



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Danièle NOUY

Chair of the Supervisory Board

COURTESY TRANSLATION

Mr Miguel Òrban Crespo
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 1 September 2017

Re: Your letter (QZ044)

Honourable Member of the European Parliament, dear Mr Crespo,

Thank you for your letter regarding oligopoly in the auditing sector, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 9 June 2017. My reply also follows up on the exchange of views you had with the ECB President during the ECON hearing on 29 May 2017.

Let me first point out that the enforcement of accounting standards and the supervision of statutory auditors and audit firms are not within the competence of ECB Banking Supervision, but remain a responsibility of the national authorities. Nevertheless, there are significant merits to having a more harmonised approach at the European level in the future, and the ECB is ready to play a role in this together with the other EU authorities.

The ECB attaches great importance to the role of auditors, as they are key players in ensuring the integrity of financial institutions and markets. In this context, I would like to reiterate that the ECB fully supports international initiatives aimed at further strengthening audit standards. The ECB welcomed the EU audit reform in 2014 which, inter alia, established new requirements for audit committees (or their equivalents) relating to their oversight of the performance of audits and introduced additional restrictions on the provision of non-audit services by statutory auditors to an audit client that is a public interest entity (PIE) – a category which includes credit institutions. The aim of these measures is to improve the quality of statutory audits and reduce the risk of there being any conflict of interest. Priority should be given to ensuring that these measures are promoted and enforced, with a view to enhancing audit quality and auditor independence.

Moreover, in its day-to-day supervisory tasks, the ECB engages very closely with auditors. For example, Joint Supervisory Teams hold regular meetings with the auditors of the banks under their supervision. The ECB also has meetings with the main audit firms to discuss issues of common interest, at least on a semi-annual basis. Furthermore, ECB Banking Supervision is currently working on implementing the guidelines published by the European Banking Authority (EBA) on sound communication between competent

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authorities and statutory auditors in order to further strengthen the exchange of information between prudential supervisors and auditors.¹ This work stream should further improve audit quality. The objective is to comply with the EBA guidelines by the end of 2017. However, ECB Banking Supervision performs its tasks on the basis of a rather fragmented legal framework, consisting of directly applicable EU law, national law transposing EU directives and national law not emanating from EU directives. These guidelines are therefore only a first step towards harmonising relations between auditors and supervisors and should be supplemented by additional efforts to foster common practices in this field.

In conclusion, let me emphasise that independence is crucial to ensure the credibility of the auditors' assessments. Regardless of whether the auditor is public or private, independence must be ensured through strong governance structures that help avoid any conflict of interest and ensure the necessary neutrality.

Yours sincerely,

[signed]

Danièle Nouy

¹ Further information is available on the EBA's website at <https://www.eba.europa.eu/regulation-and-policy/accounting-and-auditing/guidelines-on-communication-between-competent-authorities-and-auditors>