



---

European Federation of Accountants launch:

*Discussion Paper on Comfort Letters Issued in Relation to Financial Information in a Prospectus*

---

## **Prospectuses: FEE Highlights Potential Pitfalls for Auditors**

- From 1 July 2005 the Prospectus Directive becomes effective - market participants (underwriters, issuers and their auditors) need to prepare for the new rules and understanding of each participants' role and responsibility needs to be updated.
- The comfort letter is a crucial instrument in this process. Given the change from national rules to European-wide rules in respect of prospectuses, existing national variations in current practice should be eliminated where not linked to national legal issues.
- FEE's discussion paper aims to provide auditors and auditing standard setters with a discussion about the procedures to be performed by an auditor and the reporting on it with regard to comfort letters. FEE encourages preparers, users and regulators to comment on this discussion paper.
- Comments on the discussion paper and responses to the questions raised in this discussion paper are sought by 31 August 2005 and should be submitted by e-mail to FEE Technical Director Saskia Slomp, at: [saskia.slomp@fee.be](mailto:saskia.slomp@fee.be).

### Background

From 1 July 2005, the Prospectus Directive will bring about a major change, in that a single European prospectus will be available. Protection of investors against misleading information, and hence the liability of the issuer and others involved in the prospectus, are currently governed by national law.

As the single prospectus can be used in different countries and both issuers and auditors are exposed to the liability regimes in all countries. The work performed by the auditor therefore needs to have regard to the most onerous national liability regime (in the absence of an European regime).

One of the investigation procedures that an underwriter of a prospectus uses is to request an independent auditor to provide them with a "comfort letter" in relation to "unexpertised" financial information (i.e. information in the prospectus which has not already been covered by a report of an independent auditor). The letter supports the underwriter in his due diligence.



# Briefing Note

29 April 2005

## About FEE

The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe. FEE's membership consists of 44 professional institutes of accountants from 32 countries. FEE member bodies are present in all 25 member states of the European Union and three member countries of EFTA. FEE member bodies represent more than 500,000 accountants in Europe.