

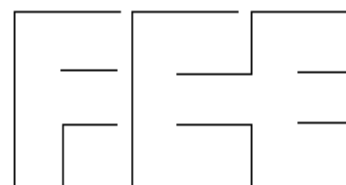
Date
10 April 2003

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Dear Mr Stoodley,

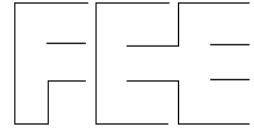
PROPOSED DIRECTIVE ON THE RECOGNITION OF PROFESSIONAL QUALIFICATIONS

I would like to come back on FEE's previous letter of 16 September 2002 on the proposal for a Directive on the recognition of professional qualification. The FEE Council decided to write this letter to support some proposals in the draft report of MEP Stefano Zappalà concerning compensatory measures and cross border of services. It would also express some concerns about the equivalence of professional qualifications in some specific Member States and provisions relating to common platforms.

Establishment and Compensatory Measures

A recent survey carried out by FEE demonstrated that the fundamental requirements to be admitted to the profession of accountant and auditor are largely convergent in Europe. The survey also confirmed that since the introduction of the current mutual recognition arrangements, all Member States have employed an aptitude test as the compensatory measure to ensure that accountancy professionals moving across the European Union possess the necessary knowledge of national company law and tax. FEE believes that the current system is working to the satisfaction of users because, in practice, it is impossible to deliver high quality services to businesses without having acquired a sufficient knowledge of the legal and fiscal rules in the country where the services are rendered to clients. Consequently, FEE supports Amendment 39 of the Draft Report relating to compensatory measures in the case of establishment. This being said, the second paragraph of the justification for this amendment appears to indicate that this could apply only to "legal professions" and not to "a profession whose practice requires precise knowledge of national law". FEE would welcome clarification that the amendment also applies to the accountancy profession, the practice of which necessarily requires a detailed knowledge of national company law and tax.

In relation to compensatory requirements, FEE takes good note of the definition of an aptitude test used in the Draft Report and in particular (in amendment 5) acknowledgement of the fact that "The adaptation period should be subject to an assessment". In our view, it is, in fact, difficult to envisage how an adaptation period could work otherwise. (We would, however, also draw attention to some discrepancies in translation in the Draft Report on this subject).



Cross border Provision of Services

In its previous comments on the original European Commission proposal, FEE expressed concerns with regard to the articles on cross border services. In our view, it is essential that the same guarantees of equivalence of qualifications exist in the case of cross border provision of services as do in relation to the rights of establishment. This can only be achieved if the migrant is required to register in the host Member States.

FEE welcomes the proposals in the Draft Report which adopt such an approach (amendment 32). However it remains unclear whether registration would be adequate where statutory audit is concerned. In accordance with the EU Recommendation on Quality Assurance for Statutory Audit in the European Union (2001/256/EC), Member States should take measures to ensure that all persons carrying out statutory audit are subject to quality assurance. This cannot be achieved simply through “pro-forma registration”.

It may be preferable that this particular issue, concerning an area of the accountancy profession's activities where public interest considerations are acute, is taken up in the anticipated revision of the Eighth Company Law Directive (84/253/EEC). However, if statutory audit activities are not exempted from the proposed Directive on the Recognition of Professional Qualifications, it would at least be necessary to ensure that there is no contradiction between existing EU legislation and rulings.

FEE also welcomes the suggestion to delete the quantitative criteria (16 weeks) to define the provision of services. As far as statutory audit is concerned a quantitative criteria is not relevant since the minimum period of a statutory audit engagement is normally 1 year.

Recognition of Qualification delivered by an Association

Article 3.2 of the original proposal refers to Annex 1, which lists regulated professions in the United Kingdom and Ireland. FEE has two concerns in this area.

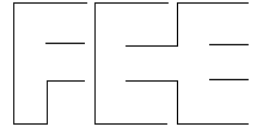
First, it is not clear whether the qualifications delivered by regulated professions in the Member States as listed in Annex 1 are equivalent to a university degree as is currently the case under the provision of the Directive 89/48/EEC.

Secondly, it remains unclear with which levels, as defined in Article 11, the above qualifications correspond. Under the General System, these qualifications are considered to be of the highest level and FEE would welcome clarification that this is still the case under the proposed Directive.

System of Platforms

FEE takes good note of the proposals developed in the Draft report concerning common platforms. However, considering the importance of the knowledge of national law to be able to provide accounting and auditing services, FEE questions whether common platforms as envisaged in the Draft Report system are applicable to the accountancy profession.

Moreover, there is a danger that any legislative - as opposed to purely voluntary - approach to common platforms could lead to a segmentation of the profession. In order to facilitate the free movement of professionals in specific areas of activities, smaller groups of professionals could claim to represent a profession even if others consider that this is only a specialisation within a broader profession.



We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,

David Devlin
President