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Subject:	Proposal for a Directive of the European Parliament and of the Council amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts Proposal for a Regulation of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities - Preparation for the third informal trilogue

I. INTRODUCTION

1. On 7 December 2011, in the aftermath of the global financial crisis and in the general context of financial market reform, the Commission submitted two proposals covering on the one hand a revision of the Audit Directive (doc. 16971/11) and on the other hand a Regulation on specific requirements regarding statutory audit of public-interest entities (doc. 16972/11).

2. The Audit reform has been thoroughly discussed by the Council and its preparatory bodies under the Danish, Cyprus, Irish and Lithuanian Presidencies.

3. On 4 October 2013, the Permanent Representatives Committee provided a mandate to the Presidency to start negotiations with the European Parliament (doc. 14647/13).

4. The first and second informal trilogues were held on 22 October and 18 November 2013 and focused on the main outstanding issues of the Audit package. In addition, a number of technical meetings took place with a view to achieving rapid progress on this file.

5. The Presidency provided oral debriefings on the outcome of the first and second trilogues on 23 October and 20 November 2013.

6. On the basis of the outcome of the trilogues and technical meetings, the Presidency presented a compromise text on the Directive and on Articles 22, 23, 33, 70 and 72 of the Regulation to Coreper which was discussed on 27 November 2013.

7. On 27-28 November 2013, the Presidency held additional technical meetings to discuss possible compromise solutions on the Regulation with the European Parliament.

8. On the basis of the Coreper discussion of 27 November 2013 and the trilogues and technical meetings, the Presidency has prepared a compromise package on the Audit Directive and Regulation in view of the third informal trilogue on 5 December 2013.

9. Delegations will find the Presidency compromise package in the fourth column of the tables in the Annex I and II. Changes compared to the Coreper mandate of 4 October 2013 are marked by underlining/~~strike-through~~.

II. MAIN AMENDMENTS COMPARED TO THE COREPER MANDATE OF 4 OCTOBER 2013

1. Restriction on the provision of non-audit audit services (Articles 9, 10 and 10a of the Regulation)

As regards the black list, the Parliament asked to better circumscribe tax compliance and corporate financial services agreeing to the principle that the objective is to avoid conflicts of interest and self-review. The possibility of introducing a Member State option to exempt some services from the prohibition if they are immaterial and safeguards are applied was also explored. For the sake of compromise, the Parliament showed some openness on the cap.

On that basis and with a view to reconciling delegations' divergent views on the cap and the black list expressed at the Coreper meeting on 27 November 2013, the Presidency proposes the following compromise:

- Applying a 70 per cent "cap" for non-audit services at the individual entity's level and the group level.
  This amendment is intended to make sure that the cap works at a group level for the audited entity both in respect of the audit fees and the fees for non-audit services. Without this amendment, public-interest entities would be able to increase the contribution of subsidiaries to the non-audit service fees for the group at the expense of the holding company's fees so as to bring the holding company's fees under the cap. Similarly the holding company's contribution to the group's total audit fees could be increased at the expense of the audit fees of the subsidiaries to increase the level of the cap. This amendment should prevent these loop-holes and would also ensure consistency with Article 10.

- Deleting the provision on the "cooling-off period" and maintaining the restriction for the period between the beginning of the period audited and the issuing of the audit report, and for the financial year immediately preceding the period audited in relation to the designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or financial information technology systems.

- In order to provide more clarity, replacing the general term “corporate finance services” by ‘services linked to the investment strategy of the audit client, except providing assurance on the financial statements” which does not cover assurance services, and adding "services of promoting, dealing in, or underwriting shares in the audited entity" which is also one of corporate finance services and its prohibition is in line with the Code of Ethics.

- Adding a Member State option to allow the provision of tax compliance and valuation services to the audited entity provided that they are immaterial to the audited financial statements and that an additional safeguard is applied (the detailed policy on the provision of such services shall be prepared by the audit committee and approved by the general shareholders meeting in accordance with Article 10a). It should be noted that these services, which in some Member States will be not prohibited, will fall under the cap.

2. Auditing Standards (Article 26 of the Directive and Article 20 of the Regulation)

At the Coreper meeting on 27 November 2013, delegations provided overall support for adoption of ISAs at the EU level by way of delegated acts, but asked for more clarification on the legal feasibility of such adoption. As regards the substance, some delegations asked for the adoption of all ISAs as such at the EU level while others advocated a more prudent approach asking to clearly specify which articles of the Directive and the Regulation can and which ones cannot be amended by way of delegated acts.

After consultation of the Council Legal Service, the Presidency would like to clarify that delegated powers given to the Commission should be circumscribed in terms of their content and purpose in accordance with Article 290 TFEU. Technically, this could be done in the following ways:

1) by identifying the areas that may be amended or supplemented by the ISAs via delegated acts;

   or/and

2) by excluding the provisions which are considered essential elements of the legislative acts or otherwise not subject to modifications by delegated acts.

With a view of adopting all ISAs which cover the whole process of the audit engagement, including audit reporting, the Presidency proposes the combination of both approaches, namely to specify the areas of the legislative framework that may be supplemented or amended by means of delegated acts as well as to insert a provision on exclusions both in the Directive and the Regulation. This would ensure that the essential elements of the Directive and Regulation shall not be changed.
In both the Directive and the Regulation, the scope of the delegated power is limited to the three following areas: audit practice, independence and internal controls of statutory auditors and audit firms. This means that the Commission would not be empowered to amend or supplement other areas such as covered by chapter II (Approval, continuing education), III (Registration), VII (Investigations and penalties), VIII (Public oversight).
In addition, the new text of point (d) of Article 26(2a) of the Directive excludes any possible amendment of the requirements set out in Chapter IV and Articles 27, 28 and 29 of the Directive, allowing, however, the Commission to supplement them via delegated acts.

3. Mandatory rotation of auditors and audit firms of Public Interest Entities (Article 33 of the Regulation)

As regards mandatory rotation, the Parliament advocated a simpler system with no differentiation between systemic and non-systemic entities and a compromise solution which represents a real middle ground between the Council's and the Parliament's positions.

Therefore, the Presidency presented to Coreper on 27 November 2013, a compromise text with a maximum period of the audit engagement of 10 years with a possible extension of another 10 years, so 20 years in total in case of tendering or joint audit for all PIE (to compare with the Parliament's initial position: 14 years extendable until 25 years and three possible conditions for such extension, including comprehensive reassessment).

On the basis of the discussion at Coreper, the Presidency proposes to add to the previously presented compromise text the following:

- clarification of point (a) of paragraph 3, which does not change the substance, but only clarifies that tendering requirement should be applied for every extension after expiry of the base period defined by Member State;

- amendment of point (b) of paragraph 3, which allows extension of maximum duration of audit engagement in case of a joint audit if one of the statutory auditors or audit firms is changed (a new statutory auditor or audit firm reappointed) before the expiry of the base period defined by Member;

- reinstating back “exceptional basis” provision in paragraph 3a with an amendment which would allow the competent authority to extend the maximum duration of the engagement for 2 years , on an exceptional basis, if both conditions (tendering and joint audit) are met.

4. Transitional period (Article 70)

The Presidency proposes to follow a calibrated approach with a transitional period of 5 years in case of audit engagements exceeding 20 years at the time of the entry into force of the Regulation and of 7 years in case of audit engagements of 15 to 20 years. All other engagements after 2 years after the entry into force may continue until the end of the base period (referred to in the second subparagraph of Article 33(1)) or be extended in accordance with the national provisions which transposed Article 33(3).

5. Other amendments

The Parliament accepted the Coreper mandate on the majority of the other provisions of the Directive and the Regulation but emphasised the importance they attach to some of their amendments. Therefore, the Presidency compromise reflects these amendments in a negotiated form.

As regards Article 42 on market monitoring, the Presidency proposes to accept some elements of the Parliament's approach which reinforce monitoring: as regards market concentration and competition issues by the national competition authorities within the framework of the European Competition Network and as regards issues related to risks arising from quality deficiencies of a statutory auditor or audit firm by the (audit) competent authorities.

As regards the audit report, the Presidency proposes to delete or reformulate a limited number of points in Articles 22, 23 of the Regulation and Article 28 of the Directive.

As regards sanctions, the Presidency proposes to delete the minimum amount of the maximum for administrative pecuniary sanctions and to include a recital providing an indication on this matter.

In addition, the Presidency included the majority of technical amendments proposed by the German and Polish delegations at the Coreper meeting on 27 November 2013.

As regards the cooperation framework, the Presidency proposes to maintain the Coreper mandate of 4 October 2013 given the fact that this provision has not been discussed with the Parliament at the previous trilogues.

III. CONCLUSION

The Permanent Representatives Committee is invited to discuss the Presidency compromise package set out in ANNEX I and II with a view to providing a mandate to the Presidency for the negotiations at the third informal trilogue with the European Parliament on the Audit proposals.

ANNEX I

Proposal for a

DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts

(2011/0389(COD))

NOTE: Differences between JURI's Report and the Commission's proposal are indicated in bold/italics. Differences between the Council's General approach and the Commission's proposal are in bold/underlined. Bold/italics/underlined in the Commission column indicates JURI and Council are amending the Commission's proposal in the same manner.

COMMISSION PROPOSAL COM(2011)0778	EP AMENDMENTS	COREPER MANDATE 4 OCTOBER 2013	PRESIDENCY COMPROMISE PACKAGE
THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,		THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,	
Having regard to the Treaty on the Functioning of the European Union, and in particular Article 50 thereof,		Having regard to the Treaty on the Functioning of the European Union, and in particular Article 50 thereof,	
Having regard to the proposal from the European Commission,		Having regard to the proposal from the European Commission,	
After transmission of the draft legislative act to the national Parliaments,		After transmission of the draft legislative act to the national Parliaments,	

COMMISSION PROPOSAL COM(2011)0778	EP AMENDMENTS	COREPER MANDATE 4 OCTOBER 2013	PRESIDENCY COMPROMISE PACKAGE
Having regard to the opinion of the European Economic and Social Committee,		Having regard to the opinion of the European Economic and Social Committee,	
Acting in accordance with the ordinary legislative procedure,		Acting in accordance with the ordinary legislative procedure,	
Whereas:		Whereas:	

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(1) Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC lays down the conditions for the approval and registration of persons that carry out statutory audits, the rules on independence, objectivity and professional ethics applying to them, as well as the framework for their public supervision. However, it is necessary to further harmonize those rules at Union level in order to allow for more transparency and predictability of the requirements applying to such persons and to enhance their independence and objectivity in the performance of their tasks. Moreover, in order to reinforce investor protection it is important to strengthen the public oversight of statutory auditors and	AS COM	(1) Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC lays down the conditions for the approval and registration of persons that carry out statutory audits, the rules on independence, objectivity and professional ethics applying to them, as well as the framework for their public supervision. However, it is necessary to further harmonize those rules at Union level in order to allow for more transparency and predictability of the requirements applying to such persons and to enhance their independence and objectivity in the performance of their tasks. ***It is also important to increase convergence with respect to the auditing standards on the basis of which the statutory audits***	Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC lays down the conditions for the approval and registration of persons that carry out statutory audits, the rules on independence, objectivity and professional ethics applying to them, as well as the framework for their public supervision. However, it is necessary to further harmonize those rules at Union level in order to allow for more transparency and predictability of the requirements applying to such persons and to enhance their independence and objectivity in the performance of their tasks. It is also important to increase a minimum level of convergence with respect to the auditing standards on the basis of

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audit firms by enhancing the independence of Union public oversight authorities and entrusting them with adequate powers.		***are carried out.*** Moreover, in order to reinforce investor protection it is important to strengthen the public oversight of statutory auditors and audit firms by enhancing the independence of Union public oversight authorities and entrusting them with adequate powers***, including investigative and sanctioning powers to detect, deter and prevent breaches in the context of the auditing services.***	which the statutory audits are carried out. Moreover, in order to reinforce investor protection it is important to strengthen the public oversight of statutory auditors and audit firms by enhancing the independence of Union public oversight authorities and entrusting them with adequate powers [including investigative and sanctioning powers to detect, deter and prevent breaches in the context of the auditing services.]

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(2) Because of the significant public relevance of public-interest entities, which arises from the scale and dimension of their business or from the nature of their business, the credibility of the audited financial statements of public-interest entities needs to be reinforced. Therefore, the special provisions for the statutory audits of public-interest entities set out in Directive 2006/43/EC have been further developed in Regulation (EU) No [XXX] of [XXX] on specific requirements for the audit of public interest entities. As a consequence, the provisions on the statutory audits of public-interest entities of Directive 2006/43/EC should be deleted from that Directive and statutory audits of public-interest entities should be regulated by Regulation (EU) No [XXX] of [XXX].	AS COM	AS COM	(2) Because of the significant public relevance of public-interest entities, which arises from the scale and dimension of their business or from the nature of their business, the credibility of the audited financial statements of public-interest entities needs to be reinforced. Therefore, the special provisions for the statutory audits of public-interest entities set out in Directive 2006/43/EC have been further developed in Regulation (EU) No [XXX] of [XXX] on specific requirements for the audit of public interest entities. As a consequence, the provisions on the statutory audits of public-interest entities of Directive 2006/43/EC should be deleted from that Directive and statutory audits of public-interest entities should be regulated by Regulation (EU) No [XXX] of [XXX].

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(3) In order to allow audit firms to grow, Member States should allow them to have access to external capital. Therefore, Member States should no longer require that a minimum amount of capital or of voting rights in an audit firm is held by statutory auditors or audit firms, provided that a majority of the members of the administrative body are audit firms approved in any Member State or statutory auditors of good repute.	***deleted [AM 1]***	***deleted***	
(4) In accordance with the Treaty, the internal market comprises an area without internal frontiers in which the free movement of goods and services and the freedom of establishment are ensured. It is necessary to enable statutory auditors and audit firms to develop their statutory audit service activities within the Union by offering them the possibility to provide such services in a Member State other than that in which they were approved. Enabling statutory	AS COM	AS COM	(4) In accordance with the Treaty, the internal market comprises an area without internal frontiers in which the free movement of goods and services and the freedom of establishment are ensured. It is necessary to enable statutory auditors and audit firms to develop their statutory audit service activities within the Union by offering them the possibility to provide such services in a Member State other than that in which they were approved. Enabling statutory

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auditors and audit firms to provide statutory audits under their home-country professional titles in a host Member State addresses, in particular, the needs of groups of undertakings which, owing to the increasing trade flows resulting from the internal market, establish financial statements in several Member States and must have them audited under Union law. The elimination of barriers to the development of statutory audit services between Member States would contribute to the integration of the Union audit market.			auditors and audit firms to provide statutory audits under their home-country professional titles in a host Member State addresses, in particular, the needs of groups of undertakings which, owing to the increasing trade flows resulting from the internal market, establish financial statements in several Member States and must have them audited under Union law. The elimination of barriers to the development of statutory audit services between Member States would contribute to the integration of the Union audit market.

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(5) Statutory audit requires adequate knowledge of matters such as company law, fiscal law and social law which may vary from one Member State to another. Therefore, to ensure the quality of the statutory audit services provided on its territory it should be possible for a Member State to impose a compensation measure where a statutory auditor approved in another Member State wishes to be approved also on the territory of that Member State in order to set up a permanent establishment. Such measure should take account of the statutory auditor's professional experience. It should not lead to a disproportionate burden on the statutory auditor concerned nor hinder or render less attractive the provision of statutory audit services. The statutory auditor concerned should be allowed to choose between an aptitude test and an adaptation period such as defined in Directive 2005/36/EC of	AS COM	(5) Statutory audit requires adequate knowledge of matters such as company law, fiscal law and social law which may vary from one Member State to another. Therefore, to ensure the quality of the statutory audit services provided on its territory it should be possible for a Member State to impose a compensation measure where a statutory auditor approved in another Member State wishes to be approved also on the territory of that Member State in order to set up a permanent establishment. Such measure should take account of the statutory auditor's professional experience. It should not lead to a disproportionate burden on the statutory auditor concerned nor hinder or render less attractive the provision of statutory audit services. ~~The statutory auditor concerned should be allowed to choose between an aptitude test and an adaptation period~~ ***Member States should be allowed to***	(5) Statutory audit requires adequate knowledge of matters such as company law, fiscal law and social law which may vary from one Member State to another. Therefore, to ensure the quality of the statutory audit services provided on its territory it should be possible for a Member State to impose a compensation measure where a statutory auditor approved in another Member State wishes to be approved also on the territory of that Member State in order to set up a permanent establishment. Such measure should take account of the statutory auditor's professional experience. It should not lead to a disproportionate burden on the statutory auditor concerned nor hinder or render less attractive the provision of statutory audit services. Member States should be allowed to approve the applicant statutory auditors either on the basis of an aptitude test or of an adaptation period such as defined in

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the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications. At the end of the adaptation period, the statutory auditor should be able to integrate into the profession in the host Member State after the assessment that he possesses professional experience in that Member State.		***approve the applicant statutory auditors either on the basis of an aptitude test or of an adaptation period*** such as defined in Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications[1]. At the end of the adaptation period, the statutory auditor should be able to integrate into the profession in the host Member State after the assessment that he possesses professional experience in that Member State.	Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications[2]. At the end of the adaptation period, the statutory auditor should be able to integrate into the profession in the host Member State after the assessment that he possesses professional experience in that Member State.
	(5a) Whilst the primary responsibility for delivering financial information should rest with the management of the audited entities, auditors play a role by actively challenging management from a user's perspective. In order to improve audit quality, it is therefore		(5a) Whilst the primary responsibility for delivering financial information should rest with the management of the audited entities, auditors play a role by actively challenging management from a user's perspective. In order to improve audit quality, it is therefore important that the

[1] OJ L 255, 30.9.2005, p. 22.
[2] OJ L 255, 30.9.2005, p. 22.

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	important that the professional scepticism exercised by auditors vis-à-vis the audited entity is reinforced. Auditors should recognise the possibility that a material misstatement due to fraud or error could exist, notwithstanding the auditor's past experience of the honesty and integrity of the audited entity's management. [AM 2]		professional scepticism exercised by auditors vis-à-vis the audited entity is reinforced. Auditors should recognise the possibility that a material misstatement due to fraud or error could exist, notwithstanding the auditor's past experience of the honesty and integrity of the audited entity's management.
(6) ***In order to enhance the independence of statutory auditors and audit firms from the audited entity when carrying out statutory audits, any person or entity that holds rights in an audit firm should be independent of the audited entity and should not be involved in the process of decision making of the audited entity***.	(6) ***Auditors, audit firms and their employees should in particular refrain from carrying out the statutory audit of an entity if they have a business interest or financial interest in it and from engaging in trading in financial instruments issued, guaranteed or otherwise supported by an audited entity, other than holdings in diversified collective investment schemes. The statutory auditor or audit firm should abstain from the internal decision-making processes of the audited entity. Statutory auditors or their employees should***	(6) ***It is particularly relevant to reinforce independence as an essential element when carrying out statutory audits.*** In order to enhance the independence of statutory auditors and audit firms from the audited entity when carrying out statutory audits, any person or entity that holds rights in an audit firm should be independent of the audited entity and should not be involved in the process of decision making of the audited entity.	(6) It is particularly relevant to reinforce independence as an essential element when carrying out statutory audits. In order to enhance the independence of statutory auditors and audit firms from the audited entity when carrying out statutory audits, any person or entity that holds rights in an audit firm should be independent of the audited entity and should not be involved in the process of decision making of the audited entity.

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	be prevented from taking up duties in the audited entity at managerial or board level until an appropriate period has elapsed since the end of the audit engagement. **[AM 3]**		
	(6a) It is important that statutory auditors and audit firms respect the rights to private life and data protection of their clients. They should therefore be bound by strict rules on confidentiality and professional secrecy which, however, should not impede the proper enforcement of this Directive or the cooperation with the group auditor during the performance of the audit of consolidated financial statements when the parent undertaking is in a third country, provided that Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free	***(6a) Statutory auditors and audit firms should be independent when carrying out statutory audits of such entities and conflicts of interest should be avoided. In order to determine the independence of auditors and audit firms, the concept of network in which auditors and firms operate has to be taken into account. The independence requirement should be fulfilled during the period covered by the audit report, including both the period covered by the financial statements to be audited and the period during which the statutory audit is carried out.***	(6a) Statutory auditors and audit firms should be independent when carrying out statutory audits of such entities and conflicts of interest should be avoided. In order to determine the independence of auditors and audit firms, the concept of network in which auditors and firms operate has to be taken into account. The independence requirement should be fulfilled during the period covered by the audit report, including both the period covered by the financial statements to be audited and the period during which the statutory audit is carried out.

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	movement of such data[1] is complied with. However, such rules should not allow a statutory auditor or audit firm to cooperate with third country authorities outside the cooperation channels foreseen in Chapter XI of Directive 2006/43/EC. Those confidentiality rules should also apply to any statutory auditor or audit firm which has ceased to be involved in a specific audit task. ***[AM 4]***		
	(6b) Adequate internal organisation of statutory auditors and audit firms should contribute to preventing any threats to their independence. Thus, the owners or shareholders of an audit firm, as well as those managing it, should not intervene in the carrying out of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries it out on behalf of the audit firm. Additionally, statutory auditors and audit firms should	***(6b) Auditors, audit firms and their employees should in particular refrain from carrying out the statutory audit of an entity if they have a business interest or financial interest in it and from engaging on trading in financial instruments issued, guaranteed or otherwise supported by an audited entity, other than holdings in diversified collective investment schemes. The statutory auditor or audit firm should abstain from the internal decision-making processes***	(6b) Auditors, audit firms and their employees should in particular refrain from carrying out the statutory audit of an entity if they have a business interest or financial interest in it and from engaging on trading in financial instruments issued, guaranteed or otherwise supported by an audited entity, other than holdings in diversified collective investment schemes. The statutory auditor or audit firm should abstain from the internal decision-making processes of the

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	establish appropriate internal policies and procedures in relation to employees and other persons involved in the statutory audit activity within their organisations in order to ensure that they comply with their statutory obligations. Those policies and procedures should in particular seek to prevent and address any threats to independence and ensure the quality, integrity and thoroughness of the statutory audit. Those policies and procedures should be proportionate in view of the scale and complexity of the business of the statutory auditor or audit firm. ***[AM 5]***	***of the audited entity. Statutory auditors or their employees directly involved in the statutory audit engagement should be prevented from taking up duties in the audited entity at managerial or board level until an appropriate period has elapsed since the end of the audit engagement.***	audited entity. Statutory auditors or their employees directly involved in the statutory audit engagement should be prevented from taking up duties in the audited entity at managerial or board level until an appropriate period has elapsed since the end of the audit engagement.
	(6c) The statutory audit results in an opinion on the truth and fairness of the financial statements of the audited entities. Stakeholders, however, might be unaware of the limitations of an audit (materiality, sampling techniques, role of the auditor in the detection of fraud and the	***(6c) Whilst the primary responsibility for delivering financial information should rest with the management of the audited entities, auditors play a role by actively challenging management from a user's perspective. In order to improve audit quality, it is therefore***	~~(6c) Whilst the primary responsibility for delivering financial information should rest with the management of the audited entities, auditors play a role by actively challenging management from a user's perspective. In order to improve audit quality, it is therefore important that the~~

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	responsibility of managers), which can lead to an expectation gap. In order to reduce such gap, it is important to provide more clarity on what the scope of the statutory audit is. ***[AM 6]***	***important that the professional scepticism exercised by auditors vis-à-vis the audited entity is reinforced. Auditors should recognise the possibility that a material misstatment due to fraud or error could exist, notwithstanding the auditor's past experience of the honesty and integrity of the audited entity's management.***	~~professional scepticism exercised by auditors vis-à-vis the audited entity is reinforced. Auditors should recognise the possibility that a material misstatment due to fraud or error could exist, notwithstanding the auditor's past experience of the honesty and integrity of the audited entity's management.~~
	(6d) Securing audit quality should be the main criterion to apply when organising the audit work and allocating the necessary resources to the tasks. The integrity of the statutory auditor, audit firm and their staff is essential to ensure the public confidence in statutory audits and financial markets. Therefore, any incident that may have serious consequences for the integrity of the statutory audit activities should be appropriately managed. The statutory auditor or the audit firm should appropriately document the	***(6d) It is important that statutory auditors and audit firms respect the rights to private life and data protection of their clients. They should therefore be bound by strict rules on confidentiality and professional secrecy which, however, should not impede the proper enforcement of this Directive and of Regulation [XXX] or the cooperation with the group auditor during the performance of the audit of consolidated financial statements when the parent undertaking is in a third country, provided that Directive 95/46/EC is***	(6d) It is important that statutory auditors and audit firms respect the rights to private life and data protection of their clients. They should therefore be bound by strict rules on confidentiality and professional secrecy which, however, should not impede the proper enforcement of this Directive and of Regulation [XXX] or the cooperation with the group auditor during the performance of the audit of consolidated financial statements when the parent undertaking is in a third country, provided that Directive 95/46/EC is

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	audit work. ***[AM 7]***	***complied with. However, such rules would not allow a statutory auditor or audit firm to cooperate with third country authorities outside the cooperation channels foreseen in Chapter XI. Those confidentiality rules should also apply to any statutory auditor or audit firm which has ceased to be involved in a specific audit task.***	complied with. However, such rules would not allow a statutory auditor or audit firm to cooperate with third country authorities outside the cooperation channels foreseen in Chapter XI. Those confidentiality rules should also apply to any statutory auditor or audit firm which has ceased to be involved in a specific audit task.
	(6e) A sound internal quality control review of the work carried out in each statutory audit engagement should be conducive to high audit quality. Therefore, the statutory auditor or the audit firm should not issue his, her or its audit report until such an internal quality control review has been completed. ***[AM 8]***	***(6e) Adequate internal organisation of statutory auditors and audit firms should contribute to preventing any threats to their independence. Thus, owners or shareholders of an audit firm, as well as those managing it, should not intervene in the carrying out of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm. Additionally, statutory auditors and audit firms should establish appropriate internal policies and procedures in relation to***	(6e) Adequate internal organisation of statutory auditors and audit firms should contribute to preventing any threats to their independence. Thus, owners or shareholders of an audit firm, as well as those managing it, should not intervene in the carrying out of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm. Additionally, statutory auditors and audit firms should establish appropriate internal policies and procedures in relation to employees and other persons involved in the

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		employees and other persons involved in the statutory audit activity within their organisations in order to ensure compliance with their statutory obligations. Those policies and procedures should in particular seek to prevent and address any threats to independence and ensure the quality, integrity and thoroughness of the statutory audit. Those policies and procedures should be proportionate in view of the scale and complexity of the business of the statutory auditor or audit firm.	statutory audit activity within their organisations in order to ensure compliance with their statutory obligations. Those policies and procedures should in particular seek to prevent and address any threats to independence and ensure the quality, integrity and thoroughness of the statutory audit. Those policies and procedures should be proportionate in view of the scale and complexity of the business of the statutory auditor or audit firm.
		(6f) The statutory audit results in an opinion on the truth and fairness of the financial statements of the audited entities. Stakeholders, however, might be unaware of the limitations of an audit (materiality, sampling techniques, role of the auditor in the detection of fraud and the responsibility of managers), which can lead to an expectation gap. In order to reduce such gap, it is	(6f) The statutory audit results in an opinion on the truth and fairness of the financial statements of the audited entities. Stakeholders, however, might be unaware of the limitations of an audit (materiality, sampling techniques, role of the auditor in the detection of fraud and the responsibility of managers), which can lead to an expectation gap. In order to reduce such gap, it is important to provide more clarity

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		important to provide more clarity on what the scope of the statutory audit is.	on what the scope of the statutory audit is.
(7) It is important to ensure high quality statutory audits within the Union. All statutory audits should therefore be carried out on the basis of the international auditing standards ***which are part of the Clarity Project*** issued by the International ***Federation of Accountants (IFAC) in 2009*** insofar as they are relevant to statutory audits. Member States should be allowed to impose additional national audit procedures or requirements only if they stem from specific national legal requirements relating to the scope of the statutory audit of annual or consolidated financial statements, meaning that those requirements have not been covered by the adopted international auditing standards, and only if they add to the credibility and quality of annual financial statements and	(7) It is important to ensure high quality statutory audits within the Union. All statutory audits should therefore be carried out on the basis of the international auditing standards issued by the International ***Auditing and Assurance Standards Board (IAASB)*** insofar as they are relevant to statutory audits. Member States should be allowed to impose additional national audit procedures or requirements only if they stem from specific national legal ***or regulatory*** requirements relating to the scope of the statutory audit of annual or consolidated financial statements, meaning that those requirements have not been covered by the adopted international auditing standards, and only if they add to the credibility and quality of annual financial statements and	(7) It is important to ensure high quality statutory audits within the Union. All statutory audits should therefore be carried out on the basis of the international auditing standards ***adopted by the Commission. As international auditing standards are designed to be usable for entities of all sizes, of all types, in all jurisdictions, the competent authorities in Member States should take into account the scale and complexity of the business of small undertakings when assessing the application scope of international auditing standards.*** Member States should be allowed to impose additional national audit procedures or requirements only if they stem from specific national legal requirements relating to the scope of the statutory audit of annual or consolidated financial statements, meaning that	(7) It is important to ensure high quality statutory audits within the Union. All statutory audits should therefore be carried out on the basis of the international auditing standards adopted by the Commission. As international auditing standards are designed to be usable for entities of all sizes, of all types, in all jurisdictions, the competent authorities in Member States should take into account the scale and complexity of the business of small undertakings when assessing the application scope of international auditing standards. Any such provision or measure by a Member State should not result in the statutory auditor being unable to carry out statutory audits in compliance with the international auditing standards. Member States should be allowed to impose additional national audit

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consolidated financial statements ***and are conducive to the Union public good***. The Commission should continue to be involved in the monitoring of the content and adoption process of the international auditing standards by the ***IFAC***.	consolidated financial statements. The Commission should continue to be involved in the monitoring of the content and adoption process of the international auditing standards by the ***IAASB***. **[AM 9]**	those requirements have not been covered by the adopted international auditing standards***, or*** if they add to the credibility and quality of annual financial statements and consolidated financial statements and are conducive to the Union public good. The Commission should continue to be involved in the monitoring of the content and adoption process of the international auditing standards by the IFAC.	procedures or requirements only if they stem from specific national legal requirements relating to the scope of the statutory audit of annual or consolidated financial statements, meaning that those requirements have not been covered by the adopted international auditing standards, or if they add to the credibility and quality of annual financial statements and consolidated financial statements and are conducive to the Union public good. The Commission should continue to be involved in the monitoring of the content and adoption process of the international auditing standards by the IFAC.

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	(7a) In the case of consolidated financial statements, it is important that there is a clear definition of responsibilities of the statutory auditors who audit different entities of the group. For this purpose, the group auditor should bear full responsibility for the audit report. ***[AM 10]***		(7a) In the case of consolidated financial statements, it is important that there is a clear definition of responsibilities of the statutory auditors who audit different entities of the group. For this purpose, the group auditor should bear full responsibility for the audit report.

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(8) In order to enhance the credibility and transparency of the quality assurance reviews performed in the Union, Member States' quality assurance systems should be governed by the competent authorities designated by the Member States to ensure the public oversight of statutory auditors and audit firms. Quality assurance reviews aim at preventing or addressing potential deficiencies in the manner in which statutory audits are carried out. In order to ensure that the quality assurance reviews attain their scope, when performing the reviews, the competent authorities should take into account the scale and dimension of the activity of the statutory auditors and audit firms.	AS COM	AS COM	(8) In order to enhance the credibility and transparency of the quality assurance reviews performed in the Union, Member States' quality assurance systems should be governed by the competent authorities designated by the Member States to ensure the public oversight of statutory auditors and audit firms. Quality assurance reviews aim at preventing or addressing potential deficiencies in the manner in which statutory audits are carried out. In order to ensure that the quality assurance reviews attain their scope, when performing the reviews, the competent authorities should take into account the scale and dimension of the activity of the statutory auditors and audit firms.

