

Brussels, 11 January 2006

Commission consults on regulation of non-EU audit firms

The European Commission has launched a public consultation on its future strategy and priorities on statutory audit in relation to non-EU countries (known as 'third countries'). The Commission wants to know the business community's views on how third-country audit firms could be supervised and on how the EU could cooperate with third countries. The consultation should assist the Commission in finding pragmatic and consistent solutions within the framework of the Directive on Statutory Audit. Interested parties are invited to submit their contributions by 5 March 2007.

Internal Market and Services Commissioner McCreevy said: "*I believe that an open discussion will help us to find the most efficient way to regulate third-country auditors. We need to make sure European capital markets remain attractive to investors and issuers from these countries. I also hope that audit regulators in these countries will participate and help us to improve our cooperation on regulation of European audit firms.*"

The 2006 Directive on Statutory Audit (2006/43/EC) applies not only to EU auditors and audit firms but also to audit firms from third countries. It requires third-country audit firms to register in each EU Member State where their clients' securities are admitted to trading (Article 45). Preliminary estimates indicate that approximately 220 audit firms auditing issuers from about 63 third countries will be affected by these rules. Whilst the implementation of the Directive is primarily a matter for EU Member States, the Commission wishes to obtain views on action it might take to facilitate the implementation of the Directive and to avoid market fragmentation.

The Directive on Statutory Audit allows for exemptions from registration and empowers the European Commission to decide on equivalence of third-country audit systems (Article 46). If a third-country audit regulation is found to be equivalent, EU Member States then have a common ground for assessing third-country audit firms for registration purposes. The consultation seeks views on priorities in equivalence assessment of third countries' audit regulation. Interested parties are also invited to comment on possibilities for coordination of registration procedures for third-country audit firms among EU Member States, as well as on a possible role for the European Group of Auditors Oversight Bodies (EGAOB) in such cooperation (see [IP/05/1596](#)).

The Directive also empowers the Commission to grant a transitional period for audit firms from third countries that cannot yet benefit from equivalence. Such a measure could be taken to avoid disruptions of European capital markets. In this respect, the consultation seeks views on transitional use of auditing standards such as US GAAS (United States Generally Accepted Auditing Standards) and ISAs (International Standards on Auditing).

The Directive allows for cooperation with third-country competent authorities on transfer of audit working papers held by EU audit firms to third countries and sets conditions for such cooperation (Article 47). The consultation seeks interested parties' views on the scope for such cooperation and on circumstances under which an audit firm could make an exceptional direct transfer of audit working papers to a third country.

More information is available at:

http://ec.europa.eu/internal_market/auditing/index_en.htm