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EU Commissioner McCreevy meets with PCAOB Chairman Mark Olson on EU-US cooperation on audit regulation

In Washington today, EU Internal Market and Services Commissioner Charlie McCreevy and Public Company Accounting Oversight Board (PCAOB) Chairman Mark Olson agreed to launch roadmap discussions on cooperation between EU and US auditor public oversight systems. They have mandated their staff to commence work and will review progress at their next meeting. The goal is to move towards full reliance on each others' oversight systems by 2009. Both sides will take stock and review progress in October 2007.

Commissioner McCreevy welcomed the positive outcome of the meeting with PCAOB Chairman Mark Olson:

"This is a sign of our common interest in reducing administrative burdens whilst strengthening investor protection. It will allow us to maintain the openness of capital markets to issuers from abroad. I join Mark Olson in welcoming this deepening of EU-US co-operation on audit regulation, and look forward to building on the experience we have gained in the area of accounting."

Commissioner McCreevy emphasized: *"Equivalence does not require systems and standards to be identical but simply to be robust enough to ensure investor confidence. The goal is to move towards inspections of audit firms carried out by an independent and rigorous home-country public oversight authority by 2009. Sending inspectors abroad is a costly and complex exercise. We need to establish a system based on mutual trust which avoids duplication."*

The 2006 Directive on statutory audit obliges EU Member States to register and oversee third-country auditors, including US auditors, of companies listed on EU regulated markets. If a US auditor fails to register in the Member State concerned, its audit opinion will be invalidated. US auditors may thus face multiple registrations and public oversight in several EU Member States. Part of the steps necessary for registration will be compliance by US auditors with auditing standards and independence rules relevant in the EU unless US standards are considered to be equivalent.

To reduce the administrative burden for audit firms and companies from third countries, including the US, the Directive empowers the Commission to recognise third-country oversight of auditors as equivalent throughout the EU []. The Commission may also accept the equivalence of US independence requirements and auditing standards. Consequently, the audit firms would not have to adapt to domestic rules in the EU Member States. Under the Directive, the Commission shall also establish a framework allowing EU public oversight bodies to conclude bilateral agreements with third-country oversight bodies, such as the US PCAOB. The Commission launched a public consultation on all of these issues on 11 January 2007.