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		(8a) In order to improve compliance with the requirements of this Directive and of Regulation [XXX] and following the Commission Communication of 9 December 2010 entitled 'Reinforcing sanctioning regimes in the financial sector' , the power to adopt supervisory measures and the sanctioning powers of competent authorities should be enhanced. Administrative pecuniary sanctions on statutory auditors, audit firms and public-interest entities for identified violations should be foreseen. The competent authorities should be transparent about the sanctions and measures they apply. The adoption and publication of sanctions should respect fundamental rights as laid down in the Charter of Fundamental Rights of the European Union, in particular the right to respect for private and family life (Article 7), the right to the protection of	(8a) In order to improve compliance with the requirements of this Directive and of Regulation [XXX] and following the Commission Communication of 9 December 2010 entitled 'Reinforcing sanctioning regimes in the financial sector' , the power to adopt supervisory measures and the sanctioning powers of competent authorities should be enhanced. Administrative pecuniary sanctions on statutory auditors, audit firms and public-interest entities for identified violations should be foreseen. The competent authorities should be transparent about the sanctions and measures they apply. The adoption and publication of sanctions should respect fundamental rights as laid down in the Charter of Fundamental Rights of the European Union, in particular the right to respect for private and family life (Article 7), the right to the protection of personal data

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		personal data (Article 8) and the right to an effective remedy and to a fair trial (Article 47).	(Article 8) and the right to an effective remedy and to a fair trial (Article 47).
		(8b) Competent authorities should be able to impose administrative pecuniary penalties that are actually deterring. Such goal is better achieved by relating the pecuniary sanction to the financial situation of the breacher. Without prejudice to the possibility of withdrawing the license of the statutory audit or audit firm, other types of sanctions which have a relevant deterring effect should be envisaged. In any case, Member States should apply identical criteria when determining the sanction to be imposed.	(8b) Competent authorities should be able to impose administrative pecuniary penalties that are actually deterring, <u>for instance</u> <u>up to an amount of million or higher in case of natural persons, and up to some per cents of total annual turnover in the preceding business year in the case of legal persons or any other entities.</u> Such goal is better achieved by relating the pecuniary sanction to the financial situation of the breacher. Without prejudice to the possibility of withdrawing the license of the statutory audit or audit firm, other types of sanctions which have a relevant deterring effect should be envisaged. In any case, Member States should apply identical criteria when determining the sanction to be imposed.

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		(8c) Whistleblowers can bring new information to the attention of competent authorities which assists them in detecting and sanctioning irregularities, including fraud. However, whistleblowers may be deterred from doing so for fear of retaliation, or may lack incentives to do so. Member States should therefore ensure that adequate arrangements are in place to encourage whistleblowers to alert them to possible breaches of this Directive and of Regulation [XXX] and to protect them from retaliation. Member States may also provide them with incentives for doing so; however, whistleblowers should only be eligible for such incentives where they bring to light new information which they are not already legally obliged to notify and where this information results in a sanction for a breach of this Directive and of Regulation. Member States	

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		should also ensure that whistleblowing schemes they implement include mechanisms that provide appropriate protection of a reported person, particularly with regard the right to the protection of his personal data and procedures to ensure the right of the reported person of defence and to be heard before the adoption of a decision concerning him as well as the right to seek effective remedy before a tribunal against a decision concerning him. The mechanisms established shoul also provide appropriate protection of the whistleblowers, not only with regard to the right to the protection of personal data, but also by ensuring that they are not victims of undue retaliation.	

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(9) The public oversight of statutory auditors and audit firms encompasses the approval, registration of statutory auditors and audit firms, the adoption of standards on professional ethics and internal quality control of audit firms, the continuing education, as well as the systems of quality assurance, investigation, and penalties for statutory auditors and audit firms. In order to enhance the transparency of the auditor supervision and to allow for more accountability, each Member State should designate a single authority in charge of the public oversight of statutory auditors and audit firms. The independence of such public oversight authorities from the audit profession is a core prerequisite for integrity, efficiency and orderly functioning of the public oversight of statutory auditors and audit firms. Therefore, the public oversight	***deleted [AM 11]***	AS COM	

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authorities should be governed by non-practitioners and Member States should establish independent and transparent procedures for the selection of non-practitioners.			
		(9a) Member States should have the possibility to create exemptions to the requirements imposed on auditing services when they are provided to cooperatives and savings banks.	
		(9b) The competent authority should have the possibility to delegate tasks to other authorities or bodies authorised or designated by law. Such delegation should be subject to several conditions and the competent authority should bear the ultimate responsibility for it.	

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(10) In order to ensure that the public oversight authorities fulfil their tasks in an effective manner, they should have sufficient powers to do so. In particular, Member States should ensure that the public oversight authorities have the power to initiate and carry out investigations, and that they have access to any documents held by statutory auditors or audit firms relevant to the performance of their tasks. In addition, the public oversight authorities should have enough human and financial resources to perform their tasks.	AS COM	(10) In order to ensure that the public oversight authorities fulfil their tasks in an effective manner, they should have sufficient powers to do so. ~~In particular, Member States should ensure that the public oversight authorities have the power to initiate and carry out investigations, and that they have access to any documents held by statutory auditors or audit firms relevant to the performance of their tasks. In addition, the public oversight authorities should have enough human and financial resources to perform their tasks.~~ In addition, the public oversight authorities should have enough human and financial resources to perform their tasks.	

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(11) Adequate supervision of statutory auditors and audit firms that have cross-border activities or are part of networks requires the public oversight authorities of the Member States to exchange information. In order to protect the confidentiality of the information that may be thus exchanged, Member States should subject to the obligation of professional secrecy not only the employees of the public oversight authorities, but also all persons to whom the public oversight authorities have delegated tasks. ***The competent authority should have the possibility to delegate tasks to other authorities or bodies only with regard to the approval and registration of the statutory auditors. Such delegation should be subject to several conditions and the competent authority should bear the ultimate responsibility for it.***	(11) Adequate supervision of statutory auditors and audit firms that have cross-border activities or are part of networks requires the public oversight authorities of the Member States to exchange information. In order to protect the confidentiality of the information that may be thus exchanged, Member States should subject to the obligation of professional secrecy not only the employees of the public oversight authorities, but also all persons to whom the public oversight authorities have delegated tasks. **[AM 12]**	(11) Adequate supervision of statutory auditors and audit firms that have cross-border activities or are part of networks requires the public oversight authorities of the Member States to exchange information. In order to protect the confidentiality of the information that may be thus exchanged, Member States should subject to the obligation of professional secrecy not only the employees of the public oversight authorities, but also all persons to whom the public oversight authorities have delegated tasks~~. The competent authority should have the possibility to delegate tasks to other authorities or bodies only with regard to the approval and registration of the statutory auditors. Such delegation should be subject to several conditions and the competent authority should bear the ultimate responsibility for it.~~	

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	(11a) Audit committees, or bodies performing an equivalent function within the audited entity, have a decisive role in contributing to high-quality statutory audit. It is particularly important to reinforce the independence and technical competence of the audit committee by requiring that a majority of its members is independent and that at least one member of the committee has competence in auditing and another one in auditing and/or accounting. The Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board sets out how audit committees should be established and function. Considering, however, the dimension of boards in companies with reduced market capitalisation and in small and medium-sized public-interest entities, it would be	***(11a) Audit committees, or bodies performing an equivalent function within the audited entity, have a decisive role in contributing to high-quality statutory audit. It is particularly important to reinforce the independence and technical competence of the audit committee by requiring that a majority of its members is independent and that at least one member of the committee has competence ~~in auditing and another one~~ in auditing and/or accounting. The Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board sets out how audit committees should be established and function. Considering, however, the dimension of boards in companies with reduced market capitalisation and in small and medium-sized public-interest entities, it would be***	

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	appropriate that the functions assigned to the audit committee for those entities, or to a body performing equivalent functions within the audited entity, be performed by the administrative or supervisory body as a whole. ***[AM 13]***	***appropriate that the functions assigned to the audit committee for those entities, or to a body performing equivalent functions within the audited entity, may be performed by the administrative or supervisory body as a whole. Public-interest entities which are UCITS or alternative investment funds should also be exempted from the obligation to have an audit committee. This exemption takes into account the fact that where those funds function merely for the purpose of pooling assets, the employment of an audit committee is not appropriate. UCITS and alternative investments funds, as well as their management companies, operate in a strictly defined regulatory environment and are subject to specific governance mechanisms such as controls exercised by their depositary.***	

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		(11b) Where there are proper grounds, but the audited entity does not act, the audit committee, the shareholders, the competent authorities responsible for the supervision of auditors and audit firms or, when provided by national law, the competent authorities responsible for the supervision of the public-interest entity should be empowered to bring a case before a national court on the dismissal of the auditor.	

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(12) The "Small Business Act" adopted in June 2008 and revised in February 2011 recognises the central role played by small and medium-sized enterprises in the Union's economy and aims at improving the overall approach to entrepreneurship and to anchor the "Think Small First" principle in policy making. The Europe 2020 Strategy adopted in March 2010 also calls for an improvement of the business environment, especially for small and medium-sized enterprises, including through reducing the transaction costs of doing business in the Union. Article [34] of Directive [XXX] of the European Parliament and of the Council of [XXX] on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings does not require small undertakings to have their financial statements audited.	AS COM	***deleted***	

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(13) The burdens weighing on small and medium-sized undertakings within the Union in connection to the audit of their financial statements should be reviewed to the necessary minimum without compromising investor protection. Member States should ensure that the application of auditing standards according to which the statutory audit of the financial statements of those undertakings is performed is proportionate to the scale of small and medium-sized undertakings.	(13) The burdens weighing on small and medium-sized undertakings within the Union in connection to the audit of their financial statements should be reviewed to the necessary minimum without compromising investor protection. Member States should ensure that the application of auditing standards according to which the statutory audit of the financial statements of those undertakings is performed is proportionate to the scale of small and medium-sized undertakings. ***The fact that both small and medium-sized undertakings exist in different sizes and that, moreover, their operations vary in complexity should also be taken into account.*** **[AM 14]**	***deleted***	

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(14) Some Member States have replaced the statutory audit of small undertakings with a limited review of their financial statements. It is appropriate to allow those Member States to maintain this practice instead of providing for a proportionate application of auditing standards to small undertakings.	AS COM	***deleted***	
(15) In order to preserve the rights of the parties concerned when the competent authorities of Member States cooperate with the competent authorities of third countries on the exchange of audit working papers or other relevant documents for the assessment of the quality of the audit performed, Member States should ensure that the working arrangements entered into by their competent authorities based on which any exchange of such papers takes place comprise enough safeguards to protect the business secrecy, commercial interests, including the industrial and	(15) In order to preserve the rights of the parties concerned when the competent authorities of Member States cooperate with the competent authorities of third countries on the exchange of audit working papers or other relevant documents for the assessment of the quality of the audit performed, Member States should ensure that the working arrangements entered into by their competent authorities based on which any exchange of such papers takes place comprise enough safeguards to protect the business secrecy, commercial interests, including the industrial and	AS COM	

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intellectual property rights of the audited entities.	intellectual property rights of the audited entities. ***Member States shall ensure that those arrangements comply and are compatible with the provisions of Directive 95/46/EC.*** **[AM 15]**		
(16) The threshold of EUR 50 000 in Article 45(1) of Directive 2006/43/EC was aligned on Article 3(2)(c) and (d) of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC . The thresholds set out in Directive 2003/71/EC have been increased to EUR 100 000 by Article 1(3) of Directive 2010/73/EU of the European Parliament and of the Council . For that reason, corresponding adjustments should be made to the	AS COM	(16) The threshold of EUR 50 000 in Article 45(1) of Directive 2006/43/EC was aligned on Article 3(2)(c) and (d) of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC[3] . The thresholds set out in Directive 2003/71/EC have been increased to EUR 100 000 by Article 1(3) of Directive 2010/73/EU of the European Parliament and of the Council[4] . For that reason, corresponding adjustments should be made to the	

[3] OJ L 345, 31.12.2003, p. 64.
[4] OJ L 327, 11.12.2010, p. 1.

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threshold set out in Article 45(1) of Directive 2006/43/EC.		threshold set out in Article 45(1) of Directive 2006/43/EC.	
(17) In order to give full effect to the new framework provided for in the Treaty on the Functioning of the European Union, it is necessary to adapt and replace the implementing powers designed under Article 202 of the Treaty establishing the European Community with the appropriate provisions in accordance with Articles 290 and 291 of the Treaty on the Functioning of the European Union.	AS COM	AS COM	
(18) The alignment of the procedures for the adoption of delegated and implementing acts by the Commission to the Treaty on the Functioning of the European Union and, in particular, to Articles 290 and 291 thereof, should be effected on a case-by-case basis. The power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in	AS COM	(18) The alignment of the procedures for the adoption of delegated and implementing acts by the Commission to the Treaty on the Functioning of the European Union and, in particular, to Articles 290 and 291 thereof, should be effected on a case-by-case basis. The power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in	

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order to take into account the developments in auditing and the audit profession and to facilitate the supervision of statutory auditors and audit firms. In particular, the use of delegated acts is necessary to specify the requirements regarding the approval of natural persons as statutory auditors and the principles of independence and objectivity that statutory auditors and audit firms have to comply with, and to amend the definition of international auditing standards. In the field of auditor supervision the use of delegated acts is necessary to develop the procedures for the exchange of information between the competent authorities of Member States, the modalities in which cross-border investigations should take place and the modalities of cooperation between the competent authorities of Member States and those of third countries. It is of particular importance that the Commission carries out appropriate		order to take into account the developments in auditing and the audit profession and to facilitate the supervision of statutory auditors and audit firms. ~~In particular, the use of delegated acts is necessary to specify the requirements regarding the approval of natural persons as statutory auditors and the principles of independence and objectivity that statutory auditors and audit firms have to comply with, and to amend the definition of international auditing standards.~~ In the field of auditor supervision the use of delegated acts is necessary to develop the procedures for the exchange of information between the competent authorities of Member States, the modalities in which cross-border investigations should take place and the modalities of cooperation between the competent authorities of Member States and those of third countries. It is of particular importance that the Commission carries out appropriate	

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consultations during its preparatory work, including at expert level.		consultations during its preparatory work, including at expert level.	
The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.	AS COM	AS COM	
(19) In order to ensure uniform conditions for the implementation of the declarations on the equivalence of third country auditor oversight regimes or the adequacy of third country competent authorities, in so far as they concern individual third countries or individual competent authorities of third countries, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms	AS COM	AS COM	

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for control by the Member States of the Commission's exercise of implementing powers[5].			
(20) Since the objective of this Directive, namely reinforcing investor ***protection in*** the financial statements published by undertakings by further enhancing the quality of statutory audits that are performed within the Union cannot be sufficiently achieved by Member States and can therefore, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve that objective.	(20) Since the objective of this Directive, namely reinforcing investor ***confidence in the truth and fairness of*** the financial statements published by undertakings by further enhancing the quality of statutory audits that are performed within the Union cannot be sufficiently achieved by Member States and can therefore, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve that objective. **[AM 16]**	AS COM	

[5] OJ L 55, 28.2.2011, p. 13.

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(21) Directive 2006/43/EC should therefore be amended accordingly.	AS COM	(21) Directive 2006/43/EC should therefore be amended accordingly.	
		(21a) In accordance with the Joint Political Declaration of Member States and the Commission on explanatory documents of 28 September 2011, Member States have undertaken to accompany, in justified cases, the notification of their transposition measures with one or more documents explaining the relationship between the components of a directive and the corresponding parts of national transposition instruments. With regard to this Directive, the legislator considers the transmission of such documents to be justified.	
HAVE ADOPTED THIS DIRECTIVE:			

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Article 1 *Amendments*		*Article 1* *Subject matter*	
Directive 2006/43/EC is hereby amended as follows:			Directive 2006/43/EC is hereby amended as follows:
1. Article 1 is amended as follows:			1. Article 1 is amended as follows:
(a) The following paragraphs are added:			(a) The following paragraphs are added:
'Articles ***22,*** 25 ***and 27 to 30*** of this Directive shall not apply to the statutory audit of annual and consolidated accounts of public-interest entities unless specified in Regulation (EU) No [xxx].	'Articles 25, ***28 and 29*** of this Directive shall not apply to the statutory audit of annual and consolidated accounts of public-interest entities unless specified in Regulation (EU) No [xxx]. **[AM 17]**	Article 29 of this Directive shall not apply to the statutory audit of annual and consolidated financial statements of public-interest entities unless specified in Regulation (EU) No [xxx].	Article 29 of this Directive shall not apply to the statutory audit of annual and consolidated financial statements of public-interest entities unless specified in Regulation (EU) No [xxx].
Articles 32 to 36 of this Directive shall apply with regard to public-interest entities in so far as related to the supervision of the compliance with the rules on approval and registration of statutory auditors and audit firms set out in Articles 3 to 20.'.	AS COM	deleted	***Note: Depending on final result***

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2. Article 2 is amended as follows:			2. Article 2 is amended as follows:
(a) Point 1 is replaced by the following:			(a) Point 1 is replaced by the following:
'1. 'statutory audit' means an audit of annual accounts or consolidated accounts insofar as:	AS COM		'1. 'statutory audit' means an audit of annual accounts or consolidated accounts insofar as:
(a) required by Union law;	AS COM	AS COM	(a) required by Union law;
(b) required by national law as regards small undertakings;	AS COM	AS COM	(b) required by national law as regards small undertakings;
(c) voluntarily conducted by small undertakings;';	***deleted [AM 18]***	(c) voluntarily conducted by small undertakings, which meet national legal requirements that are equivalent to those for an audit under point (b), where national legislation defines such audits as statutory audits;	(c) voluntarily conducted by small undertakings, which meet national legal requirements that are equivalent to those for an audit under point (b), where national legislation defines such audits as statutory audits;
		aa) Point 4 is replaced by the following:	aa) Point 4 is replaced by the following:

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		4. 'third-country audit entity' means an entity, regardless of its legal form, which carries out audits of the annual or consolidated financial statements of a company incorporated in a third country, other than an entity which is registered as an audit firm in any Member State as a consequence of approval in accordance with Article 3;	4. 'third-country audit entity' means an entity, regardless of its legal form, which carries out audits of the annual or consolidated financial statements of a company incorporated in a third country, other than an entity which is registered as an audit firm in any Member State as a consequence of approval in accordance with Article 3;
	aa) Point 5 is replaced by the following: [AM 19]	ab) Point 5 is replaced by the following:	ab) Point 5 is replaced by the following:
	'5. "third-country auditor" means a natural person who carries out audits of the annual or consolidated accounts of a company incorporated in a third country ***except where that person is a statutory auditor or audit firm and the third country audit engagement is subject to oversight by a Member State*****;';** ***[AM 19]***	5. 'third-country auditor' means a natural person who carries out audits of the annual or consolidated financial statements of a company incorporated in a third country, other than a person who is registered as a statutory auditor in any Member State as a consequence of approval in accordance with Article 3 and 44;	5. 'third-country auditor' means a natural person who carries out audits of the annual or consolidated financial statements of a company incorporated in a third country, other than a person who is registered as a statutory auditor in any Member State as a consequence of approval in accordance with Article 3 and 44;

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(b) Point 10 is replaced by the following:			(b) Point 10 is replaced by the following:
'10. 'competent authorities' means the authorities designated by law that are in charge of the regulation and/or oversight of statutory auditors and audit firms or of specific aspects thereof; the reference to 'competent authority' in a specific Article means a reference to the authority responsible for the functions referred to in that Article;'	'10. "competent authorities" means the authorities designated by law that are in charge of the regulation and/or oversight of statutory auditors and audit firms or of specific aspects thereof; the reference to "competent authority" in a specific Article means a reference to the authority ***or body/ies*** responsible for the functions referred to in that Article;'; **[AM 20]**	AS COM	'10. 'competent authorities' means the authorities designated by law that are in charge of the regulation and/or oversight of statutory auditors and audit firms or of specific aspects thereof; the reference to 'competent authority' in a specific Article means a reference to the authority responsible for the functions referred to in that Article;'

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(c) point 11 is deleted;	AS COM	AS COM	(c) point 11 is deleted;
(d) Point 13 is replaced by the following:			(d) Point 13 is replaced by the following:
'13. 'public-interest entities' means:	'13. 'public-interest entities' means ***undertakings which are***: **[AM 21]**	'13. 'public-interest entities' means:	'13. 'public-interest entities' means:
(a) entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC;	AS COM	AS COM	(a) entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC;
(b) credit institutions as defined in point 1 of Article 4 of Directive 2006/48/EC of the European Parliament and of the Council(*);	(b) credit institutions as defined in point 1 of Article 4 of Directive 2006/48/EC of the European Parliament and of the Council ***of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions other than those referred to in Article 2 of that Directive***(*); **[AM 21]**	As COM	(b) credit institutions as defined in point 1 of Article 4 of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions other than those referred to in Article 2 of that Directive(*);

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(c) insurance undertakings within the meaning of Article 13 of Directive 2009/138/EC of the European Parliament and of the Council(**);	(c) insurance undertakings within the meaning of Article ***2(1) of*** Council ***Directive 91/674/EEC of 19 December 1991 on the annual accounts of insurance undertakings, or***; **[AM 21]**	(c) insurance undertakings within the meaning of Article 2(1) of Council Directive 91/674/EEC of 19 December 1991 on the annual accounts of insurance undertakings(**);	(c) insurance undertakings within the meaning of Article *2(1) of* Council Directive 91/674/EEC of 19 December 1991 on the annual accounts of insurance undertakings, or;
(d) entities governed by the law of a Member State which are payment institutions as defined in point 4 of Article 4 of Directive 2007/64/EC of the European Parliament and of the Council(***), unless Article 15(2) of that Directive applies;	(d) ***designated by Member States as public-interest*** entities***, for instance undertakings that*** are ***of significant public relevance because of the nature of their business, their size or the number of their employees***; **[AM 21]**	Member States may also designate other entities as public-interest entities, for instance entities that are of significant public relevance because of the nature of their business, their size or the number of their employees.	(d) designated by Member States as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees;
(e) entities governed by the law of a Member State which are electronic money institutions as defined in point 1 of Article 2 of Directive 2009/110/EC of the European Parliament and of the Council(****), unless Article 15(2) of Directive 2007/64/EC applies;	***deleted [AM 21]***	deleted	deleted

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(f) investment firms as defined in point 1 of Article 4(1) of Directive 2004/39/EC;	***deleted [AM 21]***	deleted	deleted
(g) EU alternative investment funds as defined in Article 4(1)(k) of Directive 2011/61/EC of the European Parliament and of the Council(*****);	***deleted [AM 21]***	deleted	deleted
(h) undertakings for collective investment in transferable securities (UCITS) as defined in Article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council(******);	***deleted [AM 21]***	deleted	deleted
(i) entities governed by the law of a Member State which are central securities depositories;	***deleted [AM 21]***	deleted	deleted
(j) central counterparties as defined in Article 2(1) of Regulation X/XXXX of the European Parliament and of the Council(*******)[see proposal for a Regulation on OTC derivatives, central counterparties and trade repositories, COM(2010)484);	***deleted [AM 21]***	deleted	deleted

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(e) The following points 17 to 20 are added:			(e) The following points 17 to 20 are added:
		15. 'non-practitioner' means any natural person who, during his or her involvement in the governance of the public oversight system and during the period of the 3 years immediately preceding that involvement, has not carried out statutory audits, has not held voting rights in an audit firm, has not been a member of the administrative, management or supervisory body of an audit firm and has not been employed by, or otherwise associated with, an audit firm;	15. 'non-practitioner' means any natural person who, during his or her involvement in the governance of the public oversight system and during the period of the 3 years immediately preceding that involvement, has not carried out statutory audits, has not held voting rights in an audit firm, has not been a member of the administrative, management or supervisory body of an audit firm and has not been employed by, or otherwise associated with, an audit firm;
'17. 'medium-sized undertakings' means the undertakings referred to in Article 3(2) of Directive XX/XX [the directive replacing the 4th and 7th company law directives];	AS COM	17. 'medium-sized undertakings' means the undertakings referred to in Article 1(1) and Article 3(3) of Directive 2013/34/EU;	17. 'medium-sized undertakings' means the undertakings referred to in Article 1(1) and Article 3(3) of Directive 2013/34/EU;
18. 'small undertakings' means the undertakings referred to in Article 3(1) of Directive XX/XX [the directive replacing the 4th and 7th company law directives];	AS COM	18. 'small undertakings' means the undertakings referred to in Article 1(1) and Article 3(2) of Directive 2013/34/EU;	18. 'small undertakings' means the undertakings referred to in Article 1(1) and Article 3(2) of Directive 2013/34/EU;

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19. 'home Member State' means a Member State in which a statutory auditor or audit firm is approved in accordance with Article 3(1);	AS COM	AS COM	19. 'home Member State' means a Member State in which a statutory auditor or audit firm is approved in accordance with Article 3(1);
20. 'host Member State' means a Member State in which a statutory auditor approved by his or her Member State seeks to be also approved in accordance with Article 14, or a Member State in which a statutory auditor or audit firm approved by his, her or its Member State provides statutory audits on a temporary or occasional basis, or a Member State in which an audit firm approved by its home Member State seeks recognition of such approval in accordance with Article 3b.'.	AS COM	20. 'host Member State' means a Member State in which a statutory auditor approved by his or her Member State seeks to be also approved in accordance with Article 14, or a Member State in which ~~a statutory auditor or audit firm approved by his, her or its Member State provides statutory audits on a temporary or occasional basis, or a Member State in which~~ an audit firm approved by <u>its home</u> Member State <u>seeks to be registered or is registered</u> in accordance with Article 3b.'	20. 'host Member State' means a Member State in which a statutory auditor approved by his or her Member State seeks to be also approved in accordance with Article 14, or a Member State in which an audit firm approved by its home Member State seeks to be registered or is registered in accordance with Article 3b.'
3. Article 3 is amended as follows:			3. Article 3 is amended as follows:
(a) paragraph 2 is amended as follows:	AS COM	AS COM	(a) paragraph 2 is amended as follows:
(i) the first paragraph is replaced by the following:	AS COM	AS COM	(i) the first paragraph is replaced by the following:

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'Each Member State shall designate the competent authority referred to in Article 32 as authority responsible for approving statutory auditors and audit firms.';	AS COM	2. Each Member State shall designate the competent authority ~~referred to in Article 32~~ as authority responsible for approving statutory auditors and audit firms.	2. Each Member State shall designate the competent authority as authority responsible for approving statutory auditors and audit firms.
(ii) the second paragraph is deleted;	AS COM	AS COM	(ii) the second paragraph is deleted;
(b) paragraph 4 is amended as follows:	AS COM	AS COM	(b) paragraph 4 is amended as follows:
(i) in the first subparagraph, point (b) is deleted;	***deleted [AM 22]***	(i) in the first subparagraph, point (b) is amended as follows: (b) a majority of the voting rights in an entity must be held by audit firms which are approved in any Member State or by natural persons who satisfy at least the conditions imposed by Articles 4 and 6 to 12. Member States may provide that such natural persons must also have been approved in another Member State. For the purpose of the statutory audit of cooperatives**,** savings banks and similar entities as referred to in Article 45 of Directive 86/635/EEC, a subsidiary	(i) in the first subparagraph, point (b) is amended as follows: (b) a majority of the voting rights in an entity must be held by audit firms which are approved in any Member State or by natural persons who satisfy at least the conditions imposed by Articles 4 and 6 to 12. Member States may provide that such natural persons must also have been approved in another Member State. For the purpose of the statutory audit of cooperatives**,** savings banks and similar entities as referred to in Article 45 of Directive 86/635/EEC, a subsidiary

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		or legal successor of a cooperative, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC Member States may establish other specific provisions in relation to voting rights;	or legal successor of a cooperative, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC Member States may establish other specific provisions in relation to voting rights;
(ii) in the first subparagraph, point (c) is replaced by the following:	AS COM	deleted	deleted
'(c) a majority of the members of the administrative or management body of the entity must be audit firms which are approved in any Member State or natural persons who satisfy at least the conditions imposed by Article 4 and Articles 6 to 12. Where such a body has no more than two members, one of these members must satisfy at least the conditions in this point.';	AS COM	deleted	deleted
(iii) the second subparagraph is ***replaced by the following:***	(iii) the second subparagraph is ***deleted [AM 23}***	deleted	deleted

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'Member States may not set additional conditions in relation to these points. Member States shall not be allowed to require that a minimum amount of capital or of voting rights in an audit firm is held by statutory auditors or audit firms.'	***deleted [AM 23}***	deleted	deleted
4. The following Articles 3a and 3b are inserted:	AS COM	4. The following Article 3b is inserted:	4. The following Article 3b is inserted:
'Article 3a *Cross-border provision of services by statutory auditors*	AS COM	deleted	deleted
By derogation from Article 3(1) of this Directive, a statutory auditor who is approved in a Member State shall be entitled to perform statutory audits in another Member State on a temporary or occasional basis. Articles 5 to 9 of Directive 2005/36/EC of the European Parliament and of the Council* shall apply.	AS COM	deleted	deleted

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Article 3b *Recognition of audit firms*	*AS COM*	*Article 3b* *Recognition of audit firms*	*Article 3b* *Recognition of audit firms*
1. By derogation from Article 3(1), an audit firm which is approved in a Member State shall be entitled to perform statutory audits in another Member State <u>on a temporary, occasional or permanent basis, provided that Article 3(4)(a) is complied with.</u>	AS COM	1. By derogation from Article 3(1), an audit firm which is approved in a Member State shall be entitled to perform statutory audits in another Member State <u>provided that the key audit partner who carries out the statutory audit on behalf of the audit firm complies with Article 3(4)(a) in the host Member State.</u>	1. By derogation from Article 3(1), an audit firm which is approved in a Member State shall be entitled to perform statutory audits in another Member State provided that the key audit partner who carries out the statutory audit on behalf of the audit firm complies with Article 3(4)(a) in the host Member State.
2. An audit firm that wishes to carry out statutory audits in a Member State other than the one in which it has been approved shall register with the competent authority in the host Member State in accordance with Articles 15 and 17.	AS COM	AS COM	2. An audit firm that wishes to carry out statutory audits in a Member State other than the one in which it has been approved shall register with the competent authority in the host Member State in accordance with Articles 15 and 17.

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3. The competent authority in the host Member State shall register the audit firm upon presentation of a certificate attesting to its registration with the competent authority in the home Member State. The competent authority in the host Member State may require that the certificate issued by the competent authority in the home Member State be not more than three months old. It shall inform the competent authority in the home Member State of its registration.	AS COM	3. The competent authority in the host Member State shall register the audit firm upon satisfying itself that the audit firm is registered with the competent authority in the home Member State. Where the host Member State intends to rely on a certificate attesting to the registration of the audit firm in the home Member State, the competent authority in the host Member State may require that the certificate issued by the competent authority in the home Member State should be not more than three months old. The competent authority in the host Member State shall inform the competent authority in the home Member State of the registration of the home Member State audit firm.	3. The competent authority in the host Member State shall register the audit firm if it is satisfied that the audit firm is registered with the competent authority in the home Member State. Where the host Member State intends to rely on a certificate attesting to the registration of the audit firm in the home Member State, the competent authority in the host Member State may require that the certificate issued by the competent authority in the home Member State should be not more than three months old. The competent authority in the host Member State shall inform the competent authority in the home Member State of the registration of the home Member State audit firm.

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		Article 5 *Withdrawal of approval*	
		Article 5, paragraph 3 is amended as follows:	Article 5, paragraph 3 is amended as follows:
		3. Where the approval of a statutory auditor or of an audit firm is withdrawn for any reason, the competent authority of the home Member State where the approval is withdrawn shall communicate that fact and the reasons for the withdrawal to the relevant competent authorities of host Member States where the statutory auditor or audit firm is also registered in accordance with Article 3b, Article 16(1), point (c) and Article 17(1), point (i).	3. Where the approval of a statutory auditor or of an audit firm is withdrawn for any reason, the competent authority of the home Member State where the approval is withdrawn shall communicate that fact and the reasons for the withdrawal to the relevant competent authorities of host Member States where the statutory auditor or audit firm is also registered in accordance with Article 3b, Article 16(1), point (c) and Article 17(1), point (i).

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		Article 6 *Educational qualifications*	
5. In Article 6, the following paragraph is added:			5. In Article 6, the following paragraph is added:
The competent authorities referred to in Article 32 shall cooperate ***in view of*** achieving a convergence of the requirements set out in this Article. ***They shall cooperate with the European Securities and Markets Authority (ESMA) and the competent authorities referred to in Article X of Regulation [XXX] of [XXX] in so far as such convergence relates to the statutory audit of public-interest entities.***	The competent authorities referred to in Article 32 shall cooperate ***with a view to*** achieving a ***minimum*** convergence of the requirements set out in this Article***. When engaging in such cooperation, those competent authorities shall take into account developments in auditing and the audit profession, and in particular, the convergence that has already been achieved by the profession***. **[AM 24]**	2. The competent authorities referred to in Article 32 shall cooperate with a view to achieving a convergence of the requirements set out in this Article. When engaging in such cooperation, these competent authorities shall take into account developments in auditing and the audit profession, and in particular, convergence that has already been achieved by the profession. They shall cooperate with the Committee of European Auditing Oversight Bodies (CEAOB) and the competent authorities referred to in Article 35 of Regulation [XXX] of the European Parliament and of the Council in so far as such convergence relates to the statutory audit of public-interest entities.	2. The competent authorities referred to in Article 32 shall cooperate with a view to achieving a convergence of the requirements set out in this Article. When engaging in such cooperation, these competent authorities shall take into account developments in auditing and the audit profession, and in particular, convergence that has already been achieved by the profession. They shall cooperate with **[**the Committee of European Auditing Oversight Bodies (CEAOB) and**]** the competent authorities referred to in Article 35 of Regulation [XXX] of the European Parliament and of the Council in so far as such convergence relates to the statutory audit of public-interest entities.

