms
Austria	16	7	433.3	0.037	145,282
Belgium	56	5	521.9	0.107	458,034
Bulgaria	2	1	69.9	0.029	365,893
Croatia	3	1	57.2	0.052	128,858
Cyprus	3	0	24.6	0.122	625
Czech Republic	16	7	245.3	0.065	201,189
Denmark	45	8	356.1	0.126	300,280
Estonia	4	2	30.7	0.131	155,398
Finland	93	9	269.8	0.345	190,411
France	179	30	2,630.3	0.068	644,226
Germany	223	77	3,846.4	0.058	471,327
Greece	40	3	188.8	0.212	24,835
Hungary	7	3	155.8	0.045	434,752
Ireland	71	7	425.9	0.167	165,066
Italy	126	33	1,888.7	0.067	1,011,847
Latvia	3	1	33.7	0.089	113,226
Lithuania	3	1	56.5	0.053	78,270
Luxembourg	2	2	73.4	0.027	77,894
Malta	5	0	14.6	0.341	14,852
Netherlands	82	10	913.9	0.090	756,673
Poland	21	4	596.6	0.035	306,007
Portugal	26	5	228.5	0.114	398,688
Romania	11	1	248.7	0.044	736,154
Slovakia	3	1	105.2	0.029	218,510
Slovenia	9	2	53.6	0.168	74,092
Spain	113	22	1,281.5	0.088	804,257
Sweden	78	16	541.2	0.144	523,721
UK	993	99	2,764.2	0.359	3,172,200
Europe*	1,091	176			
European Union (+UK)			15,292.1		11,972,567

Notes: The column 'Publications' ('SSRN') shows the number of publications in the top-15 accounting research journals (SSRN working papers) for which the respective name was found in the title, keywords, or abstract. The column 'GDP' shows the 2020 gross domestic product in billion USD (Source: https://data.worldbank.org/indicator/NY.GDP.MKTP.CD, accessed on 2/2/2022). The column 'firms' shows the number of firms of the country as reported in Bureau van Dijk's database *Amadeus* accessed through the Wharton Research Data Service (WRDS) for the year 2019 (accessed on Feb 5, 2022). We keep only firms with non-missing and positive total assets.

Table 5: Under-researched regulations

Regulation	Year	Short Summary and Prior Literature.	Potential Research Questions
Directive on Administrative Cooperation 2011/16 (Council of the European Union, 2011b)	2014	DAC 1 is the first 'Directive on Administrative Cooperation' and provides for, among others, spontaneous exchanges of information, exchanges on request, the sharing of best practices and requests for notifications on taxpayers. DAC 1 is the first of a series of Directives on administrative cooperations: DAC 2 (Directive 2014/107), DAC 3 (Directive 2015/2376), DAC 4 (Directive 2016/881), DAC 5 (Directive 2016/2258), and DAC 6 (Directive 2018/822).[1]	- Is the Directive effective in reducing tax fraud and tax evasion? - How do the consecutive Directives (DAC 2 to DAC 6) influence tax planning of EU multinationals?
Accounting Directive 2013/34 (European Parliament, 2013a)	2015	Reduce administrative burdens for smaller firms and increase the comparability of local GAAP within the EU. See: André, 2017	- Did the Directive indeed reduce the administrative burdens for SMEs? - Is the effect different in countries that translated the Directive in significantly different ways into local regulation? - Is comparability achieved, or do specific Member State options and other institutional differences (e.g., variation in auditing standards, variation in local enforcement, etc.) hinder comparability? - What are the (economic) consequences? (e.g., cost of capital, cross-border trade, labor mobility) - Are the consequences stronger for SMEs than for larger firms?
Audit Directive 2014/56 and Audit Regulation 537/2014 (European Parliament, 2014c, 2014e)	2016	The Audit Directive increases auditor independence and informativeness of audit reports. The Audit Regulation improves transparency in the audit market, including mandatory firm rotation, publication of significant risk (key audit matters), and separation of audit and non-audit services. See: Horton et al., 2018; Willekens et al., 2019; Moroney et al., 2021	- Is harmonization across Member States achieved? - Can the Directive obtain harmonization if the auditing professions are still primarily nationally organized? - If the reforms indeed harmonized auditing practices (to a large extent), how is financial reporting affected? - Do the legislations affect capital allocation? - Are the effects different for private firms for which only the Directive applies, in contrast to larger PIEs for which the Audit Regulation also applies?
Market Abuse Regulation 596/2014 (European Parliament, 2014b)	2016	The Market Abuse Regulation expands the scope of the Market Abuse Directive to non-EU regulated stock exchange markets. The aim is to prevent insider trading and market manipulation. See: Taylor et al., 2016	- Is the Regulation effective in preventing insider trading? - How does the Regulation affect corporate governance? - Does the Regulation reduce the attractiveness of non-EU regulated markets relative to EU-regulated markets (i.e., de-listings or fewer IPOs)?

