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Auditors' liability: new European Forum on limitation of financial burdens

The European Commission has set up a European Forum to gather market players' views on limiting financial burdens for auditors. The Forum will consider market-led solutions to mitigate litigation risks. The Forum comprises twenty market experts from various professional backgrounds (such as auditors, bankers, investors, companies, insurers and academics) with particular experience and knowledge of the subject.

Internal Market Commissioner Charlie McCreevy said: "No-one wants another corporate scandal that could reduce the Big Four to the Big Three - especially audit firms themselves, who we know want to limit their liability for acts under their direct responsibility. Now that some EU countries already have limitations or are moving in that direction, we think the time is ripe for EU-wide action. The forum's market experts will help us to analyse all the issues."

As part of the 8th Company Law Directive on statutory audit, the Commission intends to issue before the end of 2006 a report which will examine the impact of liability rules for carrying out statutory audits on European capital markets and insurance conditions. If appropriate, it will be followed by recommendations to Member States. As a first step, early in 2006 the Commission will launch a study on the economic impact of alternative liability regimes, competition in the market and availability of insurance. The forum will provide data for this study and will give feedback on new developments. The results of this study will be available in autumn 2006.

Members of the Forum are appointed until 31 December 2006. The Forum will meet under the chairmanship of the Commission. For a list of the forum's members see: [MEMO/05/426](#).

For further information on auditing in the EU see:

http://europa.eu.int/comm/internal_market/auditing/index_en.htm