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		Article 8 *Test of theoretical knowledge*	
6. Article 8 is amended as follows:			6. Article 8 is amended as follows:
(a) paragraph 1, point (i) is replaced by the following:	AS COM	AS COM	(a) paragraph 1, point (i) is replaced by the following:
'(i) international auditing standards as referred to in Article 26;'	AS COM	AS COM	'(i) international auditing standards as referred to in Article 26;'
(b) paragraph 3 is ***replaced by the following:***	(b) paragraph 3 is ***deleted [AM 25]***		**on hold**
'The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of adapting the list of subjects to be included in the test of theoretical knowledge referred to in paragraph 1 of this Article. When using such powers, the Commission shall take into account developments in auditing and the audit profession.'	***deleted [AM 25]***	deleted	
		4. The Commission may, taking into account developments in auditing and the audit profession or developments in national law, adopt implementing acts concerning	**on hold**

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		specific topics related to the subjects referred to in paragraph 1 of this Article, which it considers necessary to be included in the test of theoretical knowledge. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2).	
		Article 10 *Practical training*	
		Article 10, paragraph 1 is amended as follows:	Article 10, paragraph 1 is amended as follows:
		1. In order to ensure the ability to apply theoretical knowledge in practice, a test of which is included in the examination, a trainee shall complete a minimum of three years' practical training in, *inter alia*, the auditing of annual financial statements, consolidated financial statements or similar financial statements. At least two thirds of such practical training shall be completed with a statutory auditor or audit firm approved in any Member State.	1. In order to ensure the ability to apply theoretical knowledge in practice, a test of which is included in the examination, a trainee shall complete a minimum of three years' practical training in, *inter alia*, the auditing of annual financial statements, consolidated financial statements or similar financial statements. At least two thirds of such practical training shall be completed with a statutory auditor or audit firm approved in any Member State.

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		Article 13 *Continuing education*	
		Article 13 is amended as follows:	Article 13 is amended as follows:
		Member States shall ensure that statutory auditors are required to take part in appropriate programmes of continuing education in order to maintain their theoretical knowledge, professional skills and values at a sufficiently high level, and that failure to respect the continuing education requirements is subject to appropriate sanctions as referred to in Article 30.	Member States shall ensure that statutory auditors are required to take part in appropriate programmes of continuing education in order to maintain their theoretical knowledge, professional skills and values at a sufficiently high level, and that failure to respect the continuing education requirements is subject to appropriate sanctions as referred to in Article 30.
7. Article 14 is replaced by the following:			7. Article 14 is replaced by the following:
'Article 14 *Approval of statutory auditors from another Member State*	*AS COM*	*Article 14* *Approval of statutory auditors from another Member State*	*Article 14* *Approval of statutory auditors from another Member State*
1. The competent authorities referred to in Article 32 shall establish procedures for the approval of statutory auditors who have been approved in other Member States. Those procedures	AS COM	1. The competent authorities ~~referred to in Article 32~~ shall establish procedures for the approval of statutory auditors who have been approved in other Member States. Those procedures	1. The competent authorities shall establish procedures for the approval of statutory auditors who have been approved in other Member States. Those procedures shall not go beyond the requirement

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shall comply with Articles 11 and 12 of Directive 2005/36/EC and shall not go beyond the requirements contained in Articles 13 and 14 of that Directive.		shall not go beyond the requirement to pass an aptitude test or to complete an adaptation period referred to in points (h) and (g) of Article 3(1) of Directive 2005/36/EC.	to pass an aptitude test or to complete an adaptation period referred to in points (h) and (g) of Article 3(1) of Directive 2005/36/EC.
2. Member States shall offer the applicant the choice between an adaptation period as defined in point (g) of Article 3(1) of Directive 2005/36/EC and an aptitude test as defined in point (h) of that Article. For the purposes of this Article, Article 14(3) of Directive 2005/36/EC shall not apply.	AS COM	2. The host Member State shall decide whether the applicant seeking approval be subject to an adaptation period as defined in point (g) of Article 3(1) of Directive 2005/36/EC or an aptitude test as defined in point (h) of that Article. ~~For the purposes of this Article, Article 14(3) of Directive 2005/36/EC shall not apply.~~	2. The host Member State shall decide whether the applicant seeking approval be subject to an adaptation period as defined in point (g) of Article 3(1) of Directive 2005/36/EC or an aptitude test as defined in point (h) of that Article.
The adaptation period shall not exceed three years and shall be subject to an assessment.	The adaptation period shall not exceed three years and shall be subject to an assessment ***of the level of professional competence achieved through the application of national law relating to audits***. **[AM 26]**	The adaptation period shall not exceed three years and the applicant shall be subject to an assessment.	The adaptation period shall not exceed three years and the applicant shall be subject to an assessment.

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The aptitude test shall be conducted in one of the languages permitted by the language rules applicable in the Member State concerned. It shall cover only the statutory auditor's adequate knowledge of the laws and regulations of that Member State in so far as it is relevant to statutory audits.	AS COM	The aptitude test shall be conducted in one of the languages permitted by the language rules applicable in the host Member State concerned**.** It shall cover only the statutory auditor's adequate knowledge of the laws and regulations of that host Member State in so far as it is relevant to statutory audits.	The aptitude test shall be conducted in one of the languages permitted by the language rules applicable in the host Member State concerned**.** It shall cover only the statutory auditor's adequate knowledge of the laws and regulations of that host Member State in so far as it is relevant to statutory audits.
3. The competent authorities referred to in Article 32 shall cooperate in view of achieving a convergence of the requirements of the adaptation period and the aptitude test. They shall enhance the transparency and predictability of the requirements. They shall cooperate with ESMA and the competent authorities referred to in Article [XXX] Regulation [XXX] of [XXX] in so far as such convergence relates to the statutory audits of public-interest entities.'.	AS COM	3. The competent authorities referred to in Article 32 shall cooperate through CEAOB with a view to achieving a convergence of the requirements of the adaptation period and the aptitude test. They shall enhance the transparency and predictability of the requirements. They shall cooperate with CEAOB and the competent authorities referred to in Article 35 Regulation [XXX] of the European Parliament and of the Council in so far as such convergence relates to the statutory audits of public-interest entities.	3. The competent authorities shall cooperate ***[***through CEAOB***]*** with a view to achieving a convergence of the requirements of the adaptation period and the aptitude test. They shall enhance the transparency and predictability of the requirements. They shall cooperate with ***[***CEAOB***]*** and the competent authorities referred to in Article 35 Regulation [XXX] of the European Parliament and of the Council in so far as such convergence relates to the statutory audits of public-interest entities.

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		CHAPTER III **REGISTRATION**	
		Article 15 *Public register*	
		Article 15, paragraph 1 is amended as follows:	Article 15, paragraph 1 is amended as follows:
		1. Each Member State shall ensure that statutory auditors and audit firms are entered in a public register in accordance with Articles 16 and 17. In exceptional circumstances, Member States may derogate from the requirements laid down in this Article and Article 16 regarding disclosure only to the extent necessary to mitigate an imminent and significant threat to the personal security of any person.	1. Each Member State shall ensure that statutory auditors and audit firms are entered in a public register in accordance with Articles 16 and 17. In exceptional circumstances, Member States may derogate from the requirements laid down in this Article and Article 16 regarding disclosure only to the extent necessary to mitigate an imminent and significant threat to the personal security of any person.
8. In Article 15(1), the following subparagraph is added:	***deleted [AM 27]***	deleted	deleted
'The public register shall be organized by the competent authority referred to in Article 32.'.	***deleted [AM 27]***	deleted	deleted

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		Article 17 *Registration of audit firms*	
9. In Article 17(1), the following point (j) is added:	AS COM		9. In Article 17(1), the following point (j) is added:
'if applicable, whether the audit firm is registered pursuant to ***Articles 3a and 3b***.'.	'if applicable, whether the audit firm is registered pursuant to ***Article 3b***.'. **[AM 28]**	(j) if applicable, whether the audit firm is registered pursuant to ~~Articles 3a and~~ Article 3b.	(j) if applicable, whether the audit firm is registered pursuant to Article 3b.
10. In Article 21, paragraph 2 is deleted.	AS COM	AS COM	10. In Article 21, paragraph 2 is deleted.
		CHAPTER IV **PROFESSIONAL ETHICS, INDEPENDENCE, OBJECTIVITY, CONFIDENTIALITY, PROFESSIONAL SECRECY AND INTERNAL ORGANISATION**	

		Article 21 *Professional ethics*	*Article 21* *Professional ethics <u>and scepticism</u>*
	10a. In Article 21, the following paragraph is added: [AM 29]		*<u>10a. In Article 21, the following paragraph is added: [AM 29]</u>*
		Article 22e *(ex Article 15 Regulation)* *Professional scepticism*	<u>deleted</u>
	2a. When carrying out the statutory audit, the statutory auditor or audit firm shall maintain professional scepticism throughout the audit, recognising the possibility of a material misstatement due to facts or behaviour indicating irregularities, including fraud or error, notwithstanding the auditor's or firm's past experience of the honesty and integrity of the audited entity's management and of the persons charged with its governance as required by the international standards referred to in Article 26. [AM 29]	<u>Member States shall ensure that when the statutory auditor or audit firm carries out the statutory audit, he, she or it shall maintain professional scepticism throughout the audit, recognizing the possibility that a material misstatement due to facts or behaviour indicating irregularities, including fraud or error could exist, notwithstanding the auditor's or audit firm's past experience of the honesty and integrity of the audited entity's management and of the persons charged with its governance.</u>	<u>2a.</u> Member States shall ensure that when the statutory auditor or audit firm carries out the statutory audit, he, she or it shall maintain professional scepticism throughout the audit, recognizing the possibility that a material misstatement due to facts or behaviour indicating irregularities, including fraud or error ~~could exist~~, notwithstanding the auditor's or audit firm's past experience of the honesty and integrity of the audited entity's management and of the persons charged with its governance.

		The statutory auditor or the audit firm shall maintain professional scepticism in particular when reviewing management estimates relating to fair values, the impairment of assets, provisions, and future cash flow relevant to the consideration of the going concern.	The statutory auditor or the audit firm shall maintain professional scepticism in particular when reviewing management estimates relating to fair values, the impairment of assets, provisions, and future cash flow relevant to the consideration of the going concern.
	For the purposes of this Article, 'professional scepticism' means an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud and a critical assessment of audit evidence. [AM 29]	For the purposes of this Article, 'professional scepticism' means an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud and a critical assessment of audit evidence.	For the purposes of this Article, 'professional scepticism' means an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud and a critical assessment of audit evidence.
		Article 22 *(third subparagraph of paragraph 1 = ex. Article 5 Regulation)* *Independence and objectivity*	
11. Article 22 is amended as follows:	AS COM		11. Article 22 is amended as follows:
(a) paragraph 1 is replaced by the following:	AS COM		(a) paragraph 1 is replaced by the following:
1. Member States shall ensure that when carrying out a statutory audit, ***the*** statutory auditor ***and/***or ***the*** audit firm ***and any holder of voting rights in the audit firm*** is	1. Member States shall ensure that when carrying out a statutory audit, ***a*** statutory auditor or ***an*** audit firm ***and any natural person in a position to directly or indirectly***	1. Member States shall ensure that when carrying out a statutory audit, the statutory auditor and/or the audit firm and any natural person being in a position to influence the	1. Member States shall ensure that when carrying out a statutory audit, a statutory auditor or an audit firm and any natural person in a position to directly or indirectly influence

independent of the audited entity ***and is not involved in the decision-taking of*** the audited entity.	***influence the outcome of the statutory audit*** is independent of the audited entity. ***[AM 30]***	outcome of the statutory audit is independent of the audited entity and is not involved in the decision-taking of the audited entity.	the outcome of the statutory audit is independent of the audited entity ~~and is not involved in the decision-taking of the audited entity~~.
	Independence shall be required during both the period covered by the financial statements to be audited and the period during which the statutory audit is carried out. [AM 30]	Independence shall be required at least during both the period covered by the financial statements to be audited and the period during which the statutory audit is carried out.	Independence shall be required at least during both the period covered by the financial statements to be audited and the period during which the statutory audit is carried out.
		Member States shall ensure that a statutory auditor or audit firm shall take all necessary steps to ensure that when carrying out a statutory audit, his, her or its independence is not affected by any existing or potential conflict of interest or business or other direct or indirect relationship involving the statutory auditor or audit firm carrying out the statutory audit and, where appropriate, its network, managers, auditors, employees, any other natural persons whose services are placed at the disposal or under the control of the statutory auditor or audit firm, or any person directly or indirectly linked to the statutory auditor or audit firm by control.	Member States shall ensure that a statutory auditor or audit firm shall take all reasonable steps to ensure that when carrying out a statutory audit, his, her or its independence is not affected by any existing or potential conflict of interest or business or other direct or indirect relationship involving the statutory auditor or audit firm carrying out the statutory audit and, where appropriate, its network, managers, auditors, employees, any other natural persons whose services are placed at the disposal or under the control of the statutory auditor or audit firm, or any person directly or indirectly linked to the statutory auditor or audit firm by control.

	The statutory auditor or audit firm shall not carry out a statutory audit if there is any threat of self-review, self-interest, advocacy, familiarity or intimidation created by financial, personal, business, employment or other relationships between: [AM 30]	The statutory auditor or audit firm shall not carry out a statutory audit if there is any direct or indirect financial, business, employment or other relationship between:	The statutory auditor or audit firm shall not carry out a statutory audit if there is any ~~direct or indirect~~ threat of self-review, self-interest, advocacy, familiarity or intimidation created by financial, personal, business, employment or other relationships between:
	– the statutory auditor, the audit firm, its network, and any natural person in a position to influence the outcome of the statutory audit, and [AM 30]	(i) the statutory auditor, audit firm, or network, or any natural person in a position to influence the outcome of the statutory audit, and	– the statutory auditor, the audit firm, its network, and any natural person in a position to influence the outcome of the statutory audit, and
	– the audited entity; [AM 30]	(ii) the audited entity	– the audited entity;
	of which an objective, reasonable and informed third party, taking into account the safeguards applied, would conclude that the statutory auditor's or audit firm's independence is compromised. ***[AM 30]***	from which an objective, reasonable and informed third party, taking into account the safeguards applied, would conclude that the statutory auditor's or audit firm's independence is compromised.	from which an objective, reasonable and informed third party, taking into account the safeguards applied, would conclude that the statutory auditor's or audit firm's independence is compromised.

		2. Member States shall ensure that the owners or shareholders of an audit firm as well as the members of the administrative, management and supervisory bodies of such a firm, or of an affiliated firm, do not intervene in the execution of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm. Note: similar to Article 24a(1)	***deleted (kept in Article 24 a)***
(b) ***in*** paragraph 2***, the second subparagraph*** is ***deleted***;	(b) paragraph 2 is ***replaced by the following: [AM 31]***	(b) paragraph 3 is replaced by the following:	(b) paragraph 2 is replaced by the following:
	2. A statutory auditor, an audit firm, their key audit partners, their employees as well as any other natural person whose services are placed at the disposal or under the control of such auditor or firm and who is directly involved in statutory audit activities, and persons closely associated with them within the meaning of Article 1(2) of Commission Directive 2004/72/EC shall not: [AM 31]	3. Member States shall ensure that a statutory auditor, an audit firm, their key audit partners, their employees as well as any other natural person whose services are placed at the disposal or under the control of such auditor or firm and who is directly involved in statutory audit activities, and persons closely associated with them within the meaning of Article 1(2) of Commission Directive 2004/72/EC shall not hold or have a material and direct beneficial interest in or	2. Member States shall ensure that a statutory auditor, an audit firm, their key audit partners, their employees as well as any other natural person whose services are placed at the disposal or under the control of such auditor or firm and who is directly involved in statutory audit activities, and persons closely associated with them within the meaning of Article 1(2) of Commission Directive 2004/72/EC shall not hold or have a material and direct beneficial interest in or

		engage in any transaction in any financial instrument issued, guaranteed, or otherwise supported by any audited entity within their area of statutory audit activities other than interests owned indirectly through diversified collective investment schemes, including managed funds such as pension funds or life insurance.	engage in any transaction in any financial instrument issued, guaranteed, or otherwise supported by any audited entity within their area of statutory audit activities other than interests owned indirectly through diversified collective investment schemes, including managed funds such as pension funds or life insurance.
		(ba) paragraph 4 is replaced by the following:	(ba) paragraph 4 is replaced by the following:
		4. Member States shall ensure that persons or firms referred to in paragraph 3 shall not participate in or otherwise influence the outcome of a statutory audit of any particular audited entity if they:	4. Member States shall ensure that persons or firms referred to in paragraph 3 shall not participate in or otherwise influence the outcome of a statutory audit of any particular audited entity if they:

	(a) own any financial instruments of the audited entity, the parent undertaking to which the audited entity is material, or any entity whose financial information is incorporated into the financial statements of the audited entity, other than interests owned indirectly through diversified collective investment schemes, including managed funds such as pension funds or life insurance; ***[AM 31]***	(a) own financial instruments of the audited entity, other than interests owned indirectly through diversified collective investment schemes; (b) own financial instruments of any entity related to an audited entity, the ownership of which may cause or may be generally perceived as causing a conflict of interest, other than interests owned indirectly through diversified collective investment schemes;	(a) own financial instruments of the audited entity, other than interests owned indirectly through diversified collective investment schemes; (b) own financial instruments of any entity related to an audited entity, the ownership of which may cause or may be generally perceived as causing a conflict of interest, other than interests owned indirectly through diversified collective investment schemes;
	(b) have or have had in the previous 12 months any personal, business, employment or other relationship with the audited entity, the parent undertaking to which the audited entity is material, or any entity whose financial information is incorporated into the financial statements of the audited entity that may compromise or may be generally perceived by an objective, reasonable and informed third party as compromising the	(c) have had an employment, or a business or other relationship with that audited entity within the period referred in paragraph 1 that may cause or may be generally perceived as causing a conflict of interest.	(c) have had an employment, or a business or other relationship with that audited entity within the period referred in paragraph 1 that may cause or may be generally perceived as causing a conflict of interest.

	independence of the statutory auditor or the audit firm. ***[AM 31]***		
	(ba) In Article 22 the following paragraphs are added: [AM 32]	***(bb) In Article 22 the following paragraphs are added:***	(bb) In Article 22 the following paragraphs are added:
	2a. Persons or firms referred to in paragraph 2 shall not solicit or accept gifts, hospitality or similar favours from the audited entity unless an objective, reasonable and informed third party would consider their value to be trivial or inconsequential. [AM 32]	5. Persons or firms referred to in paragraph 3 shall not solicit or accept pecuniary and non-pecuniary gifts or favours from the audited entity or any entity related to an audited entity unless a reasonable and informed third party would consider the value as trivial or inconsequential.	5. Persons or firms referred to in paragraph 3 shall not solicit or accept pecuniary and non-pecuniary gifts or favours from the audited entity or any entity related to an audited entity unless an objective, reasonable and informed third party would consider the value as trivial or inconsequential.
	2b. If, during the period covered by the financial statements, an audited entity is acquired by, merges with, or acquires an entity to which Articles 22 and 22a of this Directive and 9 to 11 of Regulation XX/XX apply, the statutory auditor or audit firm shall identify and evaluate any current or recent interests or relationships –including relationships involving the provision of services – with that entity that, taking into account available safeguards, could compromise its independence and	5a. If an audited entity, during the period covered by the financial statements, is acquired by, merges with, or acquires another entity, the statutory auditor or audit firm shall identify and evaluate any current or recent interests or relationships, including any non-audit services provided to that entity which, taking into account available safeguards, could compromise its independence and its ability to continue with the statutory audit after the effective date of the merger or acquisition.	5a. If an audited entity, during the period covered by the financial statements, is acquired by, merges with, or acquires another entity, the statutory auditor or audit firm shall identify and evaluate any current or recent interests or relationships, including any non-audit services provided to that entity which, taking into account available safeguards, could compromise its independence and its ability to continue with the statutory audit after the effective date of the merger or acquisition.

	its ability to continue with the statutory audit after the effective date of the merger or acquisition. ***[AM 32]***		
	As soon as possible, and in all cases within three months, the statutory auditor or audit firm shall take all such steps as may be necessary to terminate any current interests or relationships that would compromise its independence and shall, where possible, adopt safeguards to minimise any threat to its independence arising from prior and current interests and relationships. [AM 32]	The statutory auditor or audit firm shall take the steps necessary to terminate any current interests or relationships that would compromise its independence as soon as possible, and in all cases within six months, and adopt safeguards, where possible, to minimise any threat to independence from prior and current interests and relationships.	As soon as possible, and in all cases within three months, the statutory auditor or audit firm shall take all such steps as may be necessary to terminate any current interests or relationships that would compromise its independence~~, and in all cases within six months,~~ and shall, where possible, adopt safeguards to minimise any threat to its independence arising from prior and current interests and relationships.
(c) paragraph 4 is ***replaced by the following:***	(c) paragraph 4 is ***deleted [AM 33]***	deleted	deleted
'4. The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of specifying:	***deleted [AM 33]***	deleted	deleted
(a) the threats and safeguards referred to in paragraph 2 of this Article;	***deleted [AM 33]***	deleted	deleted
(b) the situations in which the significance of the threats, as referred to in paragraph 2 of this	***deleted [AM 33]***	deleted	deleted

Article, is such that the independence of the statutory auditor or audit firm is compromised.'			
	11a. The following Article 22a is inserted: [AM 34]	The following Article 22c is inserted:	The following Article 22c is inserted:
	Article 22a (new) [AM 34]	*Article 22c* *(ex Article 8 Regulation*	*Article 22c*
	Employment of former statutory auditors or of employees of statutory auditors or audit firms ***[AM 34]***	*Employment by audited entities of former statutory auditors or of employees of statutory auditors or audit firms*	*Employment by audited entities of former statutory auditors or of employees of statutory auditors or audit firms*
	1. Member States shall ensure that a statutory auditor or a key audit partner who carries out a statutory audit on behalf of an audit firm shall not, before a period of at least two years has elapsed since he or she resigned as a statutory auditor or key audit partner from the audit engagement, take up any of the following duties: ***[AM 34]***	1. Member states shall ensure that a statutory auditor or a key audit partner who carries out a statutory audit on behalf of an audit firm shall not, before a period of at least one year, or in the case of statutory audit of public-interest entities before a period of at least two years, has elapsed since he or she ceased to act as a statutory auditor or key audit partner in connection with the audit engagement:	1. Member states shall ensure that a statutory auditor or a key audit partner who carries out a statutory audit on behalf of an audit firm shall not, before a period of at least one year, or in the case of statutory audit of public-interest entities before a period of at least two years, has elapsed since he or she ceased to act as a statutory auditor or key audit partner in connection with the audit engagement:

	(a) take up a key management position in the audited entity; ***[AM 34]***	(a) take up a key management position in the audited entity;	(a) take up a key management position in the audited entity;
	(b) become a member of the audit committee of the audited entity or, where such committee does not exist, of the body performing equivalent functions to an audit committee; [AM 34]	(b) if applicable, become a member of the audit committee of the audited entity or, where such committee does not exist, of the body performing equivalent functions to an audit committee;	(b) if applicable, become a member of the audit committee of the audited entity or, where such committee does not exist, of the body performing equivalent functions to an audit committee;
	(c) become a non-executive member of the administrative body or a member of the supervisory body of the audited entity. ***[AM 34]***	(c) become a non-executive member of the administrative body or a member of the supervisory body of the audited entity.	(c) become a non-executive member of the administrative body or a member of the supervisory body of the audited entity.
	2. Employees and partners other than key audit partners of a statutory auditor or an audit firm carrying out a statutory audit as well as any other natural person whose services are placed at the disposal or under the control of such auditor or firm shall not, when such employees, partners or other natural persons are personally approved as statutory auditors, before a period of at least one year has elapsed since he or she was directly involved in the statutory audit engagement, take up any of the duties referred to in	2. Employees or partners of a statutory auditor or an audit firm carrying out a statutory audit as well as any other natural person whose services are placed at the disposal or under the control of such auditor or firm shall not, when such employees, partners or other natural persons are personally approved as statutory auditors, before a period of at least one year, or in the case of statutory audit of public-interest entities before a period of at least two years, has elapsed since he or she was directly involved in the statutory audit	***2.*** Employees and partners other than key audit partners of a statutory auditor or an audit firm carrying out a statutory audit as well as any other natural person whose services are placed at the disposal or under the control of such auditor or firm shall not, when such employees, partners or other natural persons are personally approved as statutory auditors, before a period of at least one year ~~or in the case of statutory audit of public-interest entities before a period of at least two years,~~ has elapsed since he or she was directly

	points (a), (b) and (c) of paragraph 1. [AM 34]	engagement, take up any of the duties referred to in points (a), (b) and (c) of paragraph 1.	involved in the statutory audit engagement, take up any of the duties referred to in points (a), (b) and (c) of paragraph 1.
		The following Article 22d is inserted:	The following Article 22d is inserted:
	See Article 11 of Regulation	*Article 22d* *(part of ex Article 11(1)(2) Regulation)* *Preparation for the statutory audit and assessment of threats to independence*	*Article 22d* *Preparation for the statutory audit and assessment of threats to independence*
		1. Member States shall ensure that, before accepting or continuing an engagement for a statutory audit, a statutory auditor or audit firm shall assess and document the following:	1. Member States shall ensure that, before accepting or continuing an engagement for a statutory audit, a statutory auditor or audit firm shall assess and document the following:
		- whether he, she or it complies with the internal organisation requirements of Article 24a of this Directive;	deleted

		- whether he, she or it complies with the requirements of Article 22 of this Directive;	- whether he, she or it complies with the requirements of Article 22 of this Directive;
		- whether there are threats to his, her or its independence, as well as the safeguards applied to mitigate those threats;	- whether there are threats to his, her or its independence, as well as the safeguards applied to mitigate those threats;
		- whether he, she or it has the competent employees, time and resources to carry out the audit in an appropriate manner;	- whether he, she or it has the competent employees, time and resources to carry out the audit in an appropriate manner;
		- whether, in the case of an audit firm, the key audit partner is approved as statutory auditor in the Member State requiring the statutory audit;	- whether, in the case of an audit firm, the key audit partner is approved as statutory auditor in the Member State requiring the statutory audit;
		Member States may provide simplified requirements for the audits referred in Article 2 paragraph 1 (b) and (c).	Member States may provide simplified requirements for the audits referred in Article 2 paragraph 1 (b) and (c).

		2. Member States shall ensure that if the statutory auditor's or audit firm's independence is affected by threats, such as advocacy, familiarity or trust or intimidation, self-review or self-interest, the statutory auditor or audit firm shall apply safeguards in order to mitigate those threats. If the significance of the threats compared to the safeguards applied is such that his, her or its independence is compromised, the statutory auditor or audit firm shall not carry out the statutory audit.	deleted (substantially the same as subpara 4 of para 1 of Article 22)

		5. The Commission may adopt implementing acts identifying	**on hold**
		(a) deleted	
		(b) the safeguards capable of mitigating threats to independence as referred in paragraph 2, as well as	
		(c) situations in which the significance of those threats is such as to compromise the independence of the statutory auditor or audit firm. Those implementing acts shall be adopted in accordance with the examination procedure referred to Article 48 (2).	

		Article 23 *(paragraph 5 = ex. Article 13 Regulation)* *Confidentiality and professional secrecy*	
		Article 23(2) is replaced by the following:	Article 23(2) is replaced by the following:
		2. Confidentiality and professional secrecy rules relating to statutory auditors or audit firms shall not impede enforcement of the provisions of this Directive ***or of Regulation XXX.***	2. Confidentiality and professional secrecy rules relating to statutory auditors or audit firms shall not impede enforcement of the provisions of this Directive or of Regulation XXX
		Article 23(3) is replaced by the following:	Article 23(3) is replaced by the following:
		3. Where a statutory auditor or audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall provide the incoming statutory auditor or audit firm with access to all relevant information concerning the audited entity ***and the most recent audit.***	3. Where a statutory auditor or audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall provide the incoming statutory auditor or audit firm with access to all relevant information concerning the audited entity and the most recent audit.

	11b. In Article 23 the following paragraphs are added: [AM 35]	In Article 23 the following paragraphs are added:	In Article 23 the following paragraphs are added:
	4a. Where a statutory auditor or an audit firm carries out statutory audit of a public-interest entity which is part of a group of undertakings whose parent undertaking is situated in a third country, the confidentiality and professional secrecy rules referred to in paragraph 1shall not impede the transfer by the statutory auditor or audit firm of relevant documentation of the audit work performed to the group auditor situated in a third country if such documentation is exclusively necessary for the preparation of the audit of consolidated financial statements of the parent undertaking. [AM 35]	5. Where a statutory auditor or an audit firm carries out statutory audit of an undertaking which is part of a group whose parent undertaking is situated in a third country, the confidentiality and professional secrecy rules referred to in paragraph (1) of this Article shall not impede the transfer by the statutory auditor or audit firm of relevant documentation of the audit work performed to the group auditor situated in a third country if such documentation is necessary for the preparation of the audit of consolidated financial statements of the parent undertaking. The transfer of information to the group auditor situated in a third country shall comply with Chapter IV of Directive 95/46/EC and the applicable national rules on personal data protection.	5. Where a statutory auditor or an audit firm carries out statutory audit of an undertaking which is part of a group whose parent undertaking is situated in a third country, the confidentiality and professional secrecy rules referred to in paragraph (1) of this Article shall not impede the transfer by the statutory auditor or audit firm of relevant documentation of the audit work performed to the group auditor situated in a third country if such documentation is necessary for the performance of the audit of consolidated financial statements of the parent undertaking. ~~The transfer of information to the group auditor situated in a third country shall comply with Chapter IV of Directive 95/46/EC and the applicable national rules on personal data protection.~~

	4b. A statutory auditor or audit firm that carries out the statutory audit of a public-interest entity which has issued securities in a third country or which forms part of a group issuing statutory consolidated financial statements in a third country may only transfer the audit working papers or other documents related to the audit of that entity that he, she or it holds to the competent authorities in the relevant third countries under the conditions set out in Article 47. [AM 35]	A statutory auditor or audit firm that carries out the statutory audit of an undertaking which has issued securities in a third country or which forms part of a group issuing statutory consolidated financial statements in a third country may only transfer the audit working papers or other documents related to the audit of that entity that he, she or it holds to the competent authorities in the relevant third countries under the conditions set out in Article 47 of this Directive.	A statutory auditor or audit firm that carries out the statutory audit of an undertaking which has issued securities in a third country or which forms part of a group issuing statutory consolidated financial statements in a third country may only transfer the audit working papers or other documents related to the audit of that entity that he, she or it holds to the competent authorities in the relevant third countries under the conditions set out in Article 47 of this Directive.
	4c. The transfer of information to the group auditor situated in a third country shall comply with Chapter IV of Directive 95/46/EC and the applicable national rules on personal data protection. ***[AM 35]***		The transfer of information to the group auditor situated in a third country shall comply with Chapter IV of Directive 95/46/EC and the applicable national rules on personal data protection.