[1] Council of the European Union, 2018, 2016b, 2016c, 2015, 2014.

Non-Financial Reporting Directive[2] 2014/95 (European Parliament, 2014d)	2016	The Non-Financial Reporting Directive requires large Public Interest Entities (> 500 employees) to include non-financial reporting as part of their annual reporting requirements. See: Aureli et al., 2019; Fiechter et al., 2022; Mittelbach-Hörmanseder et al., 2021	- How has the Directive harmonized non-financial reporting across large PIEs in the EU Member States? - Fiechter et al. (2022) provide early evidence that firms within the scope of the Directive respond by increasing their CSR activities. Is this a lasting effect? - Why do firms increase their CSR activities in response to the Directive (e.g., stakeholder pressure, adverse stakeholder reactions)? - What is the role of country-level enforcement of non-financial reporting?
Private Country-by-Country Reporting Directive 2016/881 (Council of the European Union, 2016c)	2017	Multinational groups with total consolidated revenue equal or higher than €750M must file country-by-country reports to the tax authorities. The data is not publicly available. See: De Simone and Olbert, 2022	- Does private country-by-country reporting also affect (public) tax transparency (voluntary disclosure)? - Do multinational enterprises abandon aggressive tax planning as intended by the Directive (relative to domestic companies)? - What are the administrative burdens and compliance costs for multinational enterprises?
Shareholder Rights Directive II 2017/828 (European Parliament, 2017)[3]	2019	Increased shareholder rights at general meetings to reduce excessive risk-taking, including increased transparency regarding remuneration and related party transactions, and harmonization of shareholder meetings across Europe.	- Is the aim of “long-term shareholder engagement” achieved? - Does the Directive affect voting patterns of institutional investors and retail investors? - How does the Directive influence directors' remuneration?
Brexit (Notification of Withdrawal) Act 2017)	2020	Withdrawal of the UK from the EU. From January 1st, 2021, firms listed on a UK-regulated market need to prepare their financial statements using IFRS adopted by the UK Endorsement Board (www.endorsement-board.uk) rather than IFRS as endorsed by the EU.	- Have firms altered their reporting to address uncertainties and risks associated with the new regulatory landscape? - Have firms adjusted their internal control systems and governance structures? - Should the UK deviate its reporting practices from the EU’s, will that affect the comparability of accounting standards?
Anti-Tax Avoidance Directive II 2017/952 (Council of the European Union, 2017)	2021	The second Anti-Tax Avoidance Directive (ATAD 2) aims to neutralize hybrid mismatches between related entities, i.e., it prevents situations of double deductions or double taxation.	- Is the Directive effective in reducing hybrid mismatches (differences in tax systems that result in double taxation or double non-taxation)? - Do multinational firms adjust their tax planning in response to the Directive?

[2] Hummel and Jobst (2024) provide an overview of sustainability reporting legislation in the EU, and Friedman and Ormazabal (2024) discuss recent advances and open questions related to sustainability reporting.
[3] It is possible that researchers have not studied this Directive (yet) because of the confounding effect of the Covid pandemic.

Taxonomy Regulation 2020/852 (European Parliament, 2020)	2022	EU taxonomy regulation, a cornerstone of the EU’s Green Deal, entered into force on 12 July 2020. From 1 January 2022, large PIEs are required to disclose alignment with the taxonomy in relation to the first two objectives (Art 8&9 SFDR products). From 1 January 2023, large PIEs are required to disclose Taxonomy-alignment in relation to all environmental objectives (financial undertakings from 1 January 2024). See: Sautner et al., 2024	- How has Regulation influenced the reporting of environmental sustainability metrics? - What challenges and benefits do companies face in aligning their financial reporting with the environmental sustainability criteria outlined in the Regulation? - What is the impact of Regulation on capital flows towards sustainable investments?

