



Fédération des Experts
Comptables Européens

Press Release

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INVESTORS NEED CLARITY TO BENEFIT FROM PAN-EUROPEAN PROSPECTUSES

European accountancy body takes leadership role in delivering solutions to help ensure the successful implementation of the new regime for prospectuses

Brussels, 29 November 2004: "The Prospectuses Directive, which comes into force on 1 July 2005, intends to simplify the raising of capital in Europe, and is seen as a cornerstone in the creation of the single market for financial services. However, the desire to create an effective 'single passport' for issuers will not be fully realised, if the lack of clarity regarding the auditor's report remains," warned David Devlin, President of FEE, the European Federation of Accountants, at the launch (today) of the publication ***Discussion Paper on the Auditors' Involvement with the New EU Prospectus Directive***.

The Prospectuses Directive requires involvement of the auditor to give assurance on historical and prospective information. Current practice about the auditors involvement with a prospectus varies. Where historical information is restated for investors, the audit work will fall outside the scope of the statutory audit. Although not a standard setter, FEE is recognised as a thought leader on auditing issues. "FEE is taking the initiative in order to safeguard the quality of information that will be made available to investors and other market participants," emphasised the FEE President.

"The purpose of the FEE paper is to provide national auditing standard setters with a framework within which standards might be developed in order to address the new requirements on auditors from the EU Prospectuses Directive. It is written in such way to facilitate the standard setters in giving guidance to practitioners," added Jan Buisman, Chairman of FEE European Capital Markets Reporting Project Group, which produced the paper.

Mr. Buisman highlighted another issue that needed to be addressed: "there is a presumption that the issuer prepares the required financial information in accordance with a framework. CESR (the Committee of European Securities Regulators) is to issue Level 3 Guidance regarding the framework. FEE, along with other organizations, has responded to CESR's public consultation. Clarifying the principles for the preparation of the required information will allow for more meaningful information for investors and will be a reference for auditor reporting."

FEE, which has 41 member bodies of professional accountants from 29 countries, representing more than 500,000 accountants in Europe, also warned that liability concerns may increase the cost of prospectuses.

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. Between Member States, liability regimes differ and there is no pan-European liability system. The

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single prospectus can be used in different countries and both issuers and auditors are exposed to the liability regimes in all countries.

FEE's position is that the liability regime should not prevent issuers, auditors and others involved from supplying meaningful information to investors. Each of these parties should be appropriately responsible for the proper fulfilment of their respective roles but to no greater extent than is reasonable.

FEE encourages preparers, users and regulators to comment on the ***Discussion Paper on the Auditors' Involvement with the New EU Prospectus Directive***.

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Notes for Editors:

1. The publication **Discussion Paper on the Auditors' Involvement with the New EU Prospectus Directive** 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. About the Prospectuses legislation: the Prospectuses Regulation is a cornerstone in the creation of the single market for financial services and the completion of the Financial Services Action Plan. In combination with the framework Prospectuses Directive adopted by the Council and the Parliament (2003/71/EC of 4 November 2003) which it implements, it is intended to make it easier to raise capital in Europe and increase transparency and market integrity. The new legal framework means that once a prospectus is authorised in one Member State, it can be used in all the others. For more information about the Directive visit: http://europa.eu.int/comm/internal_market/securities/prospectus/index_en.htm
3. The **Fédération des Experts Comptables Européens** (FEE) is the representative organisation for the accountancy profession in Europe. FEE's membership consists of 41 professional institutes of accountants from 29 countries. FEE member bodies represent more than 500,000 accountants in Europe. Roughly 45% of these accountants work in public practice, providing a wide range of services to clients. The other 55% work in various capacities in industry, commerce, government and education.