	11c. The following Article 24a is inserted: [AM 36]	The following Article 24a is inserted:	The following Article 24a is inserted:
	Article 24 a (new) ***Internal organisation of Statutory Audit Firms [AM 36]***	*Article 24a* *Internal organisation of auditors and audit firms*	*Article 24a* *Internal organisation of statutory auditors and audit firms*
	1. Member States shall ensure that a statutory auditor or audit firm shall comply with the following organisational requirements: ***[AM 36]***	1. Member states shall ensure that a statutory auditor or audit firm shall comply with the following organisational requirements:	1. Member states shall ensure that a statutory auditor or audit firm shall comply with the following organisational requirements:
	(a) an audit firm shall establish adequate policies and procedures to ensure that its owners or shareholders as well as the members of the administrative, management and supervisory bodies of the firm, or of an affiliate firm, do not intervene in the carrying out of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm; [AM 36]	(a) an audit firm shall establish adequate policies and procedures to ensure that its owners or shareholders as well as the members of the administrative, management and supervisory bodies of the firm, or of an affiliate firm, do not intervene in the carrying out of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm;	(a) an audit firm shall establish appropriate policies and procedures to ensure that its owners or shareholders as well as the members of the administrative, management and supervisory bodies of the firm, or of an affiliate firm, do not intervene in the carrying out of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm;

	(b) a statutory auditor or an audit firm shall have sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems. [AM 36]	(b) a statutory auditor or an audit firm shall have sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems.	(b) a statutory auditor or an audit firm shall have sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems.
	Those internal control mechanisms shall be designed to secure compliance with decisions and procedures at all levels of the audit firm or of the working structure of the statutory auditor. ***[AM 36]***	Those internal control mechanisms shall be designed to secure compliance with decisions and procedures at all levels of the audit firm or of the working structure of the statutory auditor.	Those internal control mechanisms shall be designed to secure compliance with decisions and procedures at all levels of the audit firm or of the working structure of the statutory auditor.
		A statutory auditor or an audit firm shall implement and maintain decision-making procedures and organisational structures which clearly and in a documented manner specify reporting lines and allocate functions and responsibilities;	deleted

	(c) a statutory auditor or an audit firm shall establish adequate policies and procedures to ensure that his, her or its employees and any other natural persons whose services are placed at its disposal or under its control and who are directly involved in the statutory audit activities have appropriate knowledge and experience for the duties assigned; [AM 36]	(c) a statutory auditor or an audit firm shall establish adequate policies and procedures to ensure that his, her or its employees and any other natural persons whose services are placed at its disposal or under its control and who are directly involved in the statutory audit activities have appropriate knowledge and experience for the duties assigned;	(c) a statutory auditor or an audit firm shall establish appropriate policies and procedures to ensure that his, her or its employees and any other natural persons whose services are placed at its disposal or under its control and who are directly involved in the statutory audit activities have appropriate knowledge and experience for the duties assigned;
	(d) a statutory auditor or an audit firm shall establish adequate policies and procedures to ensure that outsourcing of important audit functions is not undertaken in such a way as to impair the quality of the statutory auditor's or audit firm's internal control and the ability of the competent authorities to supervise the statutory auditor's or audit firm's compliance with the obligations laid down in this Directive; ***[AM 36]***	(d) a statutory auditor or an audit firm shall establish adequate policies and procedures to ensure that outsourcing of important audit functions is not undertaken in such a way as to impair the quality of the statutory auditor's or audit firm's internal control and the ability of the competent authorities to supervise the statutory auditor's or audit firm's compliance with the obligations laid down in this Directive and, where applicable, in Regulation XXX;	(d) a statutory auditor or an audit firm shall establish appropriate policies and procedures to ensure that outsourcing of important audit functions is not undertaken in such a way as to impair the quality of the statutory auditor's or audit firm's internal control and the ability of the competent authorities to supervise the statutory auditor's or audit firm's compliance with the obligations laid down in this Directive and, where applicable, in Regulation XXX;

	(e) a statutory auditor or an audit firm shall establish appropriate and effective organisational and administrative arrangements to prevent, identify, eliminate or manage and disclose any threats to their independence, other than in the normal course of business, referred to in Article 22(1); ***[AM 36]***	(e) a statutory auditor or an audit firm shall establish appropriate and effective organisational and administrative arrangements to prevent, identify, eliminate or manage and disclose any threats to independence referred to in Articles 22, 22c and 22d;	***(***e) a statutory auditor or an audit firm shall establish appropriate and effective organisational and administrative arrangements to prevent, identify, eliminate or manage and disclose any threats to their independence referred to in 22, 22c and 22d***;***
	(f) a statutory auditor or an audit firm shall establish appropriate procedures and standards for carrying out statutory audits, coaching, supervising and reviewing employees activities and organising the structure of the audit file referred to in Article 25b(5); [AM 36]	(f) a statutory auditor or an audit firm shall establish adequate policies and procedures for carrying out statutory audits, coaching, supervising and reviewing employees activities and organising the structure of the audit file referred to in Article 24b(5);	(f) a statutory auditor or an audit firm shall establish appropriate policies and procedures for carrying out statutory audits, coaching, supervising and reviewing employees activities and organising the structure of the audit file referred to in [Article xxxxx];
	(g) a statutory auditor or an audit firm shall establish an internal quality control system to ensure the quality of the statutory audit. The quality control system shall at least cover the procedures and standards described in point (f). In the case of an audit firm, the responsibility of the internal quality control system shall be with a person that qualifies as a	(g) a statutory auditor or an audit firm shall establish an internal quality control system to ensure the quality of the statutory audit. The quality control system shall at least cover the policies and procedures described in point (f). In the case of an audit firm, the responsibility of the internal quality	(g) a statutory auditor or an audit firm shall establish an internal quality control system to ensure the quality of the statutory audit. The quality control system shall at least cover the policies and procedures described in point (f). In the case of an audit firm, the responsibility of the internal quality

	statutory auditor; [AM 36]	control system shall be with a person who qualifies as statutory auditor;	control system shall be with a person who qualifies as statutory auditor;
	(h) a statutory auditor or an audit firm shall use appropriate systems, resources and procedures to ensure continuity and regularity in the performance of its statutory audit activities; [AM 36]	(h) a statutory auditor or an audit firm shall use appropriate systems, resources and procedures to ensure continuity and regularity in the performance of its statutory audit activities;	(h) a statutory auditor or an audit firm shall use appropriate systems, resources and procedures to ensure continuity and regularity in the performance of its statutory audit activities;
	(i) A statutory auditor or an audit firm shall also establish appropriate and effective organisational and administrative arrangements for dealing with and recording incidents which have, or may have, serious consequences for the integrity of his, her or its statutory audit activities; [AM 36]	(i) a statutory auditor or an audit firm shall establish policies to preclude his, her or its involvement and that of his, her or its employees in any criminal offence or breach of the law in the conduct of their work. The statutory auditor or the audit firm shall also establish appropriate and effective organisational and administrative arrangements for dealing with and recording incidents which have or may have serious consequences for the integrity of his, her or its statutory audit activities;	(i) ~~a statutory auditor or an audit firm shall establish policies to preclude his, her or its involvement and that of his, her or its employees in any criminal offence or breach of the law in the conduct of their work.~~ A statutory auditor or an audit firm shall also establish appropriate and effective organisational and administrative arrangements for dealing with and recording incidents which have, or may have, serious consequences for the integrity of his, her or its statutory audit activities;

	(j) a statutory auditor or an audit firm shall have adequate remuneration or profit-sharing policies providing sufficient performance incentives to secure audit quality. In particular, the amount of revenue that the statutory auditor or the audit firm derives from selling non-assurance services to the audited entity shall not form part of the performance evaluation and compensation of any person involved in or able to influence the conduct of the audit; ***[AM 36]***	(j) a statutory auditor or an audit firm shall have adequate remuneration policies providing sufficient performance incentives to secure audit quality. In particular, compensation and performance evaluation of any person involved in or able to influence the outcome of the audit shall not be contingent on the amount of revenue that the statutory auditor or the audit firm derives from the audited entity;	(j) a statutory auditor or an audit firm shall have adequate remuneration, including profit-sharing, policies providing sufficient performance incentives to secure audit quality. In particular, the amount of revenue that the statutory auditor or the audit firm derives from selling non-audit services to the audited entity shall not form part of the performance evaluation and remuneration of any person involved in or able to influence the conduct of the audit.
	(k) a statutory auditor or an audit firm shall monitor and evaluate the adequacy and effectiveness of his, her or its systems, internal control and internal quality control mechanisms and arrangements established in accordance with this Directive and take appropriate measures to address any deficiencies. A statutory auditor or an audit firm shall in particular carry out an annual evaluation of the internal quality control system referred to	(k) a statutory auditor or an audit firm shall monitor and evaluate the adequacy and effectiveness of his, her or its systems, internal control and internal quality control mechanisms and arrangements established in accordance with this Directive and, where applicable, Regulation XXX and take appropriate measures to address any deficiencies. A statutory auditor or an audit firm shall in particular carry out an annual evaluation of the internal quality control system,	(k) a statutory auditor or an audit firm shall monitor and evaluate the adequacy and effectiveness of his, her or its systems, internal control and internal quality control mechanisms and arrangements established in accordance with this Directive and, where applicable, Regulation XXX and take appropriate measures to address any deficiencies. A statutory auditor or an audit firm shall in particular carry out an annual evaluation of the internal quality control system,

	in point (g). A statutory auditor or an audit firm shall keep records of the findings of that evaluation and any proposed measure to modify the internal quality control system. ***[AM 36]***	referred to in point (g). A statutory auditor or an audit firm shall keep records of the findings of that evaluation and any proposed measure to modify the internal quality control system.	referred to in point (g). A statutory auditor or an audit firm shall keep records of the findings of that evaluation and any proposed measure to modify the internal quality control system.
	The policies and procedures referred to in the first subparagraph shall be documented and communicated to the employees of the statutory auditor or audit firm. [AM 36]	The policies and procedures referred to in the first subparagraph shall be documented and communicated to the employees of the statutory auditor or audit firm.	The policies and procedures referred to in the first subparagraph shall be documented and communicated to the employees of the statutory auditor or audit firm.
		Member States may provide simplified requirements for the audits referred in Article 2 paragraph 1 (b) and (c).	Member States may provide simplified requirements for the audits referred in Article 2 paragraph 1 (b) and (c).
	Any outsourcing of audit functions as referred to in point (d) shall not affect the liability of the statutory auditor or audit firm towards the audited entity. [AM 36]	Any outsourcing of audit functions as referred to in point (d) shall not affect the responsibility of the statutory auditor or audit firm towards the audited entity.	Any outsourcing of audit functions as referred to in point (d) shall not affect the responsibility of the statutory auditor or audit firm towards the audited entity.

	2. The statutory auditor or audit firm shall take into consideration his, her or its size and complexity of activities when complying with the requirements of paragraph 1 of this Article. [AM 36]	2. The statutory auditor or audit firm shall take into consideration the scale and complexity of his, her or its activities when complying with these requirements as regards the obligations at paragraph 1 of this Article.	2. The statutory auditor or audit firm shall take into consideration the scale and complexity of his, her or its activities when complying with these requirements as regards the obligations at paragraph 1 of this Article.
	The statutory auditor or audit firm shall be able to demonstrate to the relevant competent authority compliance with the requirements of paragraph 1, with due regard to the first subparagraph. [AM 36]	The statutory auditor or audit firm shall be able to demonstrate to the competent authority referred to in Article 32 that such policies and procedures designed to achieve compliance are appropriate given the scale and complexity of activities of the statutory auditor or audit firm.	The statutory auditor or audit firm shall be able to demonstrate to the competent authority ~~referred to in Article 32~~ that such policies and procedures designed to achieve compliance are appropriate given the scale and complexity of activities of the statutory auditor or audit firm.
		The following Article 24b is inserted:	The following Article 24b is inserted:

	Article 25b(new) ***Organisation of the work [AM 38]***	*Article 24 b* *(ex Article 16 Regulation)* *Organisation of the work*	*Article 24 b* *Organisation of the work*
	1. When the statutory audit is carried out by an audit firm, that audit firm shall designate at least one key audit partner with the appropriate competence, capabilities and authority to carry out his, her or their duties appropriately. The audit firm shall provide the designated audit partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out his, her or its duties appropriately. [AM 38]	1. Member States shall ensure that when the statutory audit is carried out by an audit firm, that audit firm shall designate at least one key audit partner. The audit firm shall provide the key audit partner(s) with sufficient resources to carry out his, her or their duties appropriately.	1. Member States shall ensure that when the statutory audit is carried out by an audit firm, that audit firm shall designate at least one key audit partner. The audit firm shall provide the key audit partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out his, her or its duties appropriately.
	Securing audit quality, independence and competence shall be the main criteria for the audit firm to select the key audit partner(s) to be designated.	Securing audit quality, independence and competence shall be the main criteria for the audit firm to select the key audit partner(s) to be designated.	Securing audit quality, independence and competence shall be the main criteria for the audit firm to select the key audit partner(s) to be designated.
	The designated audit partner(s) shall be actively involved in the carrying out of the statutory audit	The key audit partner(s) shall be actively involved in the carrying out of the statutory audit.	The key audit partner(s) shall be actively involved in the carrying out of the statutory audit.

	2. When the statutory audit is carried out by a statutory auditor, he or she shall devote sufficient time to the engagement and shall assign sufficient resources among his or her employees to carry out his or her duties appropriately. ***[AM 38]***	2. When carrying out the statutory audit, the statutory auditor shall devote sufficient time to the engagement and shall assign sufficient resources to carry out his or her duties appropriately.	2. When carrying out the statutory audit, the statutory auditor shall devote sufficient time to the engagement and shall assign sufficient resources to carry out his or her duties appropriately.
	3. The statutory auditor or the audit firm shall implement quality control procedures at the engagement level that is consistent with the international auditing standards referred to in Article 26. ***[AM 38]***	3. Member States shall ensure that the statutory auditor or the audit firm keep records of any breaches of the provisions of this Directive and, where applicable, Regulation XXX. Member States may exempt statutory auditors and audit firms from this obligation with regard to minor breaches. It shall also keep records of any consequence thereof, including the measures taken to address those breaches and to modify its internal quality control system. The statutory auditor or the audit firm shall prepare an annual report with an overview of any such measures taken and communicate this internally. When the statutory auditor or the audit firm ask external experts for advice, he, she or it shall document	3. Member States shall ensure that the statutory auditor or the audit firm keep records of any breaches of the provisions of this Directive and, where applicable, Regulation XXX. Member States may exempt statutory auditors and audit firms from this obligation with regard to minor breaches. It shall also keep records of any consequence thereof, including the measures taken to address those breaches and to modify its internal quality control system. The statutory auditor or the audit firm shall prepare an annual report with an overview of any such measures taken and communicate this internally. When the statutory auditor or the audit firm ask external experts for advice, he, she or it shall document

		the request made and advice received.	the request made and advice received.
	4. A statutory auditor or an audit firm shall maintain a client account record. Such record shall include the following data for each audit client: [AM 38]	4. A statutory auditor or an audit firm shall maintain a client account record. Such record shall include the following data for each audit client:	4. A statutory auditor or an audit firm shall maintain a client account record. Such record shall include the following data for each audit client:
	(a) the name, the address and the place of business; [AM 38]	(a) the name, the address and the place of business;	(a) the name, the address and the place of business;
	(b) in the case of an audit firm, the key audit partner(s); [AM 38]	(b) in the case of an audit firm, the key audit partner(s);	(b) in the case of an audit firm, the key audit partner(s);
	(c) the fees charged for the statutory audit and the fees charged for other services in any financial year. [AM 38]	(c) the fees charged for the statutory audit and the fees charged for other services in any financial year.	(c) the fees charged for the statutory audit and the fees charged for other services in any financial year.
	5. A statutory auditor or an audit firm shall create an audit file for each statutory audit carried out. The audit file shall contain at least the documentation for the statutory audit carried out as required by the international standards on auditing referred to in Article 26. The statutory auditor or audit firm shall also document the data recorded pursuant to Articles 25c and 25d(6) of this Directive and Article 11(3) of Regulation (EU) No XX/XX.	5. A statutory auditor or an audit firm shall create an audit file for each statutory audit that it undertakes. The statutory auditor or audit firm shall at least document the data recorded pursuant to Articles 22d(1), and, where applicable, Articles 11, 17 and 19 of	5. A statutory auditor or an audit firm shall create an audit file for each statutory audit. The statutory auditor or audit firm shall at least document the data recorded pursuant to Articles 22d(1), and, where applicable,

	[AM 38]	Regulation XXX.	Articles 11, 17 and 19 of Regulation XXX.
	The statutory auditor or audit firm shall retain any other data and documents that are of importance in support of the reports referred to in Articles 22 and 23 of Regulation (EU) No XX/XX and for monitoring compliance with this Directive, Regulation (EU) No XX/XX and other applicable legal requirements. [AM 38]	The statutory auditor or audit firm shall retain any other data and documents that are of importance in support of the report referred to in Articles 28 of this Directive and, where applicable, Article 22 of Regulation XXX and for monitoring compliance with this Directive and other applicable legal requirements.	The statutory auditor or audit firm shall retain any other data and documents that are of importance in support of the report referred to in Articles 28 of this Directive and, where applicable, Articles 22 and 23 of Regulation XXX and for monitoring compliance with this Directive and other applicable legal requirements.
	The audit file shall be closed no later than sixty days after the date of signature of the audit report referred to in Article 22 of Regulation (EU) No XX/XX. ***[AM 38]***	The audit file shall be closed no later than sixty days after the date of signature of the audit report referred to in Article 28 of this Directive and, where applicable, Article 22 of Regulation XXX.	The audit file shall be closed no later than sixty days after the date of signature of the audit report referred to in Article 28 of this Directive and, where applicable, Article 22 of Regulation XXX.
	6. The statutory auditor or the audit firm shall keep records of any complaints about the performance of the statutory audits. [AM 38]	6. The statutory auditor or the audit firm shall keep records of any complaints made in writing about the performance of the statutory audits undertaken by it.	6. The statutory auditor or the audit firm shall keep records of any complaints made in writing about the performance of the statutory audits carried out.
		7. Member States may provide simplified requirements with regard to paragraphs 3 and 6 for the audits referred in Article 2 paragraph 1 (b) and (c).	7. Member States may provide simplified requirements with regard to paragraphs 3 and 6 for the audits referred in Article 2 paragraph 1 (b) and (c).

		The following Article 25a is inserted:	The following Article 25a is inserted:
	Article 25a ***Scope of the statutory audit [AM 37]***	*Article 25a* *(ex Article 14 Regulation)* ***Scope of the statutory audit***	*Article 25a* *Scope of the statutory audit*
	11d. The following article 25a is inserted: [AM 37]	The following Article 25a is inserted:	The following Article 25a is inserted:
	1. When carrying out the statutory audit, the statutory auditor or audit firm shall perform the audit in accordance with the international auditing standards referred to in Article 26. [AM 37]	1. [deleted]	deleted
	2. Where the audited entity is a public-interest entitiy, the statutory auditor or audit firm shall take the necessary steps with a view to forming an opinion as to whether the annual or consolidated financial statements of the public-interest entity give a true and fair view and have been prepared in accordance with the relevant financial reporting framework. ***[AM 37]***		deleted

	The report of the statutory auditor or audit firm shall be expressed in accordance with Articles 21 to 25 of Regulation (EU) No XX/XX. ***[AM 37]***		deleted
	Without prejudice to the reporting requirements as referred to in Articles 22 and 23 of Regulation (EU) No XX/XX, the scope of statutory audit shall not include an assurance as to the future viability of the audited entity nor as to the efficiency or effectiveness with which the management or administrative body has conducted or will conduct the affairs of the entity. [AM 37]	2. Without prejudice to the reporting requirements as referred to in Article 28 of this Directive and where applicable, Articles 22 and 23 of Regulation XXX, the scope of statutory audit shall not include the assurance on the future viability of the audited entity nor the efficiency or effectiveness with which the management or administrative body has conducted or will conduct the affairs of the entity.	Without prejudice to the reporting requirements as referred to in Article 28 of this Directive and where applicable, Articles 22 and 23 of Regulation XXX, the scope of statutory audit shall not include the assurance on the future viability of the audited entity nor the efficiency or effectiveness with which the management or administrative body has conducted or will conduct the affairs of the entity.
	11f. The following article 25c is inserted: [AM 39]		deleted

	Article 25c [AM 39]	See Article 17 Regulation Irregularities	
	Integrity of financial reporting [AM 39]		
	1. Where the statutory auditor or an audit firm becomes aware of any development which is likely to have material consequences for the audit opinion, the statutory auditor or the audit firm shall: [AM 39]		
	(a) keep a record of the development; [AM 39]		
	(b) take appropriate measures as required by the relevant international auditing standards, in response to the event or development; [AM 39]		
	(c) inform the relevant competent authority of the event or development forthwith if, having taken appropriate measures, the auditor continues to believe that the event or development is likely to have material consequences for the audit opinion. [AM 39]		

	The record referred in point (a) of the first subparagraph shall include the facts and circumstances of the incident, information about the person or persons involved and details of the measures that have been taken pursuant to point (b) of that subparagraph. [AM 39]		
	2. Without prejudice to Directive 2005/60/EC, when a statutory auditor or an audit firm carrying out a statutory audit suspects or has reasonable grounds to suspect that facts or behaviour indicating irregularities, including fraud with regard to the financial statements of the audited entity is being, or has been, committed or attempted, he, she or it shall inform the audited entity and invite it to investigate the matter and take appropriate measures to deal with such irregularities and to prevent any recurrence of such irregularities in the future. [AM 39]		

	Where the audited entity does not investigate the matter or does not take any measures, or where the statutory auditor or audit firm believes that the measures taken by the audited entity are not adequate to deal with such irregularities, the statutory auditor or audit firm shall inform the competent authorities of such irregularities. ***[AM 39]***		
	The disclosure in good faith to the competent authorities, by the statutory auditor or audit firm, of any fact or behaviour referred to in the first subparagraph shall not constitute a breach of any contractual or legal restriction on disclosure of information and shall not involve such persons in liability of any kind. [AM 39]		
	11g. The following Article 25d is inserted: [AM 40]		deleted

	Article 25d [AM 40]		
	Internal quality control review ***[AM 40]***	See Article 19 Regulation Engagement quality control review	
	1. Where the audited entity is a public-interest entity, before the reports referred to in Articles 22 and 23 of Regulation (EU) No XX/XX are issued, an engagement quality control review shall be performed to assess whether the statutory auditor or the key audit partner could reasonably have come to the opinion and conclusions expressed in the draft of those reports in accordance with the international auditing standards referred to in Article 26. ***[AM 40]***		

	2. The internal quality control review shall be performed by an internal quality control reviewer. Such reviewer shall be a statutory auditor who is not involved in the performance of the statutory audit to which the internal quality review relates. [AM 40]		
	3. When performing the engagement quality control review, the reviewer shall review the audited financial statements, and carry out an objective evaluation of at least of the following: ***[AM 40]***		
	(a) the oral and written information provided by the statutory auditor or key audit partner to support the significant judgements and main findings of the audit procedures carried out and the conclusions drawn from those findings, whether or not at the request of the engagement quality control reviewer; [AM 40]		

	(b) the significant judgements and main findings of the audit procedures carried out and the conclusions drawn from those findings; [AM 40]		
	(c) the reports of the statutory auditor or key audit partner, as expressed in the draft of the reports referred to in Articles 22 and 23 of Regulation (EU) No XX/XX; [AM 40]		
	4. The internal quality control review shall at least assess the following elements: [AM 40]		
	(a) the independence of the statutory auditor or audit firm with from the audited entity; [AM 40]		
	(b) the significant risks that the statutory auditor or key audit partner has identified during the performance of the statutory audit and the measures that he or she has taken to adequately manage those risks; [AM 40]		

	(c) the reasoning of the statutory auditor or key audit partner, in particular with regard to the materiality and the significant risks referred to in point (b); ***[AM 40]***		
	(d) any request for advice to external experts and the implementation of such advice; ***[AM 40]***		
	(e) the nature and scope of the corrected and uncorrected misstatements in the financial statements that were identified during the performance of the audit; [AM 40]		
	(f) the subjects discussed with the audit committee and the management and/or supervisory bodies of the audited entity; ***[AM 40]***		
	(g) the subjects discussed with competent authorities and, if applicable, with other third parties; [AM 40]		
	(h) whether the documents and information selected from the file satisfactorily reflect the positions		

	taken by the employees involved in the audit, and whether such documents and information support the opinion of the statutory auditor or key audit partner as expressed in the draft of the reports referred to in Articles 22 and 23 of Regulation (EU) No XX/XX. [AM 40]		
	5. The internal quality control reviewer shall discuss the results of the internal quality control review with the statutory auditor or the key audit partner. The statutory auditor or the audit firm shall determine the procedure to be followed when the reviewer and the statutory auditor or the key audit partner do not agree on the results of the review. [AM 40]		
	6. The statutory auditor or the audit firm shall keep record of the results of the internal quality control review, together with the considerations underlying those results. [AM 40]		
12. Article 26 is replaced by the following:	AS COM		12. Article 26 is replaced by the following:

'Article 26 *Auditing standards*	*AS COM*	*Article 26* ***Auditing standards***	*Article 26* *Auditing standards*
1. Member States shall ***ensure*** that statutory auditors and audit firms comply with international auditing standards ***when carrying out statutory audits as long as those standards are in conformity with the requirements of this Directive and of Regulation XX/XX***.	1. Member States shall ***require*** that statutory auditors and audit firms comply with international auditing standards ***adopted according to paragraph 3. [AM 41]***	1. Member States shall require statutory auditors and audit firms to carry out statutory audits in compliance with international auditing standards adopted by the Commission in accordance with paragraph 2a.	1. Member States shall require statutory auditors and audit firms to carry out statutory audits in compliance with international auditing standards adopted by the Commission in accordance with paragraph 2a.
Member States may impose audit procedures or requirements in addition to the international auditing standards only if those audit procedures or requirements stem from specific national legal requirements relating to the scope of statutory audits. ***Member States shall ensure that those audit procedures or requirements comply with the following conditions:***	Member States may impose audit procedures or requirements in addition to the international auditing standards only if those audit procedures or requirements stem from specific national legal requirements relating to the scope of statutory audits. **[AM 42]**	Member States may apply national auditing standards, procedures or requirements as long as the Commission has not adopted an international auditing Standard covering the same subject-matter.	Member States may apply national auditing standards, procedures or requirements as long as the Commission has not adopted an international auditing Standard covering the same subject-matter.

(a) they contribute a high level of credibility and quality to the annual or consolidated financial statements in conformity with the principles set out in Article 4(3) of Directive [xxxx] on the annual financial statements and the consolidated financial statements of certain types of undertakings;	***deleted [AM 43]***		deleted
(b) are conducive to the Union public good.	***deleted [AM 44]***		deleted
Member States shall communicate those audit procedures or requirements to the Commission, ESMA and other Member States.	***deleted [AM 45]***		deleted
2. For the purposes of paragraph 1, ***"***international auditing standards***"*** means International Standards on Auditing (ISAs) ***and related Statement and Standards which are part of the Clarity Project*** issued by the ***International Federation of Accountants (IFAC) in 2009*** insofar as they are relevant to the statutory audit.	2. For the purposes of paragraph 1, ***'***international auditing standards***'*** means International Standards on Auditing (ISAs) issued by the ***International Auditing and Assurance Standards Board (IAASB), with an effective date stated therein of 2012,*** insofar as they are relevant to the statutory audit. **[AM 46]**	2. For the purposes of paragraph 1, 'international auditing standards' means International Standards on Auditing (ISAs), International Standard on Quality Control 1 and other related Standards issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB), insofar as they are relevant to the statutory audit.	2. For the purposes of paragraph 1, 'international auditing standards' means International Standards on Auditing (ISAs), International Standard on Quality Control 1 and other related Standards issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB), insofar as they are relevant to the statutory audit.
		2a. In order ensure the uniform application of rules laid down in this Directive, the Commission	2a. The Commission shall be empowered to adopt by means of delegated acts in accordance with

		shall be empowered to adopt implementing acts concerning the adoption of the international standards on auditing referred to in paragraph 1 of this Article for the purposes of their application within the Union. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2).	Article 48a the international auditing standards referred to in paragraph 1 in the area of audit practice, independence of and internal controls of statutory auditors and audit firms for the purposes of their application within the Union.
		The international auditing standards may only be adopted if they: (a) have been developed with proper due process, public oversight and transparency, and are generally accepted internationally; (b) contribute a high level of credibility and quality to the annual or consolidated financial statements in conformity with the principles set out in Article 4(3) of Directive 2013/34/EC of the European Parliament and of the Council; and	The international auditing standards may only be adopted if they: (a) have been developed with proper due process, public oversight and transparency, and are generally accepted internationally; (b) contribute a high level of credibility and quality to the annual or consolidated financial statements in conformity with the principles set out in Article 4(3) of Directive 2013/34/EC of the European Parliament and of the Council; and

		(c) are conducive to the Union public good;	(c) are conducive to the Union public good and (d) do not amend the requirements set out in Chapter IV and Articles 27, 28 and 29 of this Directive.
		In case the provisions of adopted international standards on auditing differ from the corresponding provisions of this Directive or Regulation XXX, the provisions of the Directive or Regulation XXX shall prevail.	deleted
		2b. Notwithstanding the second subparagraph of paragraph 1, Member States may impose audit procedures or requirements in addition to the international auditing standards adopted by the Commission, only (a) if those audit procedures or requirements are necessary to give effect to national legal requirements relating to the scope of statutory audits; or, (b) to the extent necessary to add to the credibility and quality of financial statements.	2b. Notwithstanding the second subparagraph of paragraph 1, Member States may impose audit procedures or requirements in addition to the international auditing standards adopted by the Commission, only if those audit procedures or requirements are necessary to give effect to national legal requirements relating to the scope of statutory audits (b) to the extent necessary to add to the credibility and quality of financial statements.

		Member States communicate them to the Commission at least three months before their entry into force or, in the case of requirements already existing at the time of adoption of an international auditing standard, at the latest within three months of the adoption of the relevant international auditing standard.	Member States communicate them to the Commission at least three months before their entry into force or, in the case of requirements already existing at the time of adoption of an international auditing standard, at the latest within three months of the adoption of the relevant international auditing standard.
		3. Where a Member State requires the statutory audit of small undertakings, it may provide that application of the auditing standards referred to in paragraph 1 is proportionate to the scale and complexity of the activities of those undertakings. Member States may take measures in order to ensure the proportionate application of the auditing standards to the statutory audits of small undertakings.	3. Where a Member State requires the statutory audit of small undertakings, it may provide that application of the auditing standards referred to in paragraph 1 is proportionate to the scale and complexity of the activities of those undertakings. Member States may take measures in order to ensure the proportionate application of the auditing standards to the statutory audits of small undertakings.
3. The Commission shall be empowered to adopt delegated acts in accordance with Article 48a ***for the purpose of amending the definition of*** international auditing standards in paragraph 2 of this Article. When using such powers,	3. The Commission shall be empowered to adopt delegated acts in accordance with Article 48a, ***adopting or revoking*** international auditing standards in paragraph 2 of this Article. When using such powers, the Commission shall		deleted

the Commission shall ***take into account any amendments brought to the ISAs by the IFAC, the opinion of the Public Interest*** Oversight ***Board on such amendments as well as any other developments in auditing*** and the ***audit profession***.	***decide on the applicability of international auditing standards within the Union, bearing in mind their proportionality. The Commission shall adopt international auditing standards for application in the Union only if they: [AM 47]***		
	(a) have been developed with proper due care, in a transparent manner, under public oversight ***and are generally accepted internationally; and [AM 47]***		
	(b) contribute a high level of credibility and quality to the annual or consolidated financial statements in conformity with the principles set out in Article 4(3) of Directive [xxxx] on the annual financial statements and the ***consolidated financial statements of certain types of undertakings.*** ***[AM 47]***		
	12a. In Article 27(1), point (c) is replaced by the following: [AM 48]		deleted

	(c) the group auditor evaluates the audit work performed by third-country auditor(s) or statutory auditor(s) and third-country audit entity/ies or audit firm(s) for the purpose of the group audit and document the nature, timing and extent of involvement in the work performed by those auditors, including where applicable the auditor's review of relevant parts of those auditors´ audit documentation. The documentation retained by the group auditor shall enable the relevant competent authority to review the work of the group auditor. [AM 48]		
	12b. In Article 27(1) the following subparagraph is added: [AM 49]	Article 27 is replaced by the following:	Article 27 is replaced by the following:

		Article 27 *Statutory audits of consolidated financial statements*	*Article 27* *Statutory audits of consolidated financial statements*
	For the purpose of point (c) of the first subparagraph, the group auditor shall secure the agreement of the third-country auditor(s), statutory auditor(s), third-country audit entity/ies or audit firm(s) to the transfer of relevant documentation during the conduct of the audit of consolidated financial statements, as a condition of the use by the group auditor of the work of that third-country auditor(s), statutory auditor(s), third-country audit entity/ies) or audit firm(s). ***[AM 49]***	1. . Member States shall ensure that in the case of a statutory audit of the consolidated financial statements of a group of undertakings: (a) the group auditor bears the full responsibility for the audit report referred to in Article 28 of this Directive and, where applicable, Article 22 of Regulation XXX and where applicable, for the additional report to the audit committee as referred to in Article 23 of Regulation XXX, in relation to the consolidated financial statements; (ab) the group auditor evaluates the audit work performed by third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies) or audit firm(s) for the purpose of the group audit and documents the nature, timing and extent of the involvement in the work performed by those auditors, including where applicable, the	1. . Member States shall ensure that in the case of a statutory audit of the consolidated financial statements of a group of undertakings: (a) the group auditor bears the full responsibility for the audit report referred to in Article 28 of this Directive and, where applicable, Article 22 of Regulation XXX and where applicable, for the additional report to the audit committee as referred to in Article 23 of Regulation XXX, in relation to the consolidated financial statements; (ab) the group auditor evaluates the audit work performed by third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies) or audit firm(s) for the purpose of the group audit and documents the nature, timing and extent of ~~the involvement in~~ the work performed by those auditors, including where applicable, the

		auditor's review of relevant parts of those auditors' audit documentation; (b) the group auditor reviews the audit work performed by third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies) or audit firm(s) for the purpose of the group audit and documents it.	auditor's review of relevant parts of those auditors' audit documentation; (b) the group auditor reviews the audit work performed by third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies) or audit firm(s) for the purpose of the group audit and documents it.
		The documentation retained by the group auditor shall be such as enables the relevant competent authority to review the work of the group auditor.	The documentation retained by the group auditor shall be such as enables the relevant competent authority to review the work of the group auditor.
		For the purpose of point (b) of the first subparagraph of this paragraph, the group auditor shall request the agreement of the third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) to the transfer of relevant documentation during the conduct of the audit of consolidated financial statements, as a condition of the reliance by the group auditor on the work of that third-country auditor(s), statutory auditor(s), third country audit entity(ies) or audit firm(s).	For the purpose of point (b) of the first subparagraph of this paragraph, the group auditor shall request the agreement of the third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) to the transfer of relevant documentation during the conduct of the audit of consolidated financial statements, as a condition of the reliance by the group auditor on the work of that third-country auditor(s), statutory auditor(s), third country audit entity(ies) or audit firm(s).

