



Fédération des Experts
Comptables Européens

Press Release

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NEW INITIATIVE TO SAFEGUARD CREDIBILITY OF FINANCIAL INFORMATION

European Federation of Accountants advises principles- based approach to setting of ethical standards for capital market participants

Brussels, 19 December 2003: FEE, the representative organisation of the European accountancy profession in Europe, is today issuing advice to all stakeholders involved in setting ethical standards for market participants such as company directors, investment bankers, investment analysts, and business journalists. FEE calls on standard setters to adopt a conceptual, (principles-based), approach when establishing ethical requirements for any group of participants in the financial reporting chain, such as codes for company directors, investment bankers, investment analysts and business journalists.

"To improve confidence in financial reporting, ethical behaviour will be necessary at all points along the information supply chain that delivers financial reporting to the market", stated FEE President David Devlin, when commenting upon the launch of FEE's new publication, entitled: **A Conceptual Approach to Safeguarding Integrity, Objectivity and Independence Throughout the Financial Reporting Chain.**

Following some significant corporate scandals in recent years, there is a need for market participants to confirm that they act ethically, and in particular, to demonstrate integrity and objectivity, as well as independence.

FEE, which has 41 member bodies of professional accountants from 29 countries, representing more than 500,000 accountants in Europe, believes that ethical codes should use the conceptual, principles-based approach, as first developed by the European accountancy profession.

The conceptual approach has been widely accepted by a range of international stakeholders, because, as FEE President David Devlin noted:

"The conceptual approach produces an ethical code which is of clear intent, workable and which protects the public interest more satisfactorily than a detailed rules based approach. It is the most appropriate approach to use throughout the financial reporting chain as it allows for the almost infinite variations in circumstances that arise in practice and prevents the use of legalistic devices to avoid compliance.

The combination of rigour and universal scope of the conceptual approach is the most satisfactory way of ensuring that ethical requirements for auditors, non-executive directors and others in the financial reporting chain are fully observed in the rapidly evolving modern global economy."

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The availability of reliable and credible financial information, allowing informed business decisions to be made, is crucial to Europe's future economic progress. FEE President David Devlin noted that ethical codes are necessary for a wide range of market participants:

"Corporate management and boards of directors, who have the prime responsibility for financial reporting, as well as auditors, standard setters, regulators and other participants in the reporting process such as lawyers, investment bankers, investment analysts, and credit-rating agencies, all have important roles to play and improvements to make to enhance the credibility of financial reporting."

The FEE paper '**A Conceptual Approach to Safeguarding Integrity, Objectivity and Independence Throughout the Financial Reporting Chain**' does not seek to impose a detailed code on others, but rather provides an explanation of how the conceptual framework approach can be used to develop ethical codes and in particular, to assess objectivity in different situations. As such, it should be of interest to: individual companies and business associations; company directors; business schools; investment managers and analysts and their professional associations; business journalists and their professional organisations; oversight bodies; and regulators.

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Notes for Editors:

1. The new publication **A Conceptual Approach to Safeguarding Integrity, Objectivity and Independence Throughout the Financial Reporting Chain** can be downloaded free-of-charge from the FEE website (<http://www.fee.be>) or copies may be ordered from Sylvie Romancide (Fax: + 32 2 231 11 12, Email: Sylvie_Romancide@fee.be).
2. References for more information about the conceptual approach: Statutory Audit Independence and Objectivity Common Core of Principles for the Guidance of the European Profession – Initial Recommendations (FEE publication, 1998); Recommendation Statutory Auditors’ Independence in the EU: A Set of Fundamental Principles (European Commission 2002); Code of Ethics for Professional Accountants (International Federation of Accountants, 2001) and Exposure Draft (IFAC, 2003); and Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor’s Independence, (IOSCO).
3. The **Fédération des Experts Comptables Européens** (FEE) is the representative organisation for the accountancy profession in Europe. It groups together 41 professional bodies from 29 countries. FEE member bodies are present in all fifteen member states of the European Union, nine European Union candidate countries and three member countries of EFTA. Between them, these bodies have a combined membership of 500.000 individuals, of whom approximately 94% are from EU countries.