

Financial Reporting Enforcement Panel

Press Release

Sponsoring association set up for the financial reporting enforcement panel organised under private law

(Berlin, 14 May 2004) Under the auspices of the Federal Ministry of Justice, today representatives of fifteen professional and industry associations established the Financial Reporting Enforcement Panel (FREP) in Berlin. The objective of the association is to serve as the sponsoring organisation for an independent body enforcing financial reporting requirements as provided for in the draft “Bilanzkontrollgesetz” (§§ 342b bis 342e HGB-E).

With this step the German business community took up the government’s offer of setting up financial reporting enforcement in a two tier structure and delegating the first tier to a private organisation. The draft “Bilanzkontrollgesetz” contains such provisions for delegation. After consultation with the Federal Ministry of Finance, the Federal Ministry of Justice can recognise a private organisation by contract as the enforcer of financial reporting requirements of listed enterprises. The organisation’s structure has to ascertain independent expert confidential examination by adhering to a set due process.

In accordance with the draft law, the panel’s remit is solely to discover infringements of financial reporting requirements by listed enterprises; it does not have any authority to impose sanctions. The panel advises the enterprise and the Financial Services Authority of the result of its examinations. The Financial Services Authority takes further action if the panel discovers infringements or the enterprise under examination does not cooperate.

The newly established association *Financial Reporting Enforcement Panel FREP* will serve as the sponsoring organisation for the panel. The group of founding members comprises fifteen professional and industry associations of preparers and users of financial reporting giving broad support by the German business community. The founder members are:

- Bundesverband der Deutschen Industrie (German Industry Association)
- Bundesverband der Deutschen Volksbanken und Raiffeisenbanken
- Bundesverband Deutscher Banken (Association of German Banks)
- Bundesverband öffentlicher Banken Deutschlands (Association of Public Banks)
- Deutscher Gewerkschaftsbund (Umbrella Organisation of The Trade Unions)
- Deutsche Schutzvereinigung für Wertpapierbesitz (Association for Private Investors)
- Deutscher Genossenschafts- und Raiffeisenverband
- Deutscher Industrie- und Handelskammertag
- Deutscher Sparkassen- und Giroverband
- Deutsches Aktieninstitut
- Deutsches Rechnungslegung Standards Committee (German Accounting Standards Committee)

- Gesamtverband der Deutschen Versicherungswirtschaft (German Insurance Association)
- Institut der Wirtschaftsprüfer (Institute of Public Accountants)
- Schutzgemeinschaft für Kapitalanleger
- Wirtschaftsprüferkammer (Chamber of Public Accountants)

In addition to the Executive Board which is solely responsible for managing the association, the founder members set up the nominating committee. This body elects the members of the panel and ensures that the panel monitors compliance of the financial information with the applicable reporting framework and that the panel takes appropriate measures in case of infringements discovered in the course of enforcement in accordance with the legal provisions. The Executive Board consists of Dr. Werner Brandt (chairman) (SAP AG), Dr. Wolfgang Sprißler (deputy chairman) (HypoVereinsbank AG), Roland Oetker (treasurer) (Deutsche Schutzvereinigung für Wertpapierbesitz), Dr. Harald Ring (Institut der Wirtschaftsprüfer) und Dr. Karl-Gerhard Eick (Deutsche Telekom AG). The nominating committee comprises Prof. Dr. Axel v. Werder (Technische Universität Berlin), Dr. Diethard Breipohl (Allianz AG), Ulrich Hocker (Deutsche Schutzvereinigung für Wertpapierbesitz), Klaus G. Adam (Landesbank Rheinland-Pfalz), Dietmar Hexel (DGB Deutscher Gewerkschaftsbund), Hubert Graf von Treuberg (Wirtschaftsprüferkammer) as well as the chairman of the Executive Board, Dr. Werner Brandt.

“We welcome the federal government’s initiative to promote market confidence by contributing to the transparency of financial information and to improve investors’ protection. Complementing the duties of the supervisory board and independent auditors by an independent enforcement panel is key to underpinning investors’ confidence in financial markets. Combining private and public elements to a two tier structure ascertains that the best expertise can be brought to the table when dealing with ever more complex issues of financial reporting” Werner Brandt, CFO of SAP and CEO of the newly established association.

The next steps will entail electing and appointing the enforcers, building up the necessary resources, establishing the due process und seeking recognition by the German Federal Ministers of Justice and Finance. According to the draft law, the enforcers will take up their mission with financial reports covering financial years ending on 31 December 2004 or after.

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