	12c. Two new paragraphs are added to Article 27: [AM 50]		
	2. Where the group auditor is not in a position to comply with point (c) of the first subparagraph of paragraph 1, he, she or it shall take appropriate measures and inform the competent authority referred to in Article 35(1) of Regulation (EU) No XX/XX accordingly. [AM 50]	2. Where the group auditor is unable to comply with point (b) of the first subparagraph of paragraph 1, he, she or it shall take appropriate measures and inform the competent authority referred to in Article 32 and, where applicable, in Article 35 of Regulation XXX, accordingly.	2. Where the group auditor is unable to comply with point (b) of the first subparagraph of paragraph 1, he, she or it shall take appropriate measures and inform the relevant competent authority.
	Such measures may include carrying out additional statutory audit work, either directly or by outsourcing such tasks, in the relevant subsidiary. [AM 50]	Such measures shall, as appropriate, include carrying out additional statutory audit work, either directly or by outsourcing such tasks, in the relevant subsidiary.	Such measures shall, as appropriate, include carrying out additional statutory audit work, either directly or by outsourcing such tasks, in the relevant subsidiary.
	3. Where the group auditor is subject to a quality assurance review or an investigation concerning the statutory audit of the consolidated financial statements of a group of undertakings where the parent undertaking is a public-interest entity, the group auditor shall, when requested, make available to the competent authority the relevant documentation he, she or it holds concerning the audit work	3. Where the group auditor is subject to a quality assurance review or an investigation concerning the statutory audit of the consolidated financial statements of a group of undertakings, the group auditor shall, when requested, make available to the competent authority the relevant documentation he, she or it retains concerning the audit work performed by third country auditor(s), statutory auditor(s), third-country audit entity(ies) or	3. Where the group auditor is subject to a quality assurance review or an investigation concerning the statutory audit of the consolidated financial statements of a group of undertakings, the group auditor shall, when requested, make available to the competent authority the relevant documentation he, she or it retains concerning the audit work performed by third country auditor(s), statutory auditor(s), third-country audit entity(ies) or

	performed by third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) for the purpose of the group audit, including the working papers relevant to the group audit. ***[AM 50]***	audit firm(s) for the purpose of the group audit, including any working papers relevant to the group audit.	audit firm(s) for the purpose of the group audit, including any working papers relevant to the group audit.
	The competent authority shall request additional documentation on the audit work performed by statutory auditor(s) or audit firm(s) for the purpose of the audit group to the relevant competent authorities pursuant to Chapter III of Title IV of Regulation (EU) No XX/XX. [AM 50]	The competent authority may request additional documentation on the audit work performed by statutory auditor(s) or audit firm(s) for the purpose of the group audit from the relevant competent authorities pursuant to Article 36.	The competent authority may request additional documentation on the audit work performed by statutory auditor(s) or audit firm(s) for the purpose of the group audit from the relevant competent authorities pursuant to Article 36.
	When a component of a group of undertakings is audited by auditor(s) or audit entity/ies from a third country, the competent authority shall request additional documentation on the audit work performed by third-country auditor(s) or third-country audit entity/ies to the relevant competent authorities from third countries through the working arrangements referred to in Article 47. [AM 50]	When a component of a group of undertakings is audited by auditor(s) or audit entity(ies) from a third country, the competent authority may request additional documentation on the audit work performed by third-country auditor(s) or third country audit entity(ies) from the relevant competent authorities from third countries through the working arrangements referred to in Article 47.	When a component of a group of undertakings is audited by auditor(s) or audit entity(ies) from a third country, the competent authority may request additional documentation on the audit work performed by third-country auditor(s) or third country audit entity(ies) from the relevant competent authorities from third countries through the working arrangements referred to in Article 47.

	By way of derogation from the third subparagraph, when a component of a group of undertakings is audited by auditor(s) or audit entity/ies from a third country that has no working arrangement as referred to in Article 47, the group auditor shall, when requested, also be responsible for ensuring proper delivery of the additional documentation of the audit work performed by third-country auditor(s) or audit entities, including the working papers relevant to the group audit. To ensure such delivery, the group auditor shall retain a copy of such documentation, or alternatively agree with the third-country auditor(s) or audit entity/ies his, her or its proper and unrestricted access upon request, or take any other appropriate action. Where audit working papers for legal or other reasons cannot be passed from a third country to the group auditor, the documentation retained by the group auditor shall include evidence that he or she has undertaken the appropriate procedures in order to gain access	By way of derogation from the third subparagraph, when a component of a group of undertakings is audited by auditor(s) or audit entity(ies) from a third country that has no working arrangement as referred to in Article 47, the group auditor shall, when requested, also be responsible for ensuring proper delivery of the additional documentation of the audit work performed by third-country auditor(s) or audit entity(ies), including the working papers relevant to the group audit. To ensure such delivery, the group auditor shall retain a copy of such documentation, or alternatively agree with the third-country auditor(s) or audit entity(ies) his, her or its permitted and unrestricted access upon request, or take any other appropriate action. Where audit working papers for legal or other reasons cannot be passed from a third country to the group auditor, the documentation retained by the group auditor shall include evidence that he or she has undertaken the appropriate procedures in order to gain access to the audit documentation, and in	By way of derogation from the third subparagraph, when a component of a group of undertakings is audited by auditor(s) or audit entity(ies) from a third country that has no working arrangement as referred to in Article 47, the group auditor shall, when requested, also be responsible for ensuring proper delivery of the additional documentation of the audit work performed by third-country auditor(s) or audit entity(ies), including the working papers relevant to the group audit. To ensure such delivery, the group auditor shall retain a copy of such documentation, or alternatively agree with the third-country auditor(s) or audit entity(ies) his, her or its permitted and unrestricted access upon request, or take any other appropriate action. Where audit working papers for legal or other reasons cannot be passed from a third country to the group auditor, the documentation retained by the group auditor shall include evidence that he or she has undertaken the appropriate procedures in order to gain access to the audit documentation, and in

	to the audit documentation, and in the case of impediments other than legal ones arising from the legislation of the third country, evidence supporting such an impediment. [AM 50]	the case of impediments other than legal ones arising from the legislation of the third country, evidence supporting such an impediment.	the case of impediments other than legal ones arising from the legislation of the third country, evidence supporting such an impediment.
13. In Article 28, paragraph 2 is deleted.	***13. Article 28 is replaced by the following: [AM 51]***	Article 28 is replaced by the following:	13. Article 28 is replaced by the following:
	Article 28 [AM 51]		
	Audit reporting [AM 51]	*Article 28* ***Audit reporting***	*Article 28* ***Audit reporting***
	1. The statutory auditor or the audit firm shall present the results of the statutory audit in an audit report prepared in accordance with the requirements of the international auditing standards adopted by the Union, as referred to in Article 26. [AM 51]	1. The statutory auditor(s) or the audit firm(s) shall present the results of the statutory audit in an audit report. The report shall be prepared in accordance with the requirements of auditing standards adopted by the Union or Member State as referred to in Article 26.	1. The statutory auditor(s) or the audit firm(s) shall present the results of the statutory audit in an audit report. The report shall be prepared in accordance with the requirements of auditing standards adopted by the Union or Member State, as referred to in Article 26.
	2. The audit report shall include: [AM 51]	1a. The audit report which shall be in writing shall at a minimum:	1a. The audit report shall be in writing and shall:
	(a) an introduction, which shall, as a minimum, identify the financial statements that are the subject of the statutory audit, together with the financial reporting framework that has been applied in their	(a) identify the entity whose annual or consolidated financial statements are the subject of the statutory audit; specify the annual or consolidated financial statements and the date and period they cover;	(a) identify the entity whose annual or consolidated financial statements are the subject of the statutory audit; specify the annual or consolidated financial statements and the date and period they cover;

	preparation; [AM 51]	and identify the financial reporting framework that has been applied in their preparation;	and identify the financial reporting framework that has been applied in their preparation;
	(b) a description of the scope of the statutory audit which shall, as a minimum, identify the auditing standards in accordance with which the statutory audit was conducted; [AM 51]	(b) describe the scope of the statutory audit which shall, at a minimum, identify the auditing standards in accordance with which the statutory audit was conducted;	(b) describe the scope of the statutory audit which shall, at a minimum, identify the auditing standards in accordance with which the statutory audit was conducted;
		(b1) state whether the statutory audit was conducted in accordance with the international standards on auditing as referred to in Article 26;	~~(b1) state whether the statutory audit was conducted in accordance with the international standards on auditing as referred to in Article 26;~~
	(c) an audit opinion, which shall be either unqualified, qualified or an adverse opinion and shall state clearly the opinion of the statutory auditor as to: [AM 51]	(c) include an audit opinion, which shall be either unqualified, qualified or an adverse opinion and shall state clearly the opinion of the statutory auditor(s) or the audit firm(s) as to:	(c) include an audit opinion, which shall be either unqualified, qualified or an adverse opinion and shall state clearly the opinion of the statutory auditor(s) or the audit firm(s) as to:
	(i) whether the annual financial statements give a true and fair view in accordance with the relevant financial reporting framework, and, [AM 51]	(i) whether the annual financial statements have been prepared in accordance with the relevant financial reporting framework and give a true and fair view, and,	(i) whether the annual financial statements give a true and fair view in accordance with the relevant financial reporting framework, and,
	(ii) where appropriate, whether the annual financial statements comply with statutory	(ii) where appropriate, whether the annual financial statements comply with statutory requirements,	(ii) where appropriate, whether the annual financial statements comply with statutory requirements,

	requirements, [AM 51]		
	If the statutory auditor is unable to express an audit opinion, the report shall contain a disclaimer of opinion; [AM 51]	If the statutory auditor(s) or audit firm(s) are unable to express an audit opinion, the report shall contain a disclaimer of opinion;	If the statutory auditor(s) or audit firm(s) are unable to express an audit opinion, the report shall contain a disclaimer of opinion;
	(d) a reference to any matters to which the statutory auditor draws attention by way of emphasis without qualifying the audit opinion; [AM 51]	(d) refer to any matters to which the statutory auditor(s) or audit firm(s) draws attention by way of emphasis without qualifying the audit opinion;	(d) refer to any other matters to which the statutory auditor(s) or audit firm(s) draws attention by way of emphasis without qualifying the audit opinion;
	(e) the opinion and statement as referred to in Article 34 (1) subparagraph 2 of Directive XX/XX on the annual financial statements and the consolidated financial statements of certain types of undertakings. [AM 51]	(e) include an opinion and statement, both of which shall be based on the work undertaken in the course of the audit, referred to in the second subparagraph of Article 34(1) of Directive 2013/34/EU;	(e) include an opinion and statement, both of which shall be based on the work undertaken in the course of the audit, referred to in the second subparagraph of Article 34(1) of Directive 2013/34/EU;

		(f) in the case of a qualified or an adverse opinion or a disclaimer of opinion, the report shall explain the reasons for such a decision and shall identify and explain material breaches and misstatements of the applicable accounting rules and material breaches and misstatements of legal requirements including articles of incorporation, identified in the course of the audit, that are significant for the governance of the entity or to its continued operation and shall provide explanations when the auditor is unable to obtain sufficient and appropriate audit evidence;	~~(f) in the case of a qualified or an adverse opinion or a disclaimer of opinion, the report shall explain the reasons for such a decision and shall identify and explain material breaches and misstatements of the applicable accounting rules and material breaches and misstatements of legal requirements including articles of incorporation, identified in the course of the audit, that are significant for the governance of the entity or to its continued operation and shall provide explanations when the auditor is unable to obtain sufficient and appropriate audit evidence;~~
		(f1) provide a statement on any material uncertainty(ies) related to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern;	(f1) provide a statement on any material uncertainty related to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern;

		(f2) report if, in the course of conducting the audit, he/she/it has become aware of any key areas of risk of material misstatement of the annual or consolidated financial statements;	~~(f2) report if, in the course of conducting the audit, he/she/it has become aware of any key areas of risk of material misstatement of the annual or consolidated financial statements;~~
		(g) identify where the statutory auditor(s) or audit firm(s) is established.	(g) identify where the statutory auditor(s) or audit firm(s) is established.
		Member States may set additional requirements in relation to the content of the audit report	Member States may set additional requirements in relation to the content of the audit report.
		1b. When the statutory audit was carried out by more than one auditor or audit firm the statutory auditor(s) or audit firm(s) shall agree on the results of the statutory audit and submit a joint report and opinion. In case of disagreement, each statutory auditor or audit firm shall submit his, her or its opinion in a separate paragraph of the audit report and state the reason for the disagreement.	When the statutory audit was carried out by more than one auditor or audit firm the statutory auditor(s) or audit firm(s) shall agree on the results of the statutory audit and submit a joint report and opinion. In case of disagreement, each statutory auditor or audit firm shall submit his, her or its opinion in a separate paragraph of the audit report and state the reason for the disagreement.
		2. The audit report shall be signed and dated by the statutory auditor. Where an audit firm carries out the	2. The audit report shall be signed and dated by the statutory auditor. Where an audit firm carries out the

		statutory audit, the audit report shall bear the signature of at least the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm. Where more than one statutory auditor or audit firm have been simultaneously engaged the audit report shall be signed by all statutory auditors or at least statutory auditors carrying out the statutory audit on behalf of every audit firm. In exceptional circumstances Member States may provide that such signature(s) need not be disclosed to the public if such disclosure could lead to an imminent and significant threat to the personal security of any person. In any case the name(s) of the person(s) involved shall be known to the relevant competent authorities.	statutory audit, the audit report shall bear the signature of at least the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm. Where more than one statutory auditor or audit firm have been simultaneously engaged the audit report shall be signed by all statutory auditors or at least statutory auditors carrying out the statutory audit on behalf of every audit firm. In exceptional circumstances Member States may provide that such signature(s) need not be disclosed to the public if such disclosure could lead to an imminent and significant threat to the personal security of any person. In any case the name(s) of the person(s) involved shall be known to the relevant competent authorities.
		3. The report of the statutory auditor or audit firm on the consolidated financial statements shall comply with the requirements set out in of paragraphs 1 and 2. In reporting on the consistency of the management	3. The report of the statutory auditor or audit firm on the consolidated financial statements shall comply with the requirements set out in of paragraphs 1 and 2. In reporting on the consistency of the

		report and the financial statements as required by paragraph 1(e), the statutory auditor or audit firm shall consider the consolidated financial statements and the consolidated management report. Where the annual financial statements of the parent undertaking are attached to the consolidated financial statements, the reports of the statutory auditors or audit firms required by this Article may be combined.	management report and the financial statements as required by paragraph 1(e), the statutory auditor or audit firm shall consider the consolidated financial statements and the consolidated management report. Where the annual financial statements of the parent undertaking are attached to the consolidated financial statements, the reports of the statutory auditors or audit firms required by this Article may be combined.
	The report shall be signed and dated by the statutory auditor. Where an audit firm carries out the statutory audit, the audit report shall bear the signature of at least the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm. [AM 51]		
	In exceptional circumstances, Member States may provide that this signature need not be disclosed to the public if such disclosure could lead to an imminent and significant threat to the personal security of any person. This notwithstanding, the name(s) of the person(s) involved shall be made known to the		

	relevant competent authorities. ***[AM 51]***		
		CHAPTER VI **QUALITY ASSURANCE**	
		Article 29 ***Quality assurance systems***	
14. Article 29 is amended as follows:	AS COM	14. Article 29 is amended as follows:	14. Article 29 is amended as follows:
(a) paragraph 1 is amended as follows:	AS COM	(a) paragraph 1 is amended as follows:	(a) paragraph 1 is amended as follows:
(i) point (a) is replaced by the following:	AS COM	(i) point (a) is replaced by the following:	(i) point (a) is replaced by the following:
‘(a) the quality assurance system shall be ***governed by the competent authority referred to in Article 32 and*** organized in such a manner that it is independent of statutory auditors and audit firms.’;	‘(a) the quality assurance system shall be organised in such a manner that it is independent of statutory auditors and audit firms ***and subject to public oversight, as provided for in Chapter VIII.’; [AM 52]***	(a) the quality assurance system shall be organized in such a manner that it is independent of the reviewed statutory auditors and audit firms and is subject to public oversight;	(a) the quality assurance system shall be organized in such a manner that it is independent of the reviewed statutory auditors and audit firms and is subject to public oversight;
		(ia) point (e) is replaced by the following:	(ia) point (e) is replaced by the following:
		(e) the selection of reviewers for specific quality assurance review assignments shall be effected in accordance with an objective procedure designed to ensure that there are no conflicts of interest between the reviewers and the statutory auditor or audit firm under	(e) the selection of reviewers for specific quality assurance review assignments shall be effected in accordance with an objective procedure designed to ensure that there are no conflicts of interest between the reviewers and the statutory auditor or audit firm under

		review;	review;
		(ib) point (h) is replaced by the following:	(ib) point (h) is replaced by the following:
		(h) quality assurance reviews shall take place on the basis of an analysis of the risk and in the case of statutory auditors and audit firms carrying out statutory audits as defined in point (a) of Article 2(1) at least every six years;	(h) quality assurance reviews shall take place on the basis of an analysis of the risk and in the case of statutory auditors and audit firms carrying out statutory audits as defined in point (a) of Article 2(1) at least every six years;
(ii) the following point (k) is added:	AS COM	AS COM	(ii) the following point (k) is added:
'(k) quality assurance reviews shall be appropriate and proportionate in view of the scale and dimension of the activity of the reviewed audit firm or statutory auditor.';	AS COM	AS COM	'(k) quality assurance reviews shall be appropriate and proportionate in view of the scale and dimension of the activity of the reviewed audit firm or statutory auditor.';
(iii) the following subparagraph is inserted after point (k):	AS COM	deleted	deleted
'The competent authority referred to in Article 32 shall ***make available to interested parties, upon their request,*** the report referred to in point (g) of the first subparagraph. The competent authority shall make sure that the report disclosed does not undermine the commercial interests of the audited entity under review, including its industrial and	'The competent authority referred to in Article 32 shall ***publish*** the report referred to in point (g) of the first subparagraph. The competent authority shall make sure that the report ***published or*** disclosed does not undermine the commercial interests of the audited entity under review, including its industrial and intellectual property.'; **[AM 53]**		

intellectual property.’;			
		1A. For the purpose of paragraph 1 point (e) at least the following criteria shall apply to the appointment of reviewers: (a) reviewers shall have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews; (b) a person shall not be allowed to act as a reviewer in a quality assurance review of a statutory auditor or audit firm until at least three years have elapsed since that person ceased to be a partner or an employee or otherwise associated with that statutory auditor or audit firm; (c) reviewers shall declare that there are no conflicts of interest between them and the statutory auditor and audit firm to be reviewed.	1A. For the purpose of paragraph 1 point (e) at least the following criteria shall apply to the appointment of reviewers: (a) reviewers shall have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews; (b) a person shall not be allowed to act as a reviewer in a quality assurance review of a statutory auditor or audit firm until at least three years have elapsed since that person ceased to be a partner or an employee or otherwise associated with that statutory auditor or audit firm; (c) reviewers shall declare that there are no conflicts of interest between them and the statutory auditor and audit firm to be reviewed.
		1B. For the purpose of paragraph 1 point (k) Member States shall require competent authorities, when undertaking quality assurance reviews of the statutory audits of	1B. For the purpose of paragraph 1 point (k) Member States shall require competent authorities, when undertaking quality assurance reviews of the statutory audits of

		annual or consolidated financial statements of medium-sized and small undertakings, to take account of the fact that the auditing standards adopted in accordance with Article 26 are designed to be applied in a manner that is proportionate to the scale and complexity of the business audited entity.	annual or consolidated financial statements of medium-sized and small undertakings, to take account of the fact that the auditing standards adopted in accordance with Article 26 are designed to be applied in a manner that is proportionate to the scale and complexity of the business audited entity.
(b) paragraph 2 is replaced by the following:	AS COM		
’2. The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of further specifying the requirements concerning points (a), (b) and (e) to (j) of the first subparagraph of paragraph 1.’.	AS COM	2. The Commission may adopt implementing acts for the purposes of ensuring uniform application of paragraph 1, except points (b) and (c). Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2).	**on hold**
		CHAPTER VII **INVESTIGATIONS AND PENALTIES**	CHAPTER VII **INVESTIGATIONS AND PENALTIES**
		Article 30 ***Systems of investigations and penalties***	*Article 30* *Systems of investigations and penalties*
		2. Without prejudice to Member States' civil liability regimes, Member States shall provide for effective, proportionate and	2. Without prejudice to Member States' civil liability regimes, Member States shall provide for effective, proportionate and

		dissuasive penalties in respect of statutory auditors and audit firms, where statutory audits are not carried out in conformity with the provisions adopted in the implementation of this Directive, and, where applicable, Regulation XXX.	dissuasive penalties in respect of statutory auditors and audit firms, where statutory audits are not carried out in conformity with the provisions adopted in the implementation of this Directive, and, where applicable, Regulation XXX.
		Member States may decide not to lay down rules for administrative sanctions on infringements which are already subject to national criminal law. In this case they shall communicate to the Commission the relevant criminal law provisions.	Member States may decide not to lay down rules for administrative sanctions on infringements which are already subject to national criminal law. In this case they shall communicate to the Commission the relevant criminal law provisions.
	14a. Article 30(3) is amended as follows: [AM 54]		
	'Member States shall provide that measures taken in respect of, or penalties imposed on, statutory auditors or audit firms in cases of public relevance are disclosed appropriately to the public, with details of the nature of the offence and the identity of those responsible, provided it is concluded in an assessment of the individual case that the public interest in disclosure outweighs the need to protect the personal dignity	3. Member States shall provide that measures taken and penalties imposed on statutory auditors and audit firms are appropriately disclosed to the public. Penalties shall include the possibility of the withdrawal of approval. Member States may decide that such disclosure shall not contain personal data within the meaning of Article 2(a) of Directive 95/46/EC.	3. Member States shall provide that measures taken and penalties imposed on statutory auditors and audit firms are appropriately disclosed to the public. Penalties shall include the possibility of the withdrawal of approval. Member States may decide that such disclosure shall not contain personal data within the meaning of Article 2(a) of Directive 95/46/EC.

	of those affected by the measure or penalty. The assessment in each case shall have regard to the fundamental rights laid down in the Charter of Fundamental Rights of the European Union, in particular the right to respect for private and family life and the right to the protection of personal data. Individual details shall not be published where identification of the persons involved would cause them disproportionate damage or where the disclosure would seriously jeopardise the stability of the financial markets. This shall not affect the discretion of the competent authorities to publish details of the measures and penalties on the basis of anonymity. Penalties should include the possibility of the withdrawal of approval.' [AM 54]		

		4. By [24 months after the entry into force of these provisions] the Member States shall notify the rules referred to in paragraph 2 to the Commission. They shall notify the Commission without delay of any subsequent amendment thereto.	4. By [24 months after the entry into force of these provisions] the Member States shall notify the rules referred to in paragraph 2 to the Commission. They shall notify the Commission without delay of any subsequent amendment thereto.
		Article 30A *(ex. Article 61 Regulation)* *Administrative sanctions and measures* *[merged with Article 30]*	*Article 30A* *(ex. Article 61 Regulation)* *Administrative sanctions and measures* *[merged with Article 30]*
		Article 30B *(ex. Article 62 Regulation)* *Sanctioning powers*	*Article 30B* *(ex. Article 62 Regulation)* *Sanctioning powers*
		1. Member States shall provide for competent authorities to have the power to take and or impose at least the following administrative measures and sanctions for breaches of the provisions of this Directive and, where applicable, Regulation XXX: (a) a notice requiring the natural or legal person responsible for the breach to cease the conduct and to desist from a repetition of that conduct;	1. Member States shall provide for competent authorities to have the power to take and or impose at least the following administrative measures and sanctions for breaches of the provisions of this Directive and, where applicable, Regulation XXX: (a) a notice requiring the natural or legal person responsible for the breach to cease the conduct and to desist from a repetition of that conduct;

		(b) a public statement which indicates the person responsible and the nature of the breach, published on the website of competent authorities;	(b) a public statement which indicates the person responsible and the nature of the breach, published on the website of competent authorities;
		(c) a temporary prohibition of up to three years for the statutory auditor, the audit firm or the key audit partner to carry out statutory audits and/or signing audit reports.	(c) a temporary prohibition of up to three years for the statutory auditor, the audit firm or the key audit partner to carry out statutory audits and/or signing audit reports.
		(d) a declaration that the audit report does not meet the requirements of Article 28 of Directive or, where applicable, Article 22 of Regulation XXX;	(d) a declaration that the audit report does not meet the requirements of Article 28 of Directive or, where applicable, Article 22 of Regulation XXX;
		(e) a temporary ban of up to three years against a member of an audit firm or a public interest entity administrative or management body to exercise functions in audit firms or public-interest entities;	(e) a temporary ban of up to three years against a member of an audit firm or a public interest entity administrative or management body to exercise functions in audit firms or public-interest entities;
		(f) deleted	(f) deleted

		(g) in the case of a natural person, administrative pecuniary sanctions of up to EUR 1 500 000 or, in the Member States where the Euro is not the official currency, at the exchange rate applying on the date of entry into force of this Directive;	(g) administrative pecuniary sanctions for natural and legal persons.
		(h) in the case of a legal person or any other entity, administrative pecuniary sanctions of up to 2½% of its total annual turnover in the preceding business year; where the legal person is a parent undertaking or a subsidiary of a parent undertaking which has to prepare consolidated financial statements in accordance with Directive 2013/34/EU, the relevant total annual turnover shall be the total annual turnover or the corresponding type of income as defined in Directive 86/635/EC for banks and Directive 91/674/EC for insurance companies resulting from the consolidated financial statements of the ultimate parent undertaking in the preceding business year.	deleted

		1a. Member States shall ensure that the competent authorities may exercise their sanctioning powers in accordance with this Directive and national law and in any of the following ways: (a) directly; (b) in collaboration with other authorities; (c) [deleted] (d) by application to the competent judicial authorities.	1a. Member States shall ensure that the competent authorities may exercise their sanctioning powers in accordance with this Directive and national law and in any of the following ways: (a) directly; (b) in collaboration with other authorities; (c) by application to the competent judicial authorities.
		2. Member States may give to competent authorities other sanctioning powers in addition to those referred to in paragraph 1 and may provide for higher levels of administrative pecuniary sanctions than those established in that paragraph.	2. Member States may give to competent authorities other sanctioning powers in addition to those referred to in paragraph 1 ~~and may provide for higher levels of administrative pecuniary sanctions than those established in that paragraph~~.

		3. Member States may provide for a lower level of administrative pecuniary sanctions than established in paragraph 1(g) for natural persons when the audit which is to be sanctioned is an audit referred to in article 2, paragraph 1 (b) and (c).	~~3. Member States may provide for a lower level of administrative pecuniary sanctions than established in paragraph 1(g) for natural persons when the audit which is to be sanctioned is an audit referred to in article 2, paragraph 1 (b) and (c).~~
		4. By derogation from paragraph 1, Member States may to give to authorities supervising public interest entities, when they are not designated as the competent authority according to art. 35 (2) of the Regulation XXX, powers to impose sanctions for breaches of reporting duties provided by the Regulation XXX.	4. By derogation from paragraph 1, Member States may give to authorities supervising public interest entities, when they are not designated as the competent authority according to art. 35 (2) of the Regulation XXX, powers to impose sanctions for breaches of reporting duties provided by the Regulation XXX.

		Article 30C *(ex. Article 63 Regulation)* *Effective application of sanctions*	*Article 30C* *(ex. Article 63 Regulation)* *Effective application of sanctions*
		1. When establishing rules under Article 30, Member States shall require that when determining the type and level of administrative sanctions and measures, competent authorities shall take into account all relevant circumstances, including where appropriate: (a) the gravity and the duration of the breach; (b) the degree of responsibility of the responsible person; (c) the financial strength of the responsible person, for example as indicated by the total turnover of the responsible undertaking or the annual income of the responsible natural person; (d) the amounts of the profits gained or losses avoided by the responsible person, insofar as they can be determined; (e) the level of cooperation of the responsible person with the competent authority; (f) previous breaches by the	1. When establishing rules under Article 30, Member States shall require that when determining the type and level of administrative sanctions and measures, competent authorities shall take into account all relevant circumstances, including where appropriate: (a) the gravity and the duration of the breach; (b) the degree of responsibility of the responsible person; (c) the financial strength of the responsible person, for example as indicated by the total turnover of the responsible undertaking or the annual income of the responsible natural person; (d) the amounts of the profits gained or losses avoided by the responsible person, insofar as they can be determined; (e) the level of cooperation of the responsible person with the competent authority; (f) previous breaches by the

		responsible legal or natural person.	responsible legal or natural person.
		Additional factors may be taken into account by competent authorities, if such factors are specified in national law.	Additional factors may be taken into account by competent authorities, if such factors are specified in national law.
		Article 30D *(ex. Article 64 Regulation)* *Publication of sanctions and measures*	*Article 30D* *(ex. Article 64 Regulation)* *Publication of sanctions and measures*
		1. Competent authorities shall publish on their official website at least any administrative sanction imposed for breach of the provisions of this Directive or of Regulation XXX in respect of which all rights of appeal have been exhausted or have expired as soon as reasonably practicable immediately after the person sanctioned is informed of that decision, including information on the type and nature of the breach and the identity of a natural or legal person on whom the sanction is imposed.	1. Competent authorities shall publish on their official website at least any administrative sanction imposed for breach of the provisions of this Directive or of Regulation XXX in respect of which all rights of appeal have been exhausted or have expired as soon as reasonably practicable immediately after the person sanctioned is informed of that decision, including information on the type and nature of the breach and the identity of a natural or legal person on whom the sanction is imposed.

		Where Member States permit publication of sanctions which are subject to appeal, Competent Authorities shall, as soon as reasonably practicable, also publish on their official website information on the appeal status and outcome thereof.	Where Member States permit publication of sanctions which are subject to appeal, Competent Authorities shall, as soon as reasonably practicable, also publish on their official website information on the appeal status and outcome thereof.
		1A. [deleted]	
		2. Competent Authorities shall publish the sanctions on an anonymous basis, in a manner which is in conformity with national law, in any of the following circumstances: a) where, in case the sanction is imposed on a natural person, publication of personal data is shown to be disproportionate by an obligatory prior assessment of the proportionality of such publication; b) where publication would jeopardise the stability of financial markets or an on-going criminal investigation; c) where publication would cause disproportionate damage to the institutions or individuals involved.	2. Competent Authorities shall publish the sanctions on an anonymous basis, in a manner which is in conformity with national law, in any of the following circumstances: a) where, in case the sanction is imposed on a natural person, publication of personal data is shown to be disproportionate by an obligatory prior assessment of the proportionality of such publication; b) where publication would jeopardise the stability of financial markets or an on-going criminal investigation; c) where publication would cause disproportionate damage to the institutions or individuals involved.

		3. Competent Authorities shall ensure that any publication in accordance with paragraph 1 shall be of proportionate duration and shall remain on their official website for a minimum period of five years after all rights of appeal have been exhausted or have expired. The publication of sanctions and measures and any public statement shall respect fundamental rights as laid down in the EU Charter of Fundamental Rights, in particular the right to respect for private and family life and the right to the protection of personal data. Member States may decide that such publication or any public statement shall not contain personal data within the meaning of Article 2(a) of Directive 95/46/EC.	3. Competent Authorities shall ensure that any publication in accordance with paragraph 1 shall be of proportionate duration and shall remain on their official website for a minimum period of five years after all rights of appeal have been exhausted or have expired. The publication of sanctions and measures and any public statement shall respect fundamental rights as laid down in the EU Charter of Fundamental Rights, in particular the right to respect for private and family life and the right to the protection of personal data. Member States may decide that such publication or any public statement shall not contain personal data within the meaning of Article 2(a) of Directive 95/46/EC.

		Article 30E *(ex. Article 65 Regulation)* *Appeal*	*Article 30E* *(ex. Article 65 Regulation)* *Appeal*
		Member States shall ensure that decisions taken by the competent authority in accordance with this Directive and Regulation XXX are subject to the right of appeal.	Member States shall ensure that decisions taken by the competent authority in accordance with this Directive and Regulation XXX are subject to the right of appeal.
		Article 30F *(ex. Article 66 Regulation)* *Reporting of breaches*	*Article 30F* *(ex. Article 66 Regulation)* *Reporting of breaches*
		1. Member States shall ensure that effective mechanisms are established to encourage reporting of breaches of this Directive or of Regulation XXX to the competent authorities.	1. Member States shall ensure that effective mechanisms are established to encourage reporting of breaches of this Directive or of Regulation XXX to the competent authorities.
		2. The mechanisms referred to in paragraph 1 shall include at least: (a) specific procedures for the receipt of reports of breaches and their follow-up; (b) [deleted] (c) protection of personal data concerning both the person who reports the suspected or actual breaches and the person who is suspected of committing, or who allegedly has committed a breach,	2. The mechanisms referred to in paragraph 1 shall include at least: (a) specific procedures for the receipt of reports of breaches and their follow-up; (b) [deleted] (c) protection of personal data concerning both the person who reports the suspected or actual breaches and the person who is suspected of committing, or who allegedly has committed a breach,

		in compliance with the principles laid down in Directive 95/46/EC; (d) appropriate procedures to ensure the right of the accused person to a defence and to be heard before the adoption of a decision concerning him and the right to seek effective remedy before a tribunal against any decision or measure concerning him.	in compliance with the principles laid down in Directive 95/46/EC; (d) appropriate procedures to ensure the right of the accused person to a defence and to be heard before the adoption of a decision concerning him and the right to seek effective remedy before a tribunal against any decision or measure concerning him.
		3. Member States shall ensure that audit firms establish appropriate procedures for their employees to report potential or actual breaches of this Directive or of Regulation XXX internally through a specific channel.	3. Member States shall ensure that audit firms establish appropriate procedures for their employees to report potential or actual breaches of this Directive or of Regulation XXX internally through a specific channel.

