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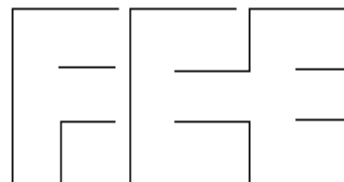
Le Président

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4 February 2005

Mr. Arthur Docters van Leeuwen
CESR Chairman
Avenue de Friedland 11-13
F – 75008 Paris



cc Mr Fabrice Demarigny

Dear Mr. Docters van Leeuwen,

Re: CESR Preliminary Progress Report “Which Supervisory Tools for the EU Securities Markets?” – An Analytical Paper by CESR

1. FEE (Fédération des Experts Comptables Européens, European Federation of Accountants) has read with interest CESR’s Report called “Which Supervisory Tools for the EU Securities Markets?”. We believe it is important to take stock of progress made through the Financial Services Action Plan towards the integration of the EU single market for financial services in the field of securities. We also welcome the second objective in the report of identifying and analysing the supervisory tools necessary to implement the Financial Services Action Plan and to anticipate future developments. We appreciate the fruitful cooperation we have had so far with CESR notably in the area of enforcement and the Prospectuses Directive and trust that this cooperation will be continued and extended to the auditing and endorsement area. We wish to react on two specific issues addressed in the report:
 - Equivalent and rigorous powers of authorities to supervise, investigate, sanction and exchange information regarding auditors;
 - Expedient decisions on how to best apply accounting standards for listed companies.

Supervisory powers concerning auditors

2. We appreciate the conclusion in Section III c) that the home/ host(s) relationship can only work efficiently in the area of securities if the relevant authorities have equivalent powers to supervise, investigate, sanction and exchange information in the various domains. We note however that auditors are identified as a non-core area of securities law in annex 3 on the mapping exercise on powers of CESR members in the securities sector. We also note that in many countries CESR members have no enforcement and oversight powers in relation to auditors.

We wish to reiterate that for FEE it is important that the regulatory role in relation to financial information issued by companies (which may have been audited) is not mixed with the role of oversight of the profession. These are two separate tasks, even when these are in some countries carried out by the same regulator (although in such cases usually involving separate procedures). The European Commission has taken separate initiatives in relation to (European) oversight of the audit profession including the Recommendation on Quality Control and more recently evolving a system of oversight in the proposed Eighth Directive.

If regulators find deficiencies in the financial information issued by companies, this may raise questions about the related audit work and these cases should be referred to the relevant supervisory authority for auditors (which as set out before will differ from country to country). The security regulatory role of CESR is distinct from the oversight of auditors. This distinction is extremely relevant in relation to the exchange of information. We are of the opinion that information and based thereon sanctions in the one area should not be used to measure equivalent sanctions in the other area.

Decisions on how to best apply accounting standards

3. In Section II d) of the report on improvements that might be considered by EU Institutions, the issues of more expedient decisions on how best to apply accounting standards for listed companies is touched on. As a general principle FEE supports global principle-based standards and global interpretations of these global standards. Only global standards will meet the wider objectives of financial stability, efficiency and transparency and provide the benefits of increasing confidence in financial markets and of facilitating global investments, thereby reducing the cost of capital. A principle-based approach requires both companies and their auditors to exercise professional judgment.
4. It is necessary to strike a proper balance between principle-based standards, which do not address every circumstance that may arise in practice and the consequent pressure for numerous interpretations, which could still result effectively in a rule-based system. Interpretations should not therefore, be too numerous. In the financial reporting area, it is important that CESR clearly distinguishes its role from that of the existing international bodies. CESR should not risk becoming an accounting standard setter. We underline the statement in Principle 20 of CESR Standard No. 1 that CESR's intention is not to develop general interpretations and / or guidance since this is part of the standard setting process conducted by IFRIC and IASB. European interpretations separate from those of IFRIC are undesirable.
5. We wish to recall that in October 2003, FEE has organised a Round Table on Enforcement: Coordination and Interpretations as a private gathering of the main parties involved in enforcement and interpretations. Amongst the key speakers were Angelo Apponi, at the time Chairman of the CESRfin Subcommittee on Enforcement, and Philippe Danjou, at the time Chairman of the CESRfin Subcommittee on Endorsement. Representatives of CESR members participated in the Round Table debates together with preparers, auditors, representatives of other enforcement bodies, European Commission, EFRAG, national standard setters and the IASB.
6. We recognise that there is a clear need to discuss and exchange views on implementation issues related to IFRS amongst relevant parties notably regulators, auditors, preparers and users in order to ensure a consistent implementation of IFRS in Europe. This could be organised in form of a forum or platform. Such a platform or forum needs to draw on the full range of experience with IFRS in the EU as well to involve all available skills in order to achieve the best results and achieve legitimacy in Europe. EFRAG is a true reflection of the various backgrounds and experiences relevant in this respect since it involves preparers, users, auditors as well as the national standard setters and CESR itself. EFRAG should therefore, in our view, have a central role in any forum or platform to be created.
7. We believe that creating a European interpretation mechanism should be avoided, as interpretations should be clearly only made at global level by IFRIC. This is even more important since IFRIC interpretations will become part of European Company Law once they have been endorsed. Where a general problem has been identified, it could be brought with help of this platform or forum to IFRIC with a proposed solution. EFRAG could help to coordinate and drive this process in centralising the views after proper discussion with all relevant parties in the platform or forum. Their proposed solutions could be used as interim guidance. EFRAG could encourage national standard setters to address issues in a similar way. We fully agree that an initiative is needed in Europe to discuss implementation issues. FEE is ready to assume its responsibility in this respect and be involved in these discussions.

FEE

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Devlin', with a stylized, cursive script.

David Devlin
President