



**Lord Jonathan Hill**  
Commissioner for Financial Stability,  
Financial Services and Capital  
Markets Union  
European Commission  
Rue de la Loi 200  
BE-1049 Brussels  
BELGIUM

22 May 2015

Dear Commissioner, *Alan Lord Hill*

**BUSINESSEUROPE's concerns about the implementation  
of the EU Audit Regulation.**

I would like to share with you some serious concerns which we have regarding the implementation of the new EU Audit Regulation within the individual EU Member States and its impact on EU-wide operating entities with Public Interest Entities (PIE) in different Member States.

BUSINESSEUROPE supports the efforts of the EU Audit Reform to ensure that European companies have access to high quality audits and that auditors operate independently. More generally, we support the use of some options given to individual EU member states in order to consider the variety of local corporate governance laws and regulations.

However, in BUSINESSEUROPE's opinion, the way in which individual EU Member States exercise the numerous options offered by the audit regulation and directive, together with complex cross-border applications of individual national rules, may have undesirable consequences for entities operating within the EU. These were probably not identified in the legislative process.

As a result of the EU Member State options, we expect that different EU Member States opt for diverging maximum allowed durations of an audit engagement, some of which might be below and some of which might be above the ten years term currently stated in the EU Regulation. In consequence, this may be a significant issue for EU parent undertakings which control PIEs in other jurisdictions within the EU, as a group of undertakings may not be able to have a synchronized statutory audit from one single audit firm.

This will increase complexity and costs, as different rotation timeframes need to be coordinated. Further, the engagement of different audit firms within a group of undertakings would result in supplemental assurance requirements by the auditor responsible for the audit of group financial statements and could ultimately be detrimental to the costs and quality of audits. Similar problems could arise with regard to different minimum durations of an audit engagement.



The regulation also gives flexibility to individual EU Member States by giving options concerning prohibited non-audit services and by setting a cap below 70% on the provision of non-audit services compared to audit services provided.

BUSINESSEUROPE is concerned about the resulting divergence in national legislations with regard to businesses operating EU-wide. The reason for our concerns is based on the fact that national rules resulting from the implementation of member state options concerning prohibited non-audit services apply not only to an individual EU-PIE but where applicable, also to its parent undertaking in the EU as well as to its controlled undertakings within the EU.

This approach therefore creates potential upstream and downstream application issues, with legal uncertainties on which national rules are to be applied in a controlled or parent EU entity. Further, it would also be an additional burden for EU undertakings in terms of coordinating different blacklists of prohibited audit services and different caps for the provision of allowed non-audit services, adding costs and inefficiencies due to a complex EU regulatory environment.

We thank you for taking our views into consideration and would appreciate your support. If you wish to discuss this subject further, we remain at your disposal.

Yours sincerely,

Markus J. Beyrer