		Article 30G *(ex. Article 67 Regulation)* *Exchange of information*	*Article 30G* *(ex. Article 67 Regulation)* *Exchange of information*
		Competent Authorities shall provide the CEAOB annually with aggregated information regarding all administrative measures, sanctions and fines imposed in accordance with this chapter. CEAOB shall publish this information in an annual report. [deleted] Competent Authorities shall immediately communicate to CEAOB all temporary prohibitions referred to in Article 30B.	1. Competent Authorities shall provide the CEAOB annually with aggregated information regarding all administrative measures, sanctions and fines imposed in accordance with this chapter. CEAOB shall publish this information in an annual report. **2.** Competent Authorities shall immediately communicate to CEAOB all temporary prohibitions referred to in Article 30B.
	14a. Article 31 is deleted. [AM 55]	Article 31 is deleted	14a. Article 31 is deleted.

		CHAPTER VIII **PUBLIC OVERSIGHT AND REGULATORY ARRANGEMENTS BETWEEN MEMBER STATES**	
		Article 32 *Principles of public oversight*	
15. Article 32 is amended as follows:	***deleted [AM 56}***	15. Article 32 is amended as follows:	15. Article 32 is amended as follows:
(a) paragraph 1 is replaced by the following:	***deleted [AM 56}***	(a) paragraph 1 is replaced by the following:	(a) paragraph 1 is replaced by the following:
'1. Member States shall designate a competent authority responsible for the public oversight of statutory auditors and audit firms based on the principles set out in paragraphs 2 to 7.';	***deleted [AM 56}***	1. Member States shall organise an effective system of public oversight for statutory auditors and audit firms based on the principles set out in paragraphs 2 to 7 and shall designate a competent authority responsible for such oversight.	1. Member States shall organise an effective system of public oversight for statutory auditors and audit firms based on the principles set out in paragraphs 2 to 7 and shall designate a competent authority responsible for such oversight.
(b) paragraph 3 is replaced by the following:	***deleted [AM 56}***	(b) paragraph 3 is replaced by the following:	(b) paragraph 3 is replaced by the following:

'3. The competent authority may allow non-practitioners who are knowledgeable in the areas relevant to statutory audit to be involved in the governance of the public oversight system, provided that they are selected in accordance with an independent and transparent nomination procedure. Practitioners shall not be allowed to be involved in the governance of the public oversight system';	***deleted [AM 56}***	3. The competent authority shall be governed by non-practitioners who are knowledgeable in the areas relevant to statutory audit. They shall be selected in accordance with an independent and transparent nomination procedure. The competent authority may engage practitioners to carry out specific tasks and may also be assisted by experts when this is essential for the proper fulfilment of its tasks. In such instances, both the practitioner and the experts shall not be involved in any decision-making	3. The competent authority shall be governed by non-practitioners who are knowledgeable in the areas relevant to statutory audit. They shall be selected in accordance with an independent and transparent nomination procedure. The competent authority may engage practitioners to carry out specific tasks and may also be assisted by experts when this is essential for the proper fulfilment of its tasks. In such instances, both the practitioner and the experts shall not be involved in any decision-making
(c) in paragraph 4, the introductory sentence is replaced by the following:	***deleted [AM 56}***	(c) paragraph 4 is replaced by the following:	(c) paragraph 4 is replaced by the following:
'The competent authority shall have the ultimate responsibility for the oversight of:';	***deleted [AM 56}***	AS COM	'The competent authority shall have the ultimate responsibility for the oversight of:';
		(a) the approval and registration of statutory auditors and audit firms;	(a) the approval and registration of statutory auditors and audit firms;

		(b) the adoption of standards on professional ethics, internal quality control of audit firms and auditing, except where those standards are adopted or approved by other Member State authorities;	(b) the adoption of standards on professional ethics, internal quality control of audit firms and auditing, except where those standards are adopted or approved by other Member State authorities;
		(c) continuing education,	(c) continuing education,
		(d) quality assurance system;	(d) quality assurance system;
		(e) investigative and administrative disciplinary systems.	(e) investigative and administrative disciplinary systems.
		4a. Member States shall designate one or more competent authorities for the purposes of the tasks provided for in this Directive, except for the purpose of the statutory audit of cooperatives, savings banks or similar entities as referred to in Article 45 of Directive 86/635/EEC, or a subsidiary or legal successor of a cooperative, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC, Member States shall designate only one competent authority bearing the ultimate responsibility for the tasks referred in this Article. Member States shall inform the Commission of their designation.	4a. Member States shall designate one or more competent authorities for the purposes of the tasks provided for in this Directive. Member States shall designate only one competent authority bearing the ultimate responsibility for the tasks referred in this Article except for the purpose of the statutory audit of cooperatives, savings banks or similar entities as referred to in Article 45 of Directive 86/635/EEC, or a subsidiary or legal successor of a cooperative, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC. Member States shall inform the Commission of their designation

		The competent authorities shall be organised in such a manner that conflicts of interests are avoided.	The competent authorities shall be organised in such a manner that conflicts of interests are avoided.
		4b. Member States may delegate or allow the competent authority to delegate any of its tasks to other authorities or bodies designated or otherwise authorised by law to carry out such tasks.	4b. Member States may delegate or allow the competent authority to delegate any of its tasks to other authorities or bodies designated or otherwise authorised by law to carry out such tasks.
		The delegation shall specify the delegated tasks and the conditions under which they are to be carried out. The authorities or bodies shall be organized in such a manner that there are no conflicts of interest.	The delegation shall specify the delegated tasks and the conditions under which they are to be carried out. The authorities or bodies shall be organized in such a manner that there are no conflicts of interest.
		Where the competent authority delegates tasks to other authorities or bodies, it shall be able to reclaim these competences on a case-by-case basis.	Where the competent authority delegates tasks to other authorities or bodies, it shall be able to reclaim these competences on a case-by-case basis.

(d) paragraph 5 is replaced by the following:	***deleted [AM 56}***	(d) paragraph 5 is replaced by the following:	(d) paragraph 5 is replaced by the following:
'5. The competent authority shall have the right, where necessary, to initiate and conduct investigations in relation to statutory auditors and audit firms and the right to take appropriate action. It shall have adequate resources to initiate and conduct such investigations.	***deleted [AM 56}***	5. The competent authority shall have the right, where necessary, to initiate and conduct investigations in relation to statutory auditors and audit firms and the right to take appropriate action.	5. The competent authority shall have the right, where necessary, to initiate and conduct investigations in relation to statutory auditors and audit firms and the right to take appropriate action.
		Where a competent authority contracts experts for carrying out specific assignments, the authority shall ensure that there are no conflicts of interest between these experts and the statutory auditor or audit firm in question. These experts shall comply with the same requirements as those provided for at Article 29(1A).	Where a competent authority contracts experts for carrying out specific assignments, the authority shall ensure that there are no conflicts of interest between these experts and the statutory auditor or audit firm in question. These experts shall comply with the same requirements as those provided for at Article 29(1A).
		The competent authority shall be given the powers necessary to carry out its tasks and responsibilities under this Directive.	The competent authority shall be given the powers necessary to carry out its tasks and responsibilities under this Directive.

In order to carry out its tasks under this Directive, the competent authority shall have access to any document in any form held by statutory auditors or audit firms and to receive and retain a copy thereof. It shall also have the right to demand information from any person and if necessary to summon and question a person with a view to obtaining information';	***deleted [AM 56}***		deleted
(e) paragraph 6 is replaced by the following:	***deleted [AM 56}***	(e) paragraph 6 is replaced by the following:	(e) paragraph 6 is replaced by the following:
'6. The competent authority shall be transparent. This shall include the publication of annual work programmes and activity reports'.	***deleted [AM 56}***	AS COM	'6. The competent authority shall be transparent. This shall include the publication of annual work programmes and activity reports'.
		(e) paragraph 7 is replaced by the following:	(e) paragraph 7 is replaced by the following:
		7. The system of public oversight shall be adequately funded and shall have adequate resources to initiate and conduct investigations, referred to in paragraph 5. The funding for the public oversight system shall be secure and free from any undue influence by statutory auditors or audit firms.	7. The system of public oversight shall be adequately funded and shall have adequate resources to initiate and conduct investigations, referred to in paragraph 5. The funding for the public oversight system shall be secure and free from any undue influence by statutory auditors or audit firms.

16. The following Article 32a is inserted:	***deleted [AM 57}***	deleted	deleted
'Article 32a ***Delegation of tasks***	***deleted [AM 57}***	deleted	deleted
Member States may allow the competent authority referred to in Article 32 to delegate tasks to other authorities or bodies designated by law only as regards the approval and registration of statutory auditors and audit firms. Any execution of tasks by other authorities or bodies shall be expressly delegated by the competent authority. The delegation shall specify the delegated tasks and the conditions under which they are to be carried out. The authorities or bodies shall be organized in such a manner that there are no conflicts of interest. The ultimate responsibility for supervising compliance with this Directive and the implementing measures adopted pursuant thereto shall lie with the delegating competent authority.	***deleted [AM 57}***		deleted

Member States shall inform the Commission and the competent authorities of the other Member States of any arrangement entered into with regard to the delegation of tasks, including the precise conditions for regulating the delegations'.	***deleted [AM 57}***		deleted
		Article 34 *Mutual recognition of regulatory arrangements between Member States*	
		In paragraph 1, the following subparagraph is added:	In paragraph 1, the following subparagraph is added:
		Without prejudice to the first sub-paragraph, audit firms approved in one Member State that perform audit services in another Member State pursuant to Article 3b of this Directive shall be subject to quality assurance review in the home Member State and oversight of any audit carried out in the host Member State.	Without prejudice to the first sub-paragraph, audit firms approved in one Member State that perform audit services in another Member State pursuant to Article 3b of this Directive shall be subject to quality assurance review in the home Member State and oversight of any audit carried out in the host Member State.

		2. In the case of a statutory audit of consolidated financial statements, the Member State requiring the statutory audit of the consolidated financial statements may not impose additional requirements in relation to the statutory audit concerning registration, quality assurance review, auditing standards, professional ethics and independence on a statutory auditor or audit firm carrying out a statutory audit of a subsidiary established in another Member State.	2. In the case of a statutory audit of consolidated financial statements, the Member State requiring the statutory audit of the consolidated financial statements may not impose additional requirements in relation to the statutory audit concerning registration, quality assurance review, auditing standards, professional ethics and independence on a statutory auditor or audit firm carrying out a statutory audit of a subsidiary established in another Member State.
		3. In the case of a company whose securities are traded on a regulated market in a Member State other than that in which that company has its registered office, the Member State in which the securities are traded may not impose any additional requirements in relation to the statutory audit concerning registration, quality assurance review, auditing standards, professional ethics and independence on a statutory auditor or audit firm carrying out the statutory audit of the annual or consolidated financial statements of that company	3. In the case of a company whose securities are traded on a regulated market in a Member State other than that in which that company has its registered office, the Member State in which the securities are traded may not impose any additional requirements in relation to the statutory audit concerning registration, quality assurance review, auditing standards, professional ethics and independence on a statutory auditor or audit firm carrying out the statutory audit of the annual or consolidated financial statements of that company

		4. Where a statutory auditor or audit firm is registered in any Member State as a consequence of approval in accordance with Article 3 or 44 and that statutory auditor or audit firm provides audit reports concerning annual financial statements or consolidated financial statements referred to in paragraph 1 of Article 45, the Member State in which the auditor or audit firm is registered shall subject that statutory auditor or audit firm to its systems of oversight, its quality assurance systems and its systems of investigation and penalties.	4. Where a statutory auditor or audit firm is registered in any Member State as a consequence of approval in accordance with Article 3 or 44 and that statutory auditor or audit firm provides audit reports concerning annual financial statements or consolidated financial statements referred to in paragraph 1 of Article 45, the Member State in which the auditor or audit firm is registered shall subject that statutory auditor or audit firm to its systems of oversight, its quality assurance systems and its systems of investigation and penalties.

		Article 35 is deleted *[merged with Article 32]*	Article 35 is deleted
		Article 36 *Professional secrecy and regulatory cooperation between Member States*	
17. Article 36 is amended as follows:	AS COM	AS COM	17. Article 36 is amended as follows:
		Paragraph 1 is replaced by the following:	Paragraph 1 is replaced by the following:
		1. The competent authorities of Member States responsible for approval, registration, quality assurance, inspection and discipline, the competent authorities designed in accordance with Article 35 of Regulation XXX and the relevant European Supervisor Authorities shall cooperate with each other whenever necessary for the purpose of carrying out their respective responsibilities and tasks under this Directive and the Regulation XXX. The competent authorities in a Member State *[...]* shall render assistance to competent authorities in other Member States and the relevant European Supervisor Authorities. In	1. The competent authorities of Member States responsible for approval, registration, quality assurance, inspection and discipline, the competent authorities designated in accordance with Article 35 of Regulation XXX [and the relevant European Supervisor Authorities] shall cooperate with each other whenever necessary for the purpose of carrying out their respective responsibilities and tasks under this Directive and the Regulation XXX. The competent authorities in a Member State shall render assistance to competent authorities in other Member States [and the relevant European Supervisor Authorities]. In

		particular, competent authorities shall exchange information and cooperate in investigations related to the carrying-out of statutory audits.	particular, competent authorities shall exchange information and cooperate in investigations related to the carrying-out of statutory audits.
(a) paragraph 3 is replaced by the following:	AS COM	AS COM	(a) paragraph 3 is replaced by the following:
‘3. Paragraph 2 shall not prevent competent authorities from exchanging confidential information. Information thus exchanged shall be covered by the obligation of professional secrecy, to which persons employed or formerly employed by competent authorities are subject. The obligation of professional secrecy shall also apply to any other person to whom the competent authorities have delegated tasks in relation to the purposes set out in this Directive.’;	AS COM	AS COM	‘3. Paragraph 2 shall not prevent competent authorities from exchanging confidential information. Information thus exchanged shall be covered by the obligation of professional secrecy, to which persons employed or formerly employed by competent authorities are subject. The obligation of professional secrecy shall also apply to any other person to whom the competent authorities have delegated tasks in relation to the purposes set out in this Directive.’;

		In paragraph 4, point (b) is amended, as follows: (b) judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested Member State; or	In paragraph 4, point (b) is amended, as follows: (b) judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested Member State; or
		In paragraph 4, point (c) is amended, as follows: (c) final judgment has already been passed in respect of the same actions and on the same persons by the competent authorities of the requested Member State.	In paragraph 4, point (c) is amended, as follows: (c) final judgment has already been passed in respect of the same actions and on the same persons by the competent authorities of the requested Member State.
		Without prejudice to the obligations to which they are subject in judicial proceedings, competent authorities or European Supervisory Authorities which receive information pursuant to paragraph 1 may use it only for the exercise of their functions within the scope of this Directive or the Regulation XXX and in the context of administrative or judicial proceedings specifically related to the exercise of those functions.	Without prejudice to the obligations to which they are subject in judicial proceedings, competent authorities [or European Supervisory Authorities] which receive information pursuant to paragraph 1 may use it only for the exercise of their functions within the scope of this Directive or the Regulation XXX and in the context of administrative or judicial proceedings specifically related to the exercise of those functions.

		4a. The competent authorities may transmit to the competent authorities responsible for supervising public-interest entities, central banks, the European System of Central Banks and the European Central Bank, in their capacity as monetary authorities, and the European Systemic Risk Board confidential information intended for the performance of their tasks. Such authorities or bodies shall not be prevented from communicating to the competent authorities information that the competent authorities may need in order to carry out their duties under the Regulation XXX	4a. Member States may allow competent authorities to transmit to the competent authorities responsible for supervising public-interest entities, central banks, the European System of Central Banks and the European Central Bank, in their capacity as monetary authorities, and the European Systemic Risk Board confidential information intended for the performance of their tasks. Such authorities or bodies shall not be prevented from communicating to the competent authorities information that the competent authorities may need in order to carry out their duties under the Regulation XXX.

		In paragraph 6, point (a) is replaced by the following: (a) such an investigation might adversely affect the sovereignty, security or public order of the requested Member State or breach national security rules; or	In paragraph 6, point (a) is replaced by the following: (a) such an investigation might adversely affect the sovereignty, security or public order of the requested Member State or breach national security rules; or
(b) paragraph 7 is replaced by the following:	AS COM		
'7. The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of specifying the procedures for the exchange of information and the modalities for cross-border investigations provided for in paragraphs 2 and 4 of this Article.'.	AS COM	7. The Commission may adopt implementing acts (containing detailed rules on) concerning procedures for the exchange of information and the modalities for cross-border investigations provided for in paragraphs 2 and 4 of this Article. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2).	**on hold**

		CHAPTER IX APPOINTMENT AND DISMISSAL	
		Article 37 *Appointment of statutory auditors or audit firms*	
18. In Article 37, the following paragraph 3 is added:	AS COM	AS COM	
‘3. Any contractual clause entered into between the audited entity and a third party restricting the choice by the general meeting of shareholders or members of that entity pursuant to paragraph 1 to certain categories or lists of statutory auditors or audit firms regarding the appointment of or restricting the choice of a particular statutory auditor or audit firm to carry out the statutory audit of that entity shall be null and void.’	‘3. Any contractual clause entered into between the audited entity and a third party restricting the choice by the general meeting of shareholders or members of that entity pursuant to paragraph 1 to certain categories or lists of statutory auditors or audit firms regarding the appointment of or restricting the choice of a particular statutory auditor or audit firm to carry out the statutory audit of that entity ***shall be prohibited. Any such existing clauses*** shall be null and void.’ ***[AM 58]***	3. Any contractual clause entered into between the audited entity, its members or any person on its behalf and a third party restricting the choice by the general meeting of shareholders or members of that entity pursuant to paragraph 1 to certain categories or lists of statutory auditors or audit firms regarding the appointment of a particular statutory auditor or audit firm to carry out the statutory audit of that entity shall have no legal effect.	3. Any contractual clause ~~entered into between the audited entity, its members or any person on its behalf and a third party~~ restricting the choice by the general meeting of shareholders or members of the audited entity pursuant to paragraph 1 to certain categories or lists of statutory auditors or audit firms regarding the appointment of a particular statutory auditor or audit firm to carry out the statutory audit of that entity shall be prohibited. Any such existing clauses shall be null and void.

		Article 38 *Dismissal and resignation of statutory auditors or audit firms*	
		3. Shareholders, which represent 5% or more of the voting rights or the share capital, the other bodies of the audited entities when defined by national legislation, or the competent authorities referred to in Article 32 of this Directive or designated in accordance with Article 35(1) or, when provided by national law, to Article 35(2), of Regulation XXX shall be able to bring a claim before a national court for the dismissal of the statutory auditor(s) or audit firm(s) where there are proper grounds.	3. In case of statutory audit of a public-interest entity, shareholders, which represent 5% or more of the voting rights or the share capital, the other bodies of the audited entities when defined by national legislation, or the competent authorities referred to in Article 32 of this Directive or designated in accordance with Article 35(1) or, when provided by national law, to Article 35(2), of Regulation XXX shall be able to bring a claim before a national court for the dismissal of the statutory auditor(s) or audit firm(s) where there are proper grounds.
19. Chapter X is deleted.	AS COM		
	19a. The following chapter is inserted: [AM 59]		
	CHAPTER X [AM 59]		
	AUDIT COMMITTEE [AM 59]		
	Article 38 a [AM 59]		

	Audit Committee [AM 59]	*Article 38a* *Audit Committee*	*Article 38a* *Audit Committee*
	1. Each public-interest entity shall establish an audit committee either as a separate committee or a committee of the supervisory body. Member States shall determine whether audit committees are to be composed of non-executive members of the administrative body and/or members of the supervisory body of the audited entity and/or members appointed by the general meeting of shareholders of the audited entity or, for entities without shareholders, by an equivalent body. [AM 59]	1. Member States shall ensure that each public-interest entity shall have an audit committee as required at Article 31 of Regulation XXX. The audit committee shall be either a stand-alone committee or a committee of the administrative body or supervisory body of the audited entity. The audit committee shall be composed of non-executive members of the administrative body and/or members of the supervisory body of the audited entity and/or members appointed by the general meeting of shareholders of the audited entity or, for entities without shareholders, by an equivalent body.	1. Member States shall ensure that each public-interest entity shall have an audit committee as required at Article 31 of Regulation XXX. The audit committee shall be either a stand-alone committee or a committee of the administrative body or supervisory body of the audited entity. The audit committee shall be composed of non-executive members of the administrative body and/or members of the supervisory body of the audited entity and/or members appointed by the general meeting of shareholders of the audited entity or, for entities without shareholders, by an equivalent body.
	At least one member of the audit committee shall have competence accounting and/or auditing. ***[AM 59]***	At least one member of the audit committee shall have competence in accounting and/or auditing.	At least one member of the audit committee shall have competence in accounting and/or auditing.

		The committee members as a whole shall have competence relevant to the sector in which the audited entity is operating.	The committee members as a whole shall have competence relevant to the sector in which the audited entity is operating.
	The members of the audit committee shall be required to take part in appropriate programmes of continuing education in order to acquire and/or maintain their theoretical knowledge and their professional skills and values at a sufficiently high level. [AM 59]		deleted
	At least one member of the audit committee shall be independent. In all cases the chairman of the audit committee shall be independent. Member States may require the chairman of the audit committee to be elected annually by the general meeting of shareholders of the audited entity. [AM 59]	A majority of the members of the audit committee shall be independent of the audited entity. The chairman of the audit committee shall be appointed by its members or by the supervisory body of the audited entity and shall be independent of the audited entity.	A majority of the members of the audit committee shall be independent of the audited entity. The chairman of the audit committee shall be appointed by its members or by the supervisory body of the audited entity and shall be independent of the audited entity. Member States may require the chairman of the audit committee to be elected annually by the general meeting of shareholders of the audited entity.

	2. By derogation from paragraph 1 of this Article, in public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive 2003/71/EC of the European Parliament and of the Council , the functions assigned to the audit committee may be performed by the administrative or supervisory body as a whole, provided at least that where the chairman of such a body is an executive member, he or she is not the chairman of the audit committee. [AM 59]	2. By derogation from paragraph 1, Member States may decide that in the case of public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive 2003/71/EC of the European Parliament and of the Council, the functions assigned to the audit committee may be performed by the administrative or supervisory body as a whole, provided that where the chairman of such a body is an executive member, he or she shall not act as chairman whilst such body is performing the functions of the audit committee. Where an audit committee forms part of the administrative body or the supervisory body of the audited entity in accordance with paragraph 1 Member States may permit or require that the administrative body or the supervisory body as appropriate performs the functions of the audit committee for the purpose of the obligations set out in this directive and in Regulation XXX.	2. By derogation from paragraph 1, Member States may decide that in the case of public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive 2003/71/EC of the European Parliament and of the Council, the functions assigned to the audit committee may be performed by the administrative or supervisory body as a whole, provided that where the chairman of such a body is an executive member, he or she shall not act as chairman whilst such body is performing the functions of the audit committee. Where an audit committee forms part of the administrative body or the supervisory body of the audited entity in accordance with paragraph 1 Member States may permit or require that the administrative body or the supervisory body as appropriate performs the functions of the audit committee for the purpose of the obligations set out in this directive and in Regulation XXX.

	3. By derogation from paragraph 1, Member States may exempt the following public-interest entities from the obligation to have an audit committee: [AM 59]	3. By derogation from paragraph 1, Member States may decide that the following public-interest entities are not required to have an audit committee:	3. By derogation from paragraph 1, Member States may decide that the following public-interest entities are not required to have an audit committee:
	(a) any public-interest entity which is a subsidiary undertaking within the meaning of Article 1 of Directive 83/349/EEC if the entity complies with the requirements in paragraphs 1 to 4 of that Article at group level; [AM 59]	(a) any public-interest entity which is a subsidiary undertaking within the meaning of Article 2 of Directive 2013/34/EU if the entity complies with the requirements in paragraphs 1, 2 and 6 of this Article, subparagraph 2 of Article 24 and paragraph 5 of Article 32 and of the Regulation XXX at group level;	(a) any public-interest entity which is a subsidiary undertaking within the meaning of Article 2 of Directive 2013/34/EU if the entity complies with the requirements in paragraphs 1, 2 and 6 of this Article, subparagraph 2 of Article 24 and paragraph 5 of Article 32 and of the Regulation XXX at group level;
		(b) any public-interest entity which is an undertaking for collective investment in transferable securities (UCITS) as defined in Article 1(2) of Directive 2009/65/EC or an alternative investment fund (AIF) as defined in Article 4(1)(a) of Directive 2011/61/EU;	(b) any public-interest entity which is an undertaking for collective investment in transferable securities (UCITS) as defined in Article 1(2) of Directive 2009/65/EC or an alternative investment fund (AIF) as defined in Article 4(1)(a) of Directive 2011/61/EU;
	(c) any public-interest entity the sole business of which is to act as issuer of asset backed securities as defined in Article 2(5) of	(c) any public-interest entity the sole business of which is to act as issuer of asset backed securities as defined in Article 2(5) of	(c) any public-interest entity the sole business of which is to act as issuer of asset backed securities as defined in Article 2(5) of

	Commission Regulation (EC) No 809/2004 ; [AM 59]	Commission Regulation (EC) No 809/2004;	Commission Regulation (EC) No 809/2004;
	(d) any credit institution within the meaning of Article 1(1) of Directive 2006/48/EC whose shares are not admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC and which has, in a continuous or repeated manner, issued only debt securities admitted to trading in a regulated market, provided that the total nominal amount of all such debt securities remains below EUR 100 000 000 and that it has not published a prospectus under Directive 2003/71/EC. [AM 59]	(d) any credit institution within the meaning of Article 1(1) of Directive 2006/48/EC whose shares are not admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC and which has, in a continuous or repeated manner, issued only debt securities admitted to trading in a regulated market, provided that the total nominal amount of all such debt securities remains below EUR 100 000 000 and that it has not published a prospectus under Directive 2003/71/EC.	(d) any credit institution within the meaning of Article 1(1) of Directive 2006/48/EC whose shares are not admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC and which has, in a continuous or repeated manner, issued only debt securities admitted to trading in a regulated market, provided that the total nominal amount of all such debt securities remains below EUR 100 000 000 and that it has not published a prospectus under Directive 2003/71/EC.

	The public-interest entities referred to in point (c) shall explain to the public the reasons why it considers that it is not appropriate to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee. [AM 59]		The public-interest entities referred to in point (c) shall explain to the public the reasons why it considers that it is not appropriate to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee.
	4. By derogation from paragraph 1, a public-interest entity that has a body performing equivalent functions to an audit committee, established and functioning according to provisions in place in the Member State in which the entity to be audited is registered, may decide not to have an audit committee. In such a case the entity shall disclose which body carries out those functions and how that body is composed. ***[AM 59]***	4. By derogation from paragraph 1, Member States may decide or allow a public-interest entity not to have an audit committee provided that it has a body or bodies performing equivalent functions to an audit committee, established and functioning according to provisions in place in the Member State in which the entity to be audited is registered. In such a case the entity shall disclose which body carries out those functions and how that body is composed.	4. By derogation from paragraph 1, Member States may decide or allow a public-interest entity not to have an audit committee provided that it has a body or bodies performing equivalent functions to an audit committee, established and functioning according to provisions in place in the Member State in which the entity to be audited is registered. In such a case the entity shall disclose which body carries out those functions and how that body is composed.
	Where an audit committee forms part of the supervisory board in accordance with paragraph 1 Member States may permit or require that the supervisory board performs the functions of the audit committee for the purpose of the	4a. Where all members of the audit committee are members of the supervisory body of the audited entity, the Member State may provide that the audit committee is exempted from the independence requirements of paragraph 1,	4a. Where all members of the audit committee are members of the supervisory body of the audited entity, the Member State may provide that the audit committee is exempted from the independence requirements of paragraph 1,

	obligations set out in this Directive and in Regulation (EU) No XX/XX. [AM 59]	subparagraph 4.	subparagraph 4.
	5. Without prejudice to the responsibility of the members of the administrative, management or supervisory bodies, or of other members who are appointed by the general meeting of shareholders of the audited entity, the audit committee shall, inter alia: ***[AM 59]***	6. Without prejudice to the responsibility of the members of the administrative, management or supervisory bodies, or of other members who are appointed by the general meeting of shareholders of the audited entity, the audit committee shall, inter alia: (aa) inform the administrative or supervisory body of the audited entity of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what its role was in this process;	5. Without prejudice to the responsibility of the members of the administrative, management or supervisory bodies, or of other members who are appointed by the general meeting of shareholders of the audited entity, the audit committee shall, inter alia: (aa) inform the administrative or supervisory body of the audited entity of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what its role was in this process;

	(a) monitor the financial reporting process and submit recommendations or proposals to ensure its integrity; [AM 59]	(a) monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;	(a) monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;
	(b) monitor the effectiveness of the undertaking's internal control systems, internal audit systems, where applicable, and risk management systems, without breaching its independence; ***[AM 59]***	(b) monitor the effectiveness of the undertaking's internal control and risk management systems and, where applicable, internal audit, affecting the financial reporting of the audited entity;	(b) monitor the effectiveness of the undertaking's internal control and risk management systems and, where applicable, internal audit, affecting the financial reporting of the audited entity, without breaching its independence;
	(c) monitor the statutory audit of the annual and consolidated financial statements and supervise points related to the audit development process in accordance with Articles 22 to 23 of Regulation (EU) No XX/XX, and in particular discuss with the statutory auditor or audit firm the reports prepared in accordance with Articles 22 and 33 of Regulation (EU) No XX/XX ; ***[AM 59]***	(c) monitor the statutory audit of the annual and consolidated financial statements;	(c) monitor the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 40(6) of Regulation (EU) No XX/XX;

	(d) review and monitor the independence of the statutory auditors or audit firms in accordance with Articles 22, 22a and 24a of this Directive and Articles 9 to 11 of Regulation (EU) No XX/XX, and in particular the provision of additional services to the audited entity in accordance with Article 10 of Regulation (EU) No XX/XX; [AM 59]	(d) review and monitor the independence of the statutory auditors or audit firms in accordance with Articles 22, 22c, 22d, 24a and 24b, and Article 11 of Regulation XXX, and in particular the appropriateness of the provision of additional services to the audited entity in accordance with Article 10 of Regulation XXX;	(d) review and monitor the independence of the statutory auditors or audit firms in accordance with Articles 22, 22c, 22d, 24a and 24b, and Article 11 of Regulation XXX, and in particular the appropriateness of the provision of additional services to the audited entity in accordance with Article 10 of Regulation XXX;
	(da) monitor the quality of the statutory auditors or audit firms, taking into account any findings and conclusions by the competent authority pursuant to Article 40(6) of Regulation (EU) No XX/XX; [AM 59]		deleted
	(db) review whether there is a complete separation between the internal audit and the statutory audit; [AM 59]		deleted
	(e) be responsible for the procedure on the selection of statutory auditor(s) or audit firm(s); [AM 59]	(e) be responsible for the procedure for the selection of statutory auditor(s) or audit firm(s) and recommend the statutory auditor(s) or audit firm(s) to be appointed in accordance with Article 32 of Regulation XXX except when	(e) be responsible for the procedure for the selection of statutory auditor(s) or audit firm(s) and recommend the statutory auditor(s) or audit firm(s) to be appointed in accordance with Article 32 of Regulation XXX except when

		provision of Article 32(10) of Regulation XXX is applied.	provision of Article 32(10) of Regulation XXX is applied.
	(f) approve, on a case by case basis, the provision by the statutory auditor or audit firm of assurance services, tax advisory services and other non-audit services as referred to in Article 10 of Regulation (EU) No XX/XX to the audited entity and its controlled undertakings in the Union. [AM 59]		**on hold**
20. The following Chapter Xa, including Articles 43a and 43b, is inserted:	AS COM	deleted	deleted
'CHAPTER Xa SPECIAL PROVISIONS FOR THE STATUTORY AUDIT OF SMALL AND MEDIUM-SIZED UNDERTAKINGS	AS COM	'CHAPTER Xa SPECIAL PROVISIONS FOR THE STATUTORY AUDIT OF SMALL AND MEDIUM-SIZED UNDERTAKINGS	deleted

