

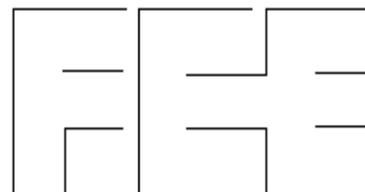
Date  
14 November 2005

Le Président

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des Experts  
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Basel Committee on Banking Supervision  
Mme Daniele Nouy  
Chairman Working Group on Corporate Governance  
Centralbahnplatz 2  
CH-4002 Basel  
Switzerland



Email: [baselcommittee@bis.org](mailto:baselcommittee@bis.org)

Dear Madame Nouy,

Re: Consultative document – Enhancing corporate governance for banking organisations

FEE (Federation of European Accountants, Fédération des Experts Comptables Européens) is pleased to submit its views on the Consultative document on *Enhancing corporate governance for banking organisations*. FEE is the representative organisation for the accountancy profession in Europe with membership of 44 professional institutes of accountants from 32 countries in total representing more than 500.000 accountants in Europe.

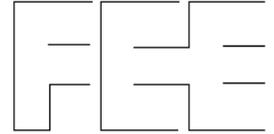
We welcome the issue of this revised guidance for supervisors on corporate governance in banking organisations. Interest in corporate governance has been growing and considerable attention was dedicated to this issue in the recent years. Within FEE, we have been contributing to the debate by offering the accountancy profession's perspective. We share the objective of restoring confidence in capital markets. In that context we published in July 2003 the Discussion Paper "The Financial Reporting and Auditing Aspects of Corporate Governance", a copy of which is attached. Although not specifically aimed at the banking sector, many of the paper's recommendations are [of general application] [equally applicable to banking organisations].

We detail below some comments on specific paragraphs of the Consultative Document.

Paragraphs 15 to 53 discuss principles of equal standing in the corporate governance process. Their importance would be emphasised by inserting the word "principle" in each heading. We suggest that the headings between paragraph 15 and 53 be named "principle 1, 2, 3..." to highlight the importance of those elements in corporate governance process. However, it should be clear that those principles are of equal importance in this process.

The primary function of external auditors is not to assess the corporate governance of banks but they will review corporate governance structure and policies in the context of their audit of the financial statements. Therefore, their work should not be utilised by directors or management out of this context. Accordingly, the heading of paragraph 38 should be revised to read 'effectively utilising the work conducted by internal auditors...and considering the work of external auditors...'

We are of the opinion that some of the tasks of the board and senior management as listed in paragraph 38 could be interpreted as providing guidance on how auditors should perform their duties and are addressed by professional accountants standards on ethics and independence. We refer the Committee to the IFAC Code of Ethics and to the Statutory Audit Directive (applicable in the EU). Additionally,



considering rotation of lead auditor partner, or ensuring that auditors exercise due professional care are solely the responsibility of the auditor for which auditing standards and guidance are available, as described above.

The second to last bullet point of paragraph 53 could be interpreted as imposing additional requirements on external auditors. Auditors review the corporate governance structure and policies in order to understand the business as part of their work leading to the expression of an opinion on the financial statements. However, the auditors do not automatically report on their review to the board of directors or management. We would prefer the last part of the sentence (as well as external audit reviews) is deleted.

In paragraph 54, it is not clear in what order is listed the other players in promoting corporate governance. If it is by order of importance, it should be justified.

We would be pleased to discuss any aspect of this letter with you. We thank the Basel Committee for the opportunity to comment on the consultation paper and we apologize for this late submission.

Yours sincerely,

David Devlin  
President