Table 6: Recent and upcoming regulations

Regulation	Year	Short Summary	Potential Research Questions
Global Minimum Tax Directive 2022/2523 - Pillar 2 (Council of the European Union, 2022)	2023	Member States are required to transpose the Global Minimum Tax into domestic law by December 31, 2023. "Pillar Two establishes a minimum tax system with a minimum effective tax rate (ETR) of 15% at the jurisdictional level. Companies with global turnover above €750M will be within the scope of Pillar Two. Where the effective tax rate (ETR) is below the agreed minimum, the new system will top up the tax liability so that the overall rate will reach the established minimum in each jurisdiction where the taxpayer is resident." (https://www.pwc.nl/en/services/tax/taxation-of-the-digital-economy/pillar-two.html)	- How will the Global Minimum Tax affect the tax planning strategies and effective tax rates of multinational enterprises? - Do firms adjust their investment behavior, i.e., shift investment from one country to another? - What are the firm-level compliance costs?
Corporate Sustainability Reporting Directive 2022/2464 (European Parliament, 2022)	2024	The Corporate Sustainability Reporting Directive (CSR-Directive) includes detailed reporting on environmental, social and governance (ESG) issues. Firms already subject to the Non-Financial Reporting Directive report on 2024 data.	- To what extent does the Directive improve and harmonize sustainability reporting? - How will CSR reporting affect capital allocation by investors? - How will CSR reporting affect decision-making within the firm (e.g., their investments)? - Will this increased reporting burden place European firms at a competitive disadvantage due to higher costs compared to less strict sustainability reporting regimes with single materiality[4], or will it make these firms more attractive to a wide range of stakeholders including investors, employees, and customers?
Public Country-by-Country Reporting 2021/2101 (European Parliament, 2021)	2024	Multinational groups with revenues of €750M must report information for every tax jurisdiction. In 2014, the European Union introduced country-by-country reporting requirements already to the banking industry.	- To what extent will the (public) country-by-country reporting affect resource allocation within multinational enterprises? - What are the firm-level compliance costs? - Will mandatory public country-by-country reporting put firms at a competitive disadvantage compared to those not required to report?
Corporate Sustainability Due Diligence	2026	The Corporate Sustainability Due Diligence Directive (CSDDD) requires large companies to conduct due diligence to identify, prevent, mitigate, and report on	- What challenges do companies face in implementing the Directive? - Do companies adjust their supply chain in response to the Directive?

[4] Double materiality considers both how sustainability impacts the financial performance of the firm, as well as the firm's impact on society and environment. Sustainability reporting standards with single materiality mainly focus on the investors' perspective and, therefore, only focus on how sustainability-related risks might affect financial performance (e.g., the standards issued by International Sustainability Standards Board (ISSB)).

Directive 2024/1760 (European Parliament, 2024b)		human rights and environmental impacts throughout their supply chain. From 26 July 2027, EU companies with revenues of >€1,500M and >5,000 employees along with non-EU companies with revenues of >€1,500M must comply with the CSDDD. From 26 July 2028, EU companies with revenues of >€900M and >3,000 employees along with non-EU companies with revenues of >€900M must comply with the CSDDD. From 26 July 2029, EU companies with revenues of >€450M and >1,000 employees along with non-EU companies with revenues of >€450M must comply with the CSDDD.	- What are the implications for financial reporting practices? - How does the Directive affect corporate governance structures and risk management practices?
IFRS 18 - Presentation and Disclosure in Financial Statements	2027	IFRS 18 defines and harmonizes (additional) subtotals in the profit and loss statement, requires disclosures about management-defined performance measures, and introduces principles for grouping of information. IFRS 18 is not yet endorsed by the European Commission.	- Do the new subtotals change the informativeness of profit and loss statements? - Is the classification of income and expense into the categories operating, investing, and financing useful to investors and analysts?