Article 43a ***Simplified** audit for medium sized undertakings*	*Article 43a* *Audit for medium sized undertakings **[AM 60]***	*Article 43a* *Medium-sized undertakings* *[deleted]*	
Member States shall ***ensure that the application of*** the auditing standards to the statutory audit of annual or consolidated financial statements ***of medium-sized undertakings*** is proportionate to the scale and complexity of the business of ***those undertakings***.	Member States shall ***require that the competent authorities within their jurisdiction to recognise, when overseeing the profession and in particular in relation to inspections, ensure that*** the auditing standards ***adopted in accordance with Article 26 are applied*** to the statutory audit of annual or consolidated financial statements ***in a manner that*** is proportionate to the scale and complexity of the business of ***the entity***. **[AM 61]**		
When undertaking quality assurance reviews, the competent authorities shall take account of the proportionate application of the auditing standards.	AS COM		
Member States may request professional bodies to provide guidance on the proportionate application of the auditing standards to medium-sized undertakings.	AS COM		

Article 43b Small undertakings	AS COM	*Article 43b* *Small undertakings* *[deleted]*	deleted
Where a Member State requires the statutory audit of the annual or consolidated accounts of small undertakings, Article 43a shall apply mutatis mutandis.			
Where a Member State has established rules on the carrying out of a limited ***review*** of the accounts of small undertakings ***as an alternative to*** statutory audit***, such Member State shall not be obliged to adapt the audit standards to the statutory audit of those undertakings***.	***Member States shall be allowed to establish*** rules on the carrying out of a limited ***assurance engagement*** of the accounts of small undertakings ***instead of a*** statutory audit. **[AM 62]**		
For the purposes of this Article, a ***"***limited ***review"*** means ***a procedure*** undertaken by a statutory auditor or audit firm ***with a view to detecting misstatements due to error or fraud in the financial statements of an entity and*** which ***provides*** a lower level of assurance ***than*** statutory audit.	For the purposes of this Article, a ***"***limited ***assurance engagement"*** means ***an engagement*** undertaken by a statutory auditor or audit firm ***in*** which a lower level of assurance ***is obtained than in a*** statutory audit ***engagement***. **[AM 63]**		

		CHAPTER XI INTERNATIONAL ASPECTS	
		Article 45 *Registration and oversight of third-country auditors and audit entities*	
21. Article 45 is amended as follows:	AS COM		21. Article 45 is amended as follows:
(a) paragraph 1 is replaced by the following:	AS COM		(a) paragraph 1 is replaced by the following:
'1. The competent authorities of a Member State shall, in accordance with Article 15, 16 and 17, register every third-country auditor and audit entity that provides an audit report concerning the annual or consolidated accounts of an undertaking incorporated outside the Union whose transferable securities are admitted to trading on a regulated market of that Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC, except when the undertaking is an issuer exclusively of outstanding debt securities for which one of the following applies:	AS COM	The competent authorities of a Member State shall, in accordance with Article 15, *16* and 17, register every third-country auditor and audit entity, where that third country auditor or audit entity provides an audit report concerning the annual or consolidated financial statements of a company incorporated outside the Union whose transferable securities are admitted to trading on a regulated market of that Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC, except when the company is an issuer exclusively of outstanding debt securities for which one of the following applies:	The competent authorities of a Member State shall, in accordance with Article 15, *16* and 17, register every third-country auditor and audit entity, where that third country auditor or audit entity provides an audit report concerning the annual or consolidated financial statements of an undertaking [incorporated] outside the Union whose transferable securities are admitted to trading on a regulated market of that Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC, except when the undertaking is an issuer exclusively of outstanding debt securities for which one of the following applies:

(a) they are admitted to trading on a regulated market in a Member State within the meaning of Article 2(1)(b) of Directive 2004/109/EC of the European Parliament and of the Council([6]) prior to 31 December 2010 the denomination per unit of which is at least EUR 50 000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least 50 000;	AS COM	(i) they are admitted to trading on a regulated market in a Member State within the meaning of Article 2(1)(b) of Directive 2004/109/EC of the European Parliament and of the Council([5]) prior to 31 December 2010 the denomination per unit of which is at least EUR 50 000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 50 000;	(a) they are admitted to trading on a regulated market in a Member State within the meaning of Article 2(1)(b) of Directive 2004/109/EC of the European Parliament and of the Council([5]) prior to 31 December 2010 the denomination per unit of which is at least EUR 50 000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 50 000;
(b) they are admitted to trading on a regulated market in a Member State within the meaning of Article 2(1)(b) of Directive 2004/109/EC from 31 December 2010 the denomination per unit of which is at least EUR 100 000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 100 000.	AS COM	(ii) they are admitted to trading on a regulated market in a Member State within the meaning of Article 2(1)(b) of Directive 2004/109/EC from 31 December 2010 the denomination per unit of which is at least EUR 100 000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 100 000.	(b) they are admitted to trading on a regulated market in a Member State within the meaning of Article 2(1)(b) of Directive 2004/109/EC from 31 December 2010 the denomination per unit of which is at least EUR 100 000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 100 000.
(b) paragraph 5 is amended as follows:	AS COM	AS COM	(b) paragraph 5 is amended as follows:

[6] OJ L 390, 31.12.2004,p.38.

		point (a) is deleted	point (a) is deleted
		point (d) is replaced by the following:	point (d) is replaced by the following:
		(d) the audits of the annual or consolidated financial statements referred to in paragraph 1 are carried out in accordance with international auditing standards as referred to in Article 26, as well as the requirements laid down in Articles 22, 22d and 25, or with equivalent standards and requirements;	(d) the audits of the annual or consolidated financial statements referred to in paragraph 1 are carried out in accordance with international auditing standards as referred to in Article 26, as well as the requirements laid down in Articles 22, 22d and 25, or with equivalent standards and requirements;
(i) point (e) is replaced by the following:	AS COM	AS COM	(i) point (e) is replaced by the following:
'(e) it publishes on its website an annual transparency report which includes the information referred to in Article X of Regulation [XXX] of [XXX] or it complies with equivalent disclosure requirements.';	AS COM	(e) it publishes on its website an annual transparency report which includes the information referred to in Article 27 of Regulation [XXX] of [XXX] or it complies with equivalent disclosure requirements.	(e) it publishes on its website an annual transparency report which includes the information referred to in ***[***Article 27***]*** of Regulation [XXX] of [XXX] or it complies with equivalent disclosure requirements.
(ii) the following subparagraph is added:	AS COM	(ii) the following paragraph 5a is added:	(ii) the following paragraph 5a is added:

'A Member State may register a third-country auditor only if he or she meets the requirements set out in points (a), (d) and (e) of the first subparagraph.'; 	AS COM	5a. A Member State may register a third-country auditor, only if he or she meets the requirements set out in points 5(c), (d) and (e) of this Article.	5a. A Member State may register a third-country auditor, only if he or she meets the requirements set out in points 5(c), (d) and (e) of this Article.
(d) paragraph 6 is replaced by the following:	AS COM	AS COM	(d) paragraph 6 is replaced by the following:
'6. In order to ensure the uniform conditions of application of paragraph 5(d) of this Article, the Commission shall be empowered to decide upon the equivalence referred to therein by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2). Member States may assess the equivalence referred to in paragraph 5(d) of this Article as long as the Commission has not taken any such decision.	AS COM	AS COM	'6. In order to ensure the uniform conditions of application of paragraph 5(d) of this Article, the Commission shall be empowered to decide upon the equivalence referred to therein by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2). Member States may assess the equivalence referred to in paragraph 5(d) of this Article as long as the Commission has not taken any such decision.
The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of establishing the general equivalence criteria to be used when assessing whether the audits of the financial statements referred to in paragraph 1 of this	AS COM	AS COM	The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of establishing the general equivalence criteria to be used when assessing whether the audits of the financial statements referred to in paragraph 1 of this

Article are carried out in accordance with international auditing standards as referred to in Article 26 and the requirements laid down in Articles 22, 24 and 25. Such criteria which are applicable to all third countries shall be used by Member States when assessing equivalence at national level.'.			Article are carried out in accordance with international auditing standards as referred to in Article 26 and the requirements laid down in Articles 22, 24 and 25. Such criteria which are applicable to all third countries shall be used by Member States when assessing equivalence at national level.'.
		Article 46 *Derogation in the case of equivalence*	
22. In Article 46, paragraph 2 is replaced by the following:	AS COM	AS COM	22. In Article 46, paragraph 2 is replaced by the following:
'2. In order to ensure uniform conditions of application of paragraph 1 of this Article, the Commission shall be empowered to decide upon the equivalence referred to therein by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2). Once the Commission has recognized the equivalence referred to in paragraph 1 of this Article, Member States may decide to rely on such equivalence partially or entirely and thus to disapply or	AS COM	AS COM	'2. In order to ensure uniform conditions of application of paragraph 1 of this Article, the Commission shall be empowered to decide upon the equivalence referred to therein by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2). Once the Commission has recognized the equivalence referred to in paragraph 1 of this Article, Member States may decide to rely on such equivalence partially or entirely and thus to disapply or

modify the requirements in Article 45(1) and (3) partially or entirely. Member States may assess the equivalence referred to in paragraph 1 of this Article or rely on the assessments carried out by other Member States as long as the Commission has not taken such a decision. If the Commission decides that the requirement of equivalence referred to in paragraph 1 of this Article is not complied with, it may allow the auditors and audit entities concerned to continue their audit activities in accordance with the requirements of the relevant Member State during an appropriate transitional period.			modify the requirements in Article 45(1) and (3) partially or entirely. Member States may assess the equivalence referred to in paragraph 1 of this Article or rely on the assessments carried out by other Member States as long as the Commission has not taken such a decision. If the Commission decides that the requirement of equivalence referred to in paragraph 1 of this Article is not complied with, it may allow the auditors and audit entities concerned to continue their audit activities in accordance with the requirements of the relevant Member State during an appropriate transitional period.

The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of establishing the general equivalence criteria, based on the requirements laid down in Articles 29, 30 and 32, which shall be used when assessing whether the public oversight, quality assurance, investigation and penalties systems of a third country are equivalent to those of the Union. Such general criteria shall be used by Member States when assessing equivalence at national level in the absence of a Commission decision in respect of the third country concerned.'.	AS COM	AS COM	The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of establishing the general equivalence criteria, based on the requirements laid down in Articles 29, 30 and 32, which shall be used when assessing whether the public oversight, quality assurance, investigation and penalties systems of a third country are equivalent to those of the Union. Such general criteria shall be used by Member States when assessing equivalence at national level in the absence of a Commission decision in respect of the third country concerned.'.
		Article 47 *Cooperation with competent authorities from third countries*	
23. Article 47 is amended as follows:	AS COM	23. Article 47 is amended as follows:	23. Article 47 is amended as follows:
		The introductory words of Paragraph 1 are replaced by the following:	The introductory words of Paragraph 1 are replaced by the following:

		1. Member States may allow the transfer to the competent authorities of a third country of audit working papers or other documents held by statutory auditors or audit firms approved by them, and inspection or investigations reports related to the audits in question provided that:	1. Member States may allow the transfer to the competent authorities of a third country of audit working papers or other documents held by statutory auditors or audit firms approved by them, and inspection or investigations reports related to the audits in question provided that:
		Point (a) of paragraph 1 is replaced by the following:	Point (a) of paragraph 1 is replaced by the following:
		(a) those audit working papers or other documents relate to audits of companies which have issued securities in that third country or which form part of a group issuing statutory consolidated financial statements in that third country;	(a) those audit working papers or other documents relate to audits of companies which have issued securities in that third country or which form part of a group issuing statutory consolidated financial statements in that third country;
(a) in paragraph 2, the following point (ba) is inserted:	AS COM		(a) in paragraph 2, the following point (ba) is inserted:
‘(ba) the protection of the commercial interests of the audited entity, including its industrial and intellectual property is not undermined;’;	AS COM	(ba) [deleted]	‘(ba) the protection of the commercial interests of the audited entity, including its industrial and intellectual property is not undermined;’;

		In point 2(d), second subparagraph has been changed, as follows: - where judicial proceedings have already been initiated in respect of the same actions and against the same statutory auditors or audit firms before the authorities of the requested Member State, or	- where judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested Member State,
		- final judgment has already been passed in respect of the same actions and on the same statutory auditors or audit firms by the competent authorities of the requested Member State.	- final judgment has already been passed in respect of the same actions and on the same statutory auditors or audit firms by the competent authorities of the requested Member State.
		(da) the protection of the commercial interests of the audited entity, including its industrial and intellectual property is not undermined.	

(b) paragraph 3 is replaced by the following:	AS COM	AS COM	(b) paragraph 3 is replaced by the following:
‘3. In order to facilitate cooperation, the Commission shall be empowered to decide upon the adequacy referred to in paragraph 1(c) of this Article by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2). Member States shall take the measures necessary to comply with the Commission's Decision.	AS COM	AS COM	‘3. In order to facilitate cooperation, the Commission shall be empowered to decide upon the adequacy referred to in paragraph 1(c) of this Article by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2). Member States shall take the measures necessary to comply with the Commission's Decision.
The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of establishing the general adequacy criteria in accordance with which the Commission shall assess whether the competent authorities of third countries may be recognized as adequate to cooperate with the competent authorities of Member States on the exchange of audit working papers or other documents held by statutory auditors and audit firms. The general adequacy criteria shall be based on the requirements of Article 36 or essentially	AS COM	AS COM	The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of establishing the general adequacy criteria in accordance with which the Commission shall assess whether the competent authorities of third countries may be recognized as adequate to cooperate with the competent authorities of Member States on the exchange of audit working papers or other documents held by statutory auditors and audit firms. The general adequacy criteria shall be based on the requirements of Article 36 or essentially

equivalent functional results to a direct exchange of audit working papers or other documents held by statutory auditors or audit firms.’;			equivalent functional results to a direct exchange of audit working papers or other documents held by statutory auditors or audit firms.’;
(c) paragraph 5 is replaced by the following:	AS COM	(c) paragraph 5 is <u>deleted</u>	(c) paragraph 5 is deleted
‘5. The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of defining the exceptional cases referred to in paragraph 4 of this Article in order to facilitate cooperation between competent authorities.’.	AS COM	deleted	deleted
24. In Article 48, paragraph 1 and 2 are replaced by the following:	AS COM	AS COM	24. In Article 48, paragraph 1 and 2 are replaced by the following:
‘1. The Commission shall be assisted by a committee (hereinafter referred to as the Committee). That Committee shall be a Committee within the meaning of Regulation (EU) No 182/2011 of the European Parliament and of the Council(*).	AS COM	AS COM	‘1. The Commission shall be assisted by a committee (hereinafter referred to as the Committee). That Committee shall be a Committee within the meaning of Regulation (EU) No 182/2011 of the European Parliament and of the Council(*).
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.	AS COM	AS COM	2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.
25. The following Article 48a is inserted:	AS COM	AS COM	25. The following Article 48a is inserted:
		CHAPTER XII	**<u>on hold</u>**

		TRANSITIONAL AND FINAL PROVISIONS	
		Article 48 ***Committee procedure***	
		1. The Commission shall be assisted by a committee (hereinafter referred to as the Committee). That Committee shall be a Committee within the meaning of Regulation (EU) No 182/2011 of the European Parliament and of the Council([7]).	
		2. Where reference is made to this paragraph**,** Article 5 of Regulation (EU) No 182/2011 shall apply.	

[7] OJ L55, 28.2.2011, p.13.

'Article 48a *Exercise of the delegation*	AS COM	*'Article 48a* *Exercise of the delegation*	*'Article 48a* *Exercise of the delegation*
1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.	AS COM	AS COM	1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Articles 8(3), 22(4), 26(3), 29(2), 36(7), 45(6), 46(2), 47(3) and 47(5) shall be conferred on the Commission for an indeterminate period of time from [date of entry into force of this Directive].	AS COM	2. The power to adopt delegated acts referred to in Articles ~~8(3), 22(4), 26(3), 29(2), 36(7)~~ 45(6), 46(2) and 47(3) ~~and 47(5)~~ shall be conferred on the Commission for a period of 5 years from [date of entry into force of this Directive]. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the 5 year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.	

3. The delegation of power referred to in Articles 8(3), 22(4), 26(3), 29(2), 36(7), 45(6), 46(2), 47(3) and 47(5) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.	AS COM	3. The delegation of power referred to in Articles ~~8(3), 22(4), 26(3), 29(2), 36(7)~~ 45(6), 46(2) and 47(3) ~~and 47(5)~~ may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.	
4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.	AS COM	AS COM	
5. A delegated act adopted pursuant to Articles 8(3), 22(4), 26(3), 29(2), 36(7), 45(6), 46(2), 47(3) and 47(5) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of ***[two months]*** of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have	5. A delegated act adopted pursuant to Articles 8(3), 22(4), 26(3), 29(2), 36(7), 45(6), 46(2), 47(3) and 47(5) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of ***four months*** of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have	5. A delegated act adopted pursuant to Articles ~~8(3), 22(4), 26(3), 29(2), 36(7)~~ 45(6), 46(2) and 47(3) ~~and 47(5)~~ shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of [two months] of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have	

both informed the Commission that they will not object. That period shall be extended by **/**two months**/** at the initiative of the European Parliament or of the Council.'.	both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council. **[AM 64]**	both informed the Commission that they will not object. That period shall be extended by [two months] at the initiative of the European Parliament or of the Council.	
			Article 49 is deleted
		Article 51a *Transitional provision*	deleted
		Statutory auditors or audit firms that are approved by the competent authorities of the Member States in accordance with Directive 2006/43/EC before the entry into force of the provisions referred to in Article 53(1) shall be considered as having been approved in accordance with this Directive as amended by those provisions.	

Article 2 *Transposition*	AS COM	*Article 2* *Transposition*	*Article 2* *Transposition*
1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by [xxx] at the latest. They shall forthwith communicate to the Commission the text of those provisions and a correlation table between those provisions and this Directive.	AS COM	1. Before [2 years after the entry into force of this Directive amending Directive 2006/43/EC] Member States shall adopt and publish the provisions necessary to comply with this Directive. They shall forthwith inform the Commission thereof.	1. Before [2 years after the entry into force of this Directive amending Directive 2006/43/EC] Member States shall adopt and publish the provisions necessary to comply with this Directive. They shall forthwith inform the Commission thereof.
When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.	AS COM	2. When Member States adopt those provisions they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. The methods of making such reference shall be laid down by Member States.	2. When Member States adopt those provisions they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. The methods of making such reference shall be laid down by Member States.
2. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.	AS COM	3. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive	3. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive

Article 3 *Entry into force*		*Article 3* *Entry into force*	*Article 3* *Entry into force*
This Directive shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.	This Directive shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union ***and shall be consolidated, with the Directive amended by it, within three months of its entry into force***. ***[AM 65]***	AS COM	This Directive shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.
Article 4 *Addressees*		*Article 4* *Addressees*	*Article 4* *Addressees*
This Directive is addressed to the Member States.	AS COM	AS COM	This Directive is addressed to the Member States.

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on specific requirements regarding statutory audit of public-interest entities
(2011/0359(COD))

NOTE: Differences between JURI's Report and the Commission's proposal are indicated in bold/italics. Differences between the Council's General approach and the Commission's proposal are in bold/underlined. Bold/italics/underlined in the Commission column indicates JURI and Council are amending the Commission's proposal in the same manner.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,			
Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,			
Having regard to the proposal from the European Commission,			
After transmission of the draft legislative act to the national Parliaments,			
Having regard to the opinion of			

[8] **Changes compared to the Coreper mandate of 4 October 2013 are marked with underlining/strikethrough.**

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the European Economic and Social Committee[9],			
After consulting the European Data Protection Supervisor[10],			
Acting in accordance with the ordinary legislative procedure,			
Whereas:			
(1) Statutory auditors and audit firms are entrusted by law to conduct statutory audits of public-interest entities with a view to enhancing the degree of confidence of the public in the annual and consolidated financial statements of such entities. The public-interest function of statutory audit means that a broad community of people and institutions rely on the quality of a statutory auditor's work. Good audit quality contributes to the orderly functioning of markets by enhancing the integrity and efficiency of financial statements. Thereby, auditors fulfil a particularly important societal	AS COM	(1) Statutory auditors and audit firms are entrusted by law to conduct statutory audits of public-interest entities with a view to enhancing the degree of confidence of the public in the annual and consolidated financial statements of such entities. The public-interest function of statutory audit means that a broad community of people and institutions rely on the quality of a statutory auditor's <u>or audit firm's</u> work. Good audit quality contributes to the orderly functioning of markets by enhancing the integrity and efficiency of financial statements. Thereby, auditors fulfil a	

[9] OJ C , , p. .
[10] Date of the opinion of the EDPS

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role.		particularly important societal role.	
(2) Union legislation requires that the financial statements, comprising annual accounts or consolidated accounts, of credit institutions, insurance undertakings, issuers of securities admitted to trading on a regulated market, payment institutions, UCITS, electronic money institutions and alternative investment funds be audited by one or more persons entitled to carry out such audits in accordance with Union law, namely: Article 1(1) of Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions, Article 1(1) of Council Directive 91/674/EEC of 19 December 1991 on the annual accounts	***deleted [AM1]***	(2) Union legislation requires that the financial statements, comprising annual accounts or consolidated accounts, of credit institutions, insurance undertakings, issuers of securities admitted to trading on a regulated market, payment institutions, UCITS, electronic money institutions and alternative investment funds be audited by one or more persons entitled to carry out such audits in accordance with Union law, namely: Article 1(1) of Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions[11], Article 1(1) of Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and	

[11] OJ L 372, 31.12.1986, p. 1.

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and consolidated accounts of insurance undertakings, Article 4(4) of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, Article 15(2) of Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC, Article 73 of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and		consolidated accounts of insurance undertakings[12], Article 4(4) of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC[13], Article 15(2) of Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC[14], Article 73 of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and	

[12] OJ L 374, 31.12.1991, p. 7.
[13] OJ L 390, 31.12.2004, p. 38.
[14] OJ L 319, 5.12.2007, p. 1.

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administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), Article 3(1) of Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48EC and repealing Directive 2000/46/EC, and Article 22(3) of Directive 2011/61/EC of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010. Moreover, Article 4(1)(1) of Directive 2004/39/EC of the European Parliament and		administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)[15], Article 3(1) of Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48EC and repealing Directive 2000/46/EC[16], and Article 22(3) of Directive 2011/61/EC of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010[17]. Moreover, Article 4(1)(1) of Directive 2004/39/EC of the European Parliament and of the	

[15] OJ L 302, 17.11.2009, p. 32.
[16] OJ L 267, 10.10.2009, p. 7.
[17] OJ L 174, 1.7.2011, p.1.

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of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC also requires that the annual financial statements of investment firms be audited when the Fourth Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies or the Seventh Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts are not applicable.		Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC[18] also requires that the annual financial statements of investment firms be audited when Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the EuropeanParliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC[19] is not appplicable.	
(3) The conditions for the approval of the persons responsible for carrying out the	AS COM	AS COM	

[18] OJ L 145, 30.4.2004, p. 1.
[19] OJ L 182, 29.6.2013, p. 19

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statutory audit as well as the minimum requirements for carrying out such statutory audit are laid down in Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC[20].			
(4) ***During the recent financial crisis, numerous banks revealed huge losses from 2007 to 2009 on the position they had held both on and off balance sheet. This raised not only the question of how auditors could give unqualified audit reports to their clients for those periods but also about the suitability and adequacy of the current legislative framework.*** The Commission published on 13 October 2010 a Green Paper on	(4) The Commission published on 13 October 2010 a Green Paper on Audit Policy: Lessons from the Crisis, which launched a wide public consultation, in the general context of financial market regulatory reform, on the role and scope of audit and how the audit function could be enhanced in order to contribute to increased financial stability. It resulted from the public consultation that the rules of Directive 2006/43/EC regarding the carrying out of the	AS COM	

[20] OJ L 157, 9.6.2006, p.87.

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Audit Policy: Lessons from the Crisis[21], which launched a wide public consultation, in the general context of financial market regulatory reform, on the role and scope of audit and how the audit function could be enhanced in order to contribute to increased financial stability. It resulted from the public consultation that the rules of Directive 2006/43/EC regarding the carrying out of the statutory audit of annual and consolidated accounts of public-interest entities could be ***substantially*** improved. The European Parliament issued an own initiative report on the Green Paper on 13 September 2011. The European Economic and Social Committee also adopted a report on that Green Paper on 16 June 2011.	statutory audit of annual and consolidated accounts of public-interest entities could be improved. The European Parliament issued an own-initiative report on the Green Paper on 13 September 2011. The European Economic and Social Committee also adopted a report on that Green Paper on 16 June 2011. **[AM2]**		
(5) It is important to lay down detailed rules with a view to ensuring that the statutory audits of public-interest entities are of	AS COM	AS COM	

[21] COM(2010)561 final.

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adequate quality and are carried out by statutory auditors and audit firms subject to stringent requirements. A common regulatory approach should enhance the integrity, independence, objectivity, responsibility, transparency and reliability of statutory auditors and audit firms carrying out statutory audit of public-interest entities, contributing to the quality of statutory audit in the Union, thereby contributing to smooth functioning of the internal market, while achieving a high level of consumer and investor protection. The development of a separate act for public-interest entities should also ensure consistent harmonisation and uniform application and thus contribute to a more effective functioning of the internal market.			
		(5a) The statutory audit of cooperatives and savings banks is characterised by a system that does not allow cooperatives and	

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		savings banks to choose their statutory auditor or audit firm freely. The audit association to which the cooperative or savings bank belongs as a member is obliged by law to carry out the statutory audit (permanent mandate). These audit associations act on a non-profit-making basis not pursueing commercial interests which results from their legal nature. In addition, the organisational units of these asssociations are not associated with a common economic interest, which could jeopardise their independence. Accordingly, Member States should have the possibility to exempt cooperatives within the meaning of Article 2(14) of Directive 2006/43/EC, savings banks or similar entities as referred to in Article 45 of Directive 86/635/EEC or their subsidiaries or legal successors from this Regulation provided that the principles of independence as laid down in Directive	

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		2006/43/EC are complied with.	
(6) The financial sector is evolving and new categories of financial institutions ***are created by Union law***. The importance of new entities and activities outside the ***regular*** banking system is growing and their impact on financial stability has become greater. Therefore, it is appropriate that the definition of public-interest entity also encompasses other financial institutions and entities such as investment firms, payment institutions***, undertakings for collective investments in transferable securities (UCITS),*** electronic money institutions ***and alternative investment funds***.	(6) The financial sector is evolving and new categories of financial institutions ***have developed in response to regulatory and technological developments***. The importance of new entities and activities outside the ***traditional*** banking system ***that were previously unregulated at Union level*** is growing and their impact on financial stability has become greater. Therefore, it is appropriate that the definition of public-interest entity also encompasses other financial institutions and entities such as investment firms, payment institutions ***and*** electronic money institutions. ***Member States should consequently be able to designate other entities as public-interest entities, for instance entities that are of significant public relevance because of the nature of their business, their size or the number of their employees. [AM3]***	deleted	

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(7) Audit of annual and consolidated financial statements is intended as a statutory safeguard for investors, lenders and business counterparties who have a stake or a business interest in public-interest entities. Hence, statutory auditors and audit firms should be completely independent when carrying out statutory audits of such entities and conflicts of interest should be avoided. In order to determine the independence of auditors and audit firms, the concept of network in which auditors and firms operate has to be taken into account.	AS COM	Transferred to Directive, recital 6a	
	(7a) Where a cooperative within the meaning of point 14 of Article 2 of Directive 2006/43/EC, or a similar entity as referred to in Article 45 of Directive 86/635/EEC, a subsidiary or a legal successor, or a savings bank or similar entity as referred to in Article 45 of Directive 86/635/EEC, is required or permitted under		

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	national provisions to be a member of a non-profit-making auditing entity, an objective, reasonable and informed party would not conclude that the membership-based relationship compromises the statutory auditor's independence, provided that, when such an auditing entity is conducting a statutory audit of one of its members, the principles of independence laid down in Chapter I of Title II are applied to the auditors carrying out the audit and to those persons who may be in a position to influence the statutory audit. [AM4]		
(8) Adequate internal organisation of statutory auditors and audit firms should contribute to preventing any threats to their independence. Thus, owners or shareholders of an audit firm, as well as those managing it, should not intervene in the carrying out of a statutory audit in any way which jeopardises the independence	***deleted [AM5]***	Transferred to Directive, recital 6e	

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and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm. Additionally, statutory auditors and audit firms should establish appropriate internal policies and procedures in relation to employees and other persons involved in the statutory audit activity within their organisations in order to ensure compliance with their statutory obligations. Those policies and procedures should in particular seek to prevent and address any threats to independence and ensure the quality, integrity and thoroughness of the statutory audit. Those policies and procedures should be proportionate in view of the scale and complexity of the business of the statutory auditor or audit firm.			
(9) Auditors, audit firms and their employees should in particular refrain from carrying out the statutory audit of an	***deleted [AM6]***	Transferred to Directive, recital 6b	

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entity if they have a business interest or financial interest in it and from engaging on trading in financial instruments issued, guaranteed or otherwise supported by an audited entity, other than holdings in diversified collective investment schemes. The statutory auditor or audit firm should abstain from the internal decision-making processes of the audited entity. Statutory auditors or their employees should be prevented from taking up duties in the audited entity at managerial or board level until an appropriate period has elapsed since the end of the audit engagement.			
(10) The level of fees received from one audited entity and the structure of fees can also threaten the independence of a statutory auditor or audit firm. Thus, it is important to ensure that audit fees are not based on any form of contingency and that, when the audit fees from a single client are significant, a specific procedure is	(10) The level of fees received from one audited entity and the structure of fees can also threaten the independence of a statutory auditor or audit firm. Thus, it is important to ensure that audit fees are not based on any form of contingency and that, when the audit fees from a single client are significant, a specific procedure is	(10) The level of fees received from one audited entity and the structure of fees can also threaten the independence of a statutory auditor or audit firm. Thus, it is important to ensure that audit fees are not based on any form of contingency and that, when the audit fees from a single client including its subsidiaries are	

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established to secure the quality of the audit. ***If the dependence on a single client is excessive, the statutory auditor or the audit firm should refrain from undertaking the statutory audit in question.***	established to secure the quality of the audit. **[AM7]**	significant, a specific procedure involving the audit committee is established to secure the quality of the audit. If the dependency on a single client becomes excessive, the audit committee should decide on the basis of proper grounds whether the statutory auditor or the audit firm may continue to carry out the statutory audit. When taking such decision, the audit committee should take threats to independence and the consequences of such decision amongst others into consideration.	
(11) The provision of services other than statutory audit to audited entities by statutory auditors, audit firms or members of their networks may compromise their independence. Therefore, it is appropriate to require the statutory auditor, the audit firm and the members of their network not to provide non-audit services to their audited entities. ***The provision of*** non-audit services ***by an audit firm to a company would prevent that***	(11) The provision of services other than statutory audit to audited entities by statutory auditors, audit firms or members of their networks may compromise their independence. Therefore, it is appropriate to require the statutory auditor, the audit firm and the members of their network not to provide ***certain*** non-audit services to their audited entities. ***A statutory auditor or audit firm should be able to provide assurance***	(11) The provision of certain services other than statutory audit (non-audit services) to audited entities by statutory auditors, audit firms or members of their networks may compromise their independence. Therefore, it is appropriate to prohibit the provision of certain non-audit services such as specific tax, consultancy and advisory services ("black list") to the audited entity, to its parent undertaking and to its controlled undertakings within the	(11) The provision of certain services other than statutory audit (non-audit services) to audited entities by statutory auditors, audit firms or members of their networks may compromise their independence. Therefore, it is appropriate to prohibit the provision of certain non-audit services such as specific tax, consultancy and advisory services ("black list") to the audited entity, to its parent undertaking and to its controlled

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audit firm from carrying out statutory audit of that company, thus resulting in a reduction of the audit firms available to provide statutory audit, in particular with regard to the audit of large public-interest entities where the market is concentrated. As a result, in order to secure that a minimum number of audit firms is able to provide audit services to large public-interest entities, it is appropriate to request that audit firms of significant dimension focus their professional activity on the carrying out of statutory audit and are not allowed to undertake other services unconnected to their statutory audit function such as consultancy or advisory services.	***services, tax advisory services and other*** non-audit services ***other than prohibited non-audit services where the provision of those services has been approved in advance by the audit committee and the statutory auditor or audit firm is itself satisfied that provision of those services does not pose a threat to the independence of the statutory auditor or audit firm that cannot be reduced to a acceptable level by the application of safeguards***. ***[AM8]***	Union. In order to ensure an appropriate level of independence, it is important that this prohibition does not only apply to the financial year audited but also relates in addition to defined periods before and after. However, statutory auditors and audit firms should be allowed to provide such services where such obligation is defined by law.	undertakings within the Union. The services that involve playing any part in the management or decision-making process of the audited entity might include working capital management, providing financial information, business process optimization, cash management, transfer pricing, creating supply chain efficiency and similar. In order to ensure an appropriate level of independence, it is important that this prohibition does not only apply to the financial year audited but also relates in addition to defined periods before and after. However, statutory auditors and audit firms should be allowed to provide such services where such obligation is defined by law.
(12) With a view to avoiding conflicts of interest it is important that the statutory auditor or the audit firm, before accepting or continuing an engagement for a statutory audit of a public-interest	(12) With a view to avoiding conflicts of interest it is important that the statutory auditor or the audit firm, before accepting or continuing an engagement for a statutory audit of a public-interest	(12) With a view to avoiding conflicts of interest it is important that the statutory auditor or the audit firm, before accepting or continuing an engagement for a statutory audit of a public-interest	

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entity, assesses whether the independence requirements are met, and in particular whether any threats to independence arise as a result of the relationship with that entity. ***In order to maintain this independence, it is also important that they keep records of all threats to their independence and that of their employees and other persons involved in the statutory audit process, as well as the safeguards applied to mitigate those threats.*** Moreover, where the threats to their indepedence, even after having applied safeguards to mitigate those threats, are too significant, they should resign or abstain from the audit engagement. The statutory auditor or the audit firm should confirm annually to the audit committee of the audited entity their independence and discuss with such committee any threat to their independence as well as the safeguards applied to mitigate those threats.	entity, assesses whether the independence requirements are met, and in particular whether any threats to independence arise as a result of the relationship with that entity. Moreover, where the threats to their indepedence, even after having applied safeguards to mitigate those threats, are too significant, they should resign or abstain from the audit engagement. The statutory auditor or the audit firm should confirm annually to the audit committee of the audited entity their independence and discuss with such committee any threat to their independence as well as the safeguards applied to mitigate those threats. **[AM9]**	entity, assesses whether the independence requirements are met, and in particular whether any threats to independence arise as a result of the relationship with that entity. In order to maintain this independence, it is also important that they keep records of all threats to their independence […], as well as the safeguards applied to mitigate those threats. […] The statutory auditor or the audit firm should confirm annually to the audit committee of the audited entity their independence and discuss with such committee any threat to their independence as well as the safeguards applied to mitigate those threats.	

