



Federation of European Accountants
Fédération des Experts comptables Européens

NEWS

Standing for Trust and Integrity

For immediate use: 10 June 2008

FEE encourages all Member States to follow Commission's Recommendation on limiting auditors' liability

Brussels – On 6 June, the European Commission addressed a Recommendation to the Member States to introduce a limitation to auditors' liability. FEE (Fédération des Experts comptables Européens – Federation of European accountants) welcomed this initiative. The accountancy profession had been stressing the need to secure market confidence and stability in the interest of all stakeholders and the necessity to sustain appropriate insurance coverage for auditors' liability, an impossible goal in a regime of unlimited joint and several liability.

Commenting on the European Commission's Recommendation, FEE President Jacques Potdevin stated that the Recommendation opted for a reasonable approach, consistent with the principles expressed by FEE: "statutory auditors must be held appropriately responsible for their statutory audit, but to no greater extent than is reasonable. Member States should limit auditors' liability in a way that accommodates their different legal systems".

"The liability regimes in place in much of the EU mean that auditors are being held liable not only for the consequences of their own actions, but for those of others too", said FEE President Potdevin. "This is not only inequitable but inevitably leads to a greater chance of catastrophic claim which could destabilise the already limited audit market for many public companies in Europe."

"Currently, auditors' liability is limited in Austria, Belgium, Germany, Greece, Slovenia and the United Kingdom. In other Member States, such as Ireland and Spain, the need for reform is urgent. All Member States should now follow up on the EC Recommendation. FEE President added that "Member States should be encouraged to do so by the impact assessment carried out by the Commission that found that 'experience in countries where a cap exists (e.g. Germany, Austria and Belgium) shows no [such] adverse effects on audit quality' ".

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FEE CEO Olivier Boutellis-Taft noted that while as such, the Recommendation is focused on audits of listed companies, 'catastrophic claims' may still arise in relation to the audits of large non-listed companies: "the Recommendation however does not prevent Member States from implementing a limitation on auditors' liability for both listed and non-listed companies. This is the approach taken by the Member States who already have a limitation in place, as otherwise, the expected impact on the development of smaller audit firms and networks and the supply of audit services may be modest". FEE CEO concluded that the Recommendation is a positive and welcomed step forward and expressed the conviction that it serves the public interest in that "it supports a sustainable and diversified supply of high quality audits across the EU".

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NOTES FOR EDITORS

About FEE

FEE (Fédération des Experts Comptables Européens – Federation of European Accountants) represents 43 professional institutes of accountants and auditors from 32 European countries, including all of the 27 EU Member States

In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 500.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent, and sustainable European economy.

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