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(13) Directive 95/46 of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data[22] govern the processing of personal data carried our in the Member States in the context of this Regulation and under the supervision of the Member States competent authorities, in particular the public independent authorities designated by the Member States. Regulation (EU) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the EU institutions and bodies and on the free movement of such data[23], governs the processing of personal data carried out by		(13) Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data[24] govern the processing of personal data carried out in the Member States in the context of this Regulation and under the supervision of the Member States competent authorities, in particular the public independent authorities designated by the Member States. […] Any exchange or transmission of information by competent authorities should be in accordance with the rules on the transfer of personal data as laid down in Directive 95/46/EC. […]	

[22] OJ L 281, 23.11.1995, p. 31.
[23] OJ L 8, 12.1.2001, p. 1.
[24] OJ L 281, 23.11.1995, p. 31.

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ESMA within the framework of this Regulation and under the supervision of the European Data Protection Supervisor. Any exchange or transmission of information by competent authorities should be in accordance with the rules on the transfer of personal data as laid down in Directive 95/46/EC and any exchange or transmission of information by ESMA should be in accordance with the rules on the transfer of personal data as laid down in Regulation (EC) No 45/2001.			
(14) It is important that statutory auditors and audit firms respect the rights to private life and data protection of their clients. They should therefore be bound by strict rules on confidentiality and professional secrecy which, however, should not impede the proper enforcement of this Regulation or the cooperation with the group auditor during the performance of the audit of consolidated financial statements	***deleted [AM10]***	Transferred to Directive, recital 6d	

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when the parent undertaking is in a third country, provided that Directive 95/46/EC is complied with. However, such rules would not allow a statutory auditor or audit firm to cooperate with third country authorities outside the cooperation channels foreseen in Chapter XI of Directive 2006/43/EC. Those confidentiality rules should also apply to any statutory auditor or audit firm which has ceased to be involved in a specific audit task.			
(15) The statutory audit results in an opinion on the truth and fairness of the financial statements of the audited entities. Stakeholders, however, might to be unaware of the limitations of an audit (materiality, sampling techniques, role of the auditor in the detection of fraud and the responsibility of managers), which can lead to an expectation gap. In order to reduce such gap, it is important to provide more clarity on what the scope of the	***deleted [AM11]***	Transferred to Directive, recital 6f	

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statutory audit is.			
(16) Whilst the primary responsibility for delivering financial information should rest with the management of the audited entities, auditors play a role by actively challenging management from a user's perspective. In order to improve audit quality, it is therefore important that the professional scepticism exercised by auditors vis-à-vis the audited entity is reinforced. Auditors should recognise the possibility that a material misstatement due to fraud or error could exist, notwithstanding the auditor's past experience of the honesty and integrity of the audited entity's management. Securing audit quality should be the main criterion to organise the audit work and to allocate the necessary resources to the tasks. The integrity of the statutory auditor, audit firm and their staff is essential to ensure the public confidence in statutory audits	***deleted [AM12]***	partly transferred to Directive, recital 6c The integrity of the statutory auditor, audit firm and their staff is essential to ensure the public confidence in statutory audits and financial markets. Therefore, any development that may have significant consequences for the audit activity, integrity or viability of, the statutory auditor or the audit firm should be appropriately managed. The statutory auditor or the audit firm should […] document the audit work. Auditors should recognise the possibility that a material misstatement due to fraud or error could exist, notwithstanding the auditor's past experience of the honesty and integrity of the audited entity's management. Therefore, the statutory auditor or audit firm should inform the audited entity and invite it to investigate the matter where the he/she/it suspects or has	

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and financial markets. Therefore, any incident that may have <u>serious</u> consequences for the <u>integrity of the statutory audit activities</u> should be appropriately managed. The statutory auditor or the audit firm should <u>appropriately</u> document the audit work.		<u>reasonable grounds to suspect irregularities with regard to the financial statements.</u>	
(17) In the case of consolidated financial statements, it is important that there is a clear definition of responsibilities of the statutory auditors who audit different entities of the group. For this purpose, the group auditor should bear full responsibility for the audit report.	***deleted [AM13]***	<u>deleted</u>	
(18) A sound internal quality control review of the work carried out in each statutory audit engagement should be conducive to high audit quality. Therefore, the statutory auditor or the audit firm should not issue his, her or its audit report until such an internal quality control review has been completed.	***deleted [AM14]***	(18) A sound engagement quality control review of the work carried out in each statutory audit engagement should be conducive to high audit quality. Therefore, the statutory auditor or the audit firm should not issue his, her or its audit report until such an engagement quality control review has been completed.	

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(19) The results of the statutory audit should be presented to the stakeholders in the audit report. In order to increase the confidence of stakeholders in the financial statements of the audited entity, it is particularly important that the audit report is well-founded and solidly substantiated and its content expanded to include additional information specific to the audit carried out. ***The audit report should in particular include sufficient information on the methodology used in the audit, especially how much of the balance sheet has been directly verified and how much has been based on system and compliance testing, on the levels of materiality applied to perform the audit, on the key areas of risk of material misstatements of the annual and consolidated financial statements, on whether the statutory audit was designed to detect fraud and, in the event of a qualified or adverse opinion or a disclaimer of opinion, on***	(19) The results of the statutory audit should be presented to the stakeholders in the audit report. In order to increase the confidence of stakeholders in the financial statements of the audited entity, it is particularly important that the audit report is well-founded and solidly substantiated and its content expanded to include additional information specific to the audit carried out. **[AM15]**	(19) The results of the statutory audit should be presented to the stakeholders in the audit report. In order to increase the confidence of stakeholders in the financial statements of the audited entity, it is particularly important that the audit report is well-founded and solidly substantiated. […] In addition to the information required to be provided according to Article 28 of Directive 2006/43/EC, it should inparticular include sufficient information on the independence of the statutory auditor or audit firm and on whether the statutory audit was considered capable of detecting irregularities, including fraud.	

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the reasons for such decision.			
(20) The value of statutory audit for the audited entity would be particularly enhanced if the communication between the statutory auditor or the audit firm, on the one hand, and the audit committee, on the other hand, was reinforced. Further to the regular dialogue during the carrying out of the statutory audit, it is important that the statutory auditor or the audit firm submits to the audit committee an additional and more detailed report on the results of the statutory audit. ***It should be possible to make such additional detailed reports available to the supervisors of public-interest entities, but not to the public.***	(20) The value of statutory audit for the audited entity would be particularly enhanced if the communication between the statutory auditor or the audit firm, on the one hand, and the audit committee, on the other hand, was reinforced. Further to the regular dialogue during the carrying out of the statutory audit, it is important that the statutory auditor or the audit firm submits to the audit committee an additional and more detailed report on the results of the statutory audit. **[AM16]**	(20) The value of statutory audit for the audited entity would be particularly enhanced if the communication between the statutory auditor or the audit firm, on the one hand, and the audit committee, on the other hand, was reinforced. […] It is important that the statutory auditor or the audit firm submits to the audit committee an additional and more detailed report on the results of the statutory audit. This additional report should be submitted to the audit committee no later than the audit report. Upon request, the statutory auditor or the audit firm should discuss key matters which have been mentioned in the additional report with the audit committee. In addition, it should be possible to make such additional detailed report available to the supervisors of statutory auditors and audit firms and third parties where it is requested.	

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(21) Statutory auditors or audit firms already provide ***supervisors of*** public-interest entities with information on facts or decisions which could constitute a breach of the rules governing the activities of the audited entity or the impairment of the continuous functioning of the audited entity. Supervisory tasks would also be facilitated if supervisors of credit and financial institutions ***were required to establish a regular dialogue with*** their statutory auditors and audit firms.	(21) Statutory auditors or audit firms already provide ***competent authorities supervising*** public-interest entities with information on facts or decisions which could constitute a breach of the rules governing the activities of the audited entity or the impairment of the continuous functioning of the audited entity. Supervisory tasks would also be facilitated if supervisors of credit and financial institutions ***and*** their statutory auditors and audit firms ***were required to establish a regular dialogue with each other***. **[AM 17]**	(21) Statutory auditors or audit firms already provide supervisors of public-interest entities with information on facts or decisions which could constitute a breach of the rules governing the activities of the audited entity or the impairment of the continuous functioning of the audited entity. Supervisory tasks would also be facilitated if supervisors of credit institutions and insurance undertakings were required to establish an effective dialogue with their statutory auditors and audit firms.	
(22) In order to increase the confidence in and the liability of the statutory auditors and audit firms carrying out the statutory audit of public-interest entities, it is important that the transparency reporting by statutory auditors and audit firms is increased. Therefore, statutory auditors and audit firms should be required to disclose audited financial information, showing in particular	(22) In order to increase the confidence in and the liability of the statutory auditors and audit firms carrying out the statutory audit of public-interest entities, it is important that the transparency reporting by statutory auditors and audit firms is increased. Therefore, statutory auditors and audit firms should be required to disclose audited financial information, showing in particular	(22) In order to increase the confidence in and the liability of the statutory auditors and audit firms carrying out the statutory audit of public-interest entities, it is important that the transparency reporting by statutory auditors and audit firms is increased. Therefore, statutory auditors and audit firms should be required to disclose audited financial information, showing in particular	

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their total turnover divided into audit fees paid by public-interest entities, audit fees paid by other entities and fees for other services. They should also disclose financial information at the level of the network to which they belong. ***The transparency reports of audit firms should be completed by a statement on corporate governance with a view to showing whether the audit firm maintains arrangements for sound corporate governance.*** Additional supplementary information on audit fees should be provided to competent authorities with a view to facilitating their supervisory tasks.	their total turnover divided into audit fees paid by public-interest entities, audit fees paid by other entities and fees for other services. They should also disclose financial information at the level of the network to which they belong. Additional supplementary information on audit fees should be provided to competent authorities with a view to facilitating their supervisory tasks. **[AM 18]**	their total turnover divided into audit fees paid by public-interest entities, audit fees paid by other entities and fees for other services. They should also disclose financial information at the level of the network to which they belong. […] Additional supplementary information on audit fees should be provided to competent authorities with a view to facilitating their supervisory tasks.	
(23) Audit committees, or bodies performing an equivalent function within the audited entity, have a decisive role in contributing to high-quality statutory audit. It is particularly important to reinforce the independence and technical	***deleted [AM 19]***	(23) Audit committees, or bodies performing an equivalent function within the audited entity, have a decisive role in contributing to high-quality statutory audit. […] Therefore, each public-interest entity shall have an audit committee. Further requirements	

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competence of the audit committee by requiring that a majority of its members is independent and that at least one member of the committee has competence in auditing and another one in auditing and/or accounting. The Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board sets out how audit committees should be established and function. Considering, however, the dimension of boards in companies with reduced market capitalisation and in small and medium-sized public-interest entities, it would be appropriate that the functions assigned to the audit committee for those entities, or to a body performing equivalent functions within the audited entity, may be performed by the administrative or supervisory body as a whole.		regarding its tasks, composition and independence are laid down in Directive 2006/43/EC. Mainly transferred to Directive, recital 11a	

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Public-interest entities which are UCITS or alternative investment funds should also be exempted from the obligation to have an audit committee. This exemption takes into account the fact that where those funds function merely for the purpose of pooling assets, the employment of an audit committee is not appropriate. UCITS and alternative investments funds, as well as their management companies, operate in a strictly defined regulatory environment and are subject to specific governance mechanisms such as controls exercised by their depositary.			
(24) It is ***also*** important that the role of the audit committee in the selection of a new statutory auditor or audit firm be reinforced, for the benefit of a more informed decision of the general meeting of shareholders or members of the audited entity. Hence, when making a proposal to the general meeting, the board	(24) It is important that the role of the audit committee in the selection of a new statutory auditor or audit firm be reinforced, for the benefit of a more informed decision of the general meeting of shareholders or members of the audited entity. Hence, when making a proposal to the general meeting, the board	(24) It is […] important that the role of the audit committee in the selection of a new statutory auditor or audit firm be reinforced, for the benefit of a more informed decision of the general meeting of shareholders or members of the audited entity. Hence, when making a proposal to the general meeting, the	

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should explain whether it follows the recommendation of the audit committee and, if not, why. The recommendation of the audit committee should include at least two possible choices for the audit engagement and a ***duly justified*** preference for one of them, so that the general meeting can make a real choice. In order to provide a fair and proper justification in its recommendation, the audit committee should use the results of a mandatory selection procedure organised by the audited entity, under the responsibility of the audit committee. In such selection procedure, the audited entity should invite statutory auditors or audit firms, including smaller ones, to present proposals for the audit engagement. Tender documents should contain transparent and non-discriminatory selection criteria to be used for the evaluation of proposals. Considering, however, that this selection procedure could	should explain whether it follows the recommendation of the audit committee and, if not, why. The recommendation of the audit committee should include at least two possible choices for the audit engagement and a preference for one of them, so that the general meeting can make a real choice. In order to provide a fair and proper justification in its recommendation, the audit committee should use the results of a mandatory selection procedure organised by the audited entity, under the responsibility of the audit committee. In such selection procedure, the audited entity should invite statutory auditors or audit firms, including smaller ones, to present proposals for the audit engagement. Tender documents should contain transparent and non-discriminatory selection criteria to be used for the evaluation of proposals. Considering, however, that this selection procedure could	administrative or supervisory body should explain whether it follows the preference of the audit committee and, if not, why. The recommendation of the audit committee should include at least two possible choices for the audit engagement and a duly justified preference for one of them, so that […] a real choice can be made. In order to provide a fair and proper justification in its recommendation, the audit committee should use the results of a mandatory selection procedure organised by the audited entity, under the responsibility of the audit committee. In such selection procedure, the audited entity should invite statutory auditors or audit firms […] to present proposals for the audit engagement. Tender documents should contain transparent and non-discriminatory selection criteria to be used for the evaluation of proposals. Considering, however, that this	

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entail disproportionate costs for companies with reduced market capitalisation or small and medium-sized public-interest entities having regard to their dimension, it is appropriate to relieve such entities from this obligation.	entail disproportionate costs for companies with reduced market capitalisation or small and medium-sized public- interest entities having regard to their dimension, it is appropriate to relieve such entities from this obligation. **[AM 20]**	selection procedure could entail disproportionate costs for companies with reduced market capitalisation or small and medium-sized public-interest entities having regard to their dimension, it is appropriate to relieve such entities from this obligation.	
(25) The right of the general meeting of shareholders or members of the audited entity to choose the statutory auditor or the audit firm would be of no value if the audited entity were to enter into a contract with a third party providing for a restriction of such choice. Therefore any contractual clause entered into by the audited entity with a third party regarding the appointment or restricting the choice ***of a*** particular ***auditor*** or audit ***firm*** should <u>be considered null and void.</u>	(25) The right of the general meeting of shareholders or members of the audited entity to choose the statutory auditor or the audit firm would be of no value if the audited entity were to enter into a contract with a third party providing for a restriction of such choice. Therefore any contractual clause entered into by the audited entity with a third party restricting the choice ***to*** particular ***auditors*** or audit ***firms*** should be considered null and void. **[AM 21]**	(25) The right of the general meeting of shareholders or members of the audited entity to choose the statutory auditor or the audit firm would be of no value if the audited entity were to enter into a contract with a third party providing for a restriction of such choice. Therefore any contractual clause entered into by the audited entity with a third party regarding the appointment or restricting the choice of a particular auditor or audit firm should <u>have no legal effect</u>.	
(26) The appointment of more than one statutory auditor or audit firm by the public-interest entities would reinforce the professional scepticism and	***deleted [AM 22]***	(26) The appointment of more than one statutory auditor or audit firm by the public-interest entities would reinforce the professional scepticism and contribute to	

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contribute to increasing audit quality. Also, this measure combined with the presence of smaller audit firms would facilitate the development of the capacity of such firms, thus contributing to increasing the choice of statutory auditors and audit firms for public-interest entities. Therefore, the latter should be encouraged and incentivised to appoint more than one statutory auditor or audit firm to carry out the statutory audit.		increasing audit quality. Also, this measure combined with the presence of smaller audit firms would facilitate the development of the capacity of such firms, thus contributing to increasing the choice of statutory auditors and audit firms for public-interest entities. Therefore, the latter should be encouraged and incentivised to appoint more than one statutory auditor or audit firm to carry out the statutory audit.	
(27) In order to address the familiarity threat and therefore reinforce the independence of auditors and audit firms, ***it is important to establish a maximum duration of the audit engagement of a statutory auditor or audit firm in a particular audited entity. An appropriate*** gradual rotation ***mechanism*** should ***also*** be ***established*** with regard to the most senior personnel involved in the statutory audit, including the	(27) In order to address the familiarity threat and therefore reinforce the independence of auditors and audit firms, gradual rotation should be ***ensured*** with regard to the most senior personnel involved in the statutory audit, including the key audit partners carrying out the statutory audit on behalf of the audit firm. **[AM 23]**	(27) In order to address the familiarity threat and therefore reinforce the independence of auditors and audit firms, it is important to establish a maximum duration of the audit engagement of a statutory auditor or audit firm in a particular audited entity. An appropriate gradual rotation mechanism should also be established with regard to […] the key audit partners carrying out the statutory audit on behalf of the audit firm. It is also important to	

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key audit partners carrying out the statutory audit on behalf of the audit firm. ***It is also important to provide for an appropriate period within which such statutory auditor or audit firm may not carry out the statutory audit of the same entity. In order to ensure a smooth transition, the former auditor should transfer a handover file with relevant information to the incoming auditor.***		provide for an appropriate period within which such statutory auditor or audit firm may not carry out the statutory audit of the same entity. In order to ensure a smooth transition, the former auditor should transfer a handover file with relevant information to the incoming auditor.	
	(27a) Regular and open mandatory tendering, in respect of both audit and non-audit services, provides small and medium-sized companies with an opportunity to present their services and skills in a transparent process and to increase their visibility as service providers for public-interest entities. Tendering strongly encourages audit committees to consider a broader range of prospective providers of audit and non-audit services. The purpose of the tendering		

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	provisions laid down in this Regulation is not, however, to force a rotation of non-audit services providers and auditors. Repeated re-appointment is thus explicitly allowed if the conditions set out in those provisions are fully met. [AM 24]		
(28) In order to protect the independence of the auditor, it is important that dismissal should be possible only where there are proper grounds and if those grounds are communicated to the authority or authorities responsible for supervision. Where there are proper grounds, but the audited entity does not act, the audit committee, the shareholders, the competent authorities responsible for the supervision of auditors and audit firms or the competent authorities responsible for the supervision of the public-interest entity should be empowered to bring a case before a national court on the dismissal of the auditor.	AS COM	(28) In order to protect the independence of the auditor, it is important that dismissal should be possible only where there are proper grounds and if those grounds are communicated to the authority or authorities responsible for supervision. […] Partly transferred to Directive, recital 11b	
(29) In order to ensure a high	(29) In order to ensure a high	(29) In order to ensure a high	

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level of investor and consumer confidence in the internal market by avoiding conflicts of interests, statutory auditors and audit firms should be subject to appropriate supervision by competent authorities which are independent from the audit profession and which have adequate capacity, expertise and resources. The national competent authorities should have the necessary powers to undertake their supervisory tasks, including the capacity to access documents, demand information from any person and carry out inspections. They should specialize in the supervision of ***financial markets, of*** compliance with financial reporting obligations or in statutory audit oversight. However, it should be possible that the supervision of the compliance with the obligations set on public-interest entities is carried out by the competent authorities responsible for the supervision of those entities. The	level of investor and consumer confidence in the internal market by avoiding conflicts of interests, statutory auditors and audit firms should be subject to appropriate supervision by competent authorities which are independent from the audit profession and which have adequate capacity, expertise and resources. The national competent authorities should have the necessary powers to undertake their supervisory tasks, including the capacity to access documents, demand information from any person and carry out inspections. They should specialize in the supervision of compliance with financial reporting obligations or in statutory audit oversight. However, it should be possible that the supervision of the compliance with the obligations set on public-interest entities is carried out by the competent authorities responsible for the supervision of those entities. The funding of the competent	level of investor and consumer confidence in the internal market by avoiding conflicts of interests, statutory auditors and audit firms should be subject to appropriate supervision by competent authorities which are independent from the audit profession and which have adequate capacity, expertise and resources. The competent authority may delegate any of its tasks except tasks related with the quality assurance system, investigations and disciplinary systems. The national competent authorities should have the necessary powers to undertake their supervisory tasks, including the capacity to access data, obtain information and carry out inspections. They should specialize in the supervision of financial markets, in the compliance with financial reporting obligations or in statutory audit oversight. However, it should be possible that the supervision of the compliance with the obligations	

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funding of the competent authorities should be free from any possible undue influence by statutory auditors or audit firms.	authorities should be free from any possible undue influence by statutory auditors or audit firms. **[AM 25]**	set on public-interest entities is carried out by the competent authorities responsible for the supervision of those entities. The funding of the competent authorities should be free from any […] undue influence by statutory auditors or audit firms.	
(30) The quality of supervision should improve if there is effective cooperation between authorities charged with different tasks at national level. Therefore, the authorities competent to supervise compliance with the obligations on statutory audit of public-interest entities should cooperate with the authorities responsible for the approval and registration of statutory auditors and audit firms, with those supervising public-interest entities and with the Financial Intelligence Units referred to in Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2006 on the prevention of the use of the	AS COM	(30) The quality of supervision should improve if there is effective cooperation between authorities charged with different tasks at national level. Therefore, the authorities competent to supervise compliance with the obligations on statutory audit of public-interest entities should cooperate with the authorities responsible for the tasks provided for in Directive 2006/43/EC, with those supervising public-interest entities and with the Financial Intelligence Units referred to in Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2006 on the prevention of the use of the financial system for the purpose	

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financial system for the purpose of money laundering and terrorist financing[25].		of money laundering and terrorist financing .	
(31) External quality assurance for the statutory audit is fundamental for high quality audit. It adds credibility to published financial information and provides better protection of shareholders, investors, creditors and other interested parties. Statutory auditors and audit firms should therefore be subject to a system of quality assurance under the responsibility of the competent authorities, thus ensuring objectivity and independence from the audit profession. Quality assurance reviews should be organised in such a manner that each statutory auditor or each audit firm undertaking audits of public-interest entities is subject to a quality assurance review at least every three years. The Commission Recommendation of	AS COM	(31) External quality assurance for the statutory audit is fundamental for high quality audit. It adds credibility to published financial information and provides better protection of shareholders, investors, creditors and other interested parties. Statutory auditors and audit firms should therefore be subject to a system of quality assurance under the responsibility of the competent authorities, thus ensuring objectivity and independence from the audit profession. Quality assurance reviews should be organised in such a manner that each statutory auditor or each audit firm carrying out audits of public-interest entities is subject to a quality assurance review on the basis of an analysis of the risk in case of statutory auditors and audit firms	

[25] OJ L 309, 25.11.2005, p. 15.

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6 May 2008 on external quality assurance for statutory auditors and audit firms auditing public interest entities[26] provides information on how inspections should be undertaken. Quality assurance reviews should be proportionate in view of the scale and complexity of the business of the reviewed audit firm or statutory auditor.		carrying out statutory audits of public interest entities other than those defined in Article 2(17) and Article 2(18) of Directive 2006/43/EC at least every three years; and, in other cases at least every six years. The Commission Recommendation of 6 May 2008 on external quality assurance for statutory auditors and audit firms auditing public interest entities[27] provides information on how inspections should be undertaken. Quality assurance reviews should be appropriate and proportionate in view of the scale and complexity of the business of the reviewed audit firm or statutory auditor.	
(32) Investigations help to detect, prevent and correct inadequate carrying out of the statutory audit of public-interest entities. Therefore, competent authorities	(32) Investigations help to detect, prevent and correct inadequate carrying out of the statutory audit of public-interest entities. Therefore, competent authorities	deleted	

[26] OJ L 120, 7.5.2008, p.20.
[27] OJ L 120, 7.5.2008, p.20.

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should be empowered to undertake investigations of statutory auditors and audit firms.	should be empowered to undertake investigations of statutory auditors and audit firms. ***When carrying out an investigation, they should be able to collaborate with the professional bodies of the auditors. [AM 26]***		
(33) The market for the provision of statutory audit services to public-interest entities evolves over time. It is therefore necessary that competent authorities monitor the developments in the market, particularly as regards ***possible limited choice of auditor and the risks that arise from high market concentration***.	(33) The market for the provision of statutory audit services to public-interest entities evolves over time. It is therefore necessary that competent authorities monitor the developments in the market, particularly as regards ***the effects of the provision of assurance services, tax advisory services and other to public-interest entity clients on confidence in the quality of audit work, the independence of auditors and the role of audit committees in monitoring the quality of audit work and safeguarding the independence of auditors***. ***[AM 27]***	(33) The market for the provision of statutory audit services to public-interest entities evolves over time. It is therefore necessary that competent authorities monitor the developments in the market, particularly as regards […] the risks that arise from high market concentration and the need to adopt measures to mitigate those risks.	
(34) The demise of important audit firms may disrupt the provision of audit services in the	AS COM	deleted	

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market and could result in further structural accumulation of risk in the market. Therefore, competent authorities should, as a preventive action, request the largest audit firms in each Member State to establish contingency plans addressing a possible event threatening the continuity of operations of the concerned firm. Such plans may identify measures to prepare an orderly failure of the firm concerned.			
(35) The transparency of the activities of competent authorities should contribute to increase the confidence of investors and consumers in the internal market. Therefore, competent authorities should be required to regularly report on their activities and to publish individual inspections reports.	AS COM	(35) The transparency of the activities of competent authorities should contribute to increase the confidence of investors and consumers in the internal market. Therefore, competent authorities should be required to regularly report on their activities and to publish aggregated information on inspection findings and conclusions.	
(36) The cooperation between the competent authorities of the Member States can make an important contribution to ensuring consistently high quality	AS COM	(36) The cooperation between the competent authorities of the Member States can make an important contribution to ensuring consistently high quality in the	

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in the statutory audit in the Union. Therefore, the competent authorities of the Member States should cooperate with each other, where necessary, for the purpose of carrying out their supervisory duties regarding statutory audits. They should respect the principle of home-country regulation and oversight by the Member State in which the statutory auditor or audit firm is approved and the audited entity has its registered office. The cooperation between competent authorities would be particularly enhanced if organised within the framework of the Joint Committee of European Supervisory Authorities (ESA), under the leadership of the European Securities and Markets Authority (ESMA) set up by Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European		statutory audit in the Union. Therefore, the competent authorities of the Member States should cooperate with each other, where necessary, for the purpose of carrying out their supervisory duties regarding statutory audits. They should respect the principle of home-country regulation and oversight by the Member State in which the statutory auditor or audit firm is approved and the audited entity has its registered office. The cooperation between competent authorities should be organized within the framework of a Committee of European Auditing Oversight Bodies (CEAOB). It should be composed of high level representatives of the competent authorities. In order to enhance consistent application of this Regulation, the CEAOB may adopt non-binding guidelines or opinions. In addition, it should facilitate the exchange of	

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Supervisory Authority (European Securities Market Authority)[28]. ESMA, with the assistance of the European Banking Authority (EBA) set up by Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority)[29] and the European Insurance and Occupational Pensions Authority (EIOPA) set up by Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority)[30], should contribute to that cooperation by providing advice and guidelines to national competent authorities.		information, provide advice to the Commission and contribute to technical asssessments and technical examination.	

[28] OJ L 331, 15.12.2010, p.84.
[29] OJ L 331, 15.12.2010, p.12.
[30] OJ L 331, 15.12.2010, p.48.

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	(36a) This Regulation ensures that Union-wide cooperation between competent authorities in respect of the activities of statutory auditors and audit firms that audit the financial statements of public-interest entities takes place and is coordinated by ESMA. Thus ESMA will take over the Union-wide cooperation mechanism that has hitherto operated under the aegis of the European Group of Auditors' Oversight Bodies (EGAOB), an expert group established by Decision 2005/909/EC[1] and chaired by the Commission, through the creation of a permanent internal committee composed of the competent authorities designated to carry out the tasks provided for in this Regulation. The competent authorities referred to in Article 32 of Directive 2006/43/EC, which have hitherto constituted the EGAOB, are full members of the said permanent internal committee. Thus, the		

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	valuable work of the EGAOB will be continued within the permanent internal committee. Public oversight should continue to be carried out at national level. [AM 28]		
(37) The scope of cooperation between the competent authorities of Member States should include exchange of information, cooperation with regard to quality assurance assurance reviews, assistance to investigations related to the carrying out of statutory audits of public-interest entities, including in cases where the conduct under investigation does not constitute an infringment of any legislative or regulatory provision in force in the Member States concerned and contingency planning. The modalities of cooperation between the competent authorities of the Member States may include the creation of colleges of competent authorities and the delegation of tasks among themselves. The concept of network in which	AS COM	(37) The scope of cooperation between the competent authorities of Member States should include cooperation with regard to quality assurance assurance reviews and assistance to investigations related to the carrying out of statutory audits of public-interest entities, including in cases where the conduct under investigation does not constitute an infringment of any legislative or regulatory provision in force in the Member States concerned. The modalities of cooperation between the competent authorities of the Member States may include the creation of colleges of competent authorities and the delegation of tasks among themselves. The concept of network in which auditors and firms operate should be taken into account in such	

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auditors and firms operate should be taken into account in such cooperation. Competent authorities and the European Supervisory Authorities should respect appropriate confidentiality and professional secrecy rules.		cooperation. Competent authorities […] should respect appropriate confidentiality and professional secrecy rules.	
(38) Recognition of the aptitude of statutory auditors and audit firms to perform statutory audits of public-interest entities should facilitate the access of auditors and firms to other clients. Therefore, it is important to provide for a Quality Certificate of European dimension which should be developed by ESMA. National competent authorities should be involved in the examination of the applications for the certificate.	***deleted [AM 29]***	deleted	
(39) The interrelation of capital markets calls for empowering national competent authorities and the European Supervisory Authorities to cooperate with supervisory authorities and bodies of third countries regarding the exchange of information or	AS COM	(39) The interrelation of capital markets calls for empowering national competent authorities […] to cooperate with supervisory authorities and bodies of third countries regarding the exchange of information or quality assurance reviews. However,	

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quality assurance reviews. However, where the cooperation with third country authorities is related to audit working papers or other documents held by statutory auditors or audit firms, the procedures of Directive 2006/43/EC should apply.		where the cooperation with third country authorities is related to audit working papers or other documents held by statutory auditors or audit firms, the procedures of Directive 2006/43/EC should apply.	
(40) Sustainable audit capacity and a competitive market for statutory audit services in which there is a sufficient choice of audit firms capable of carrying out statutory audits of public-interest entities are required in order to ensure a smooth functioning of capital markets. ***ESMA*** should report on the changes brought in the audit market structure by this Regulation. When carrying such analysis, ***ESMA*** should take into account the impact of the national civil liability rules for statutory auditors on the structure of the audit market. Based on such report and other appropriate evidence, the Commission should present a report on the impact of	(40) Sustainable audit capacity and a competitive market for statutory audit services in which there is a sufficient choice of audit firms capable of carrying out statutory audits of public-interest entities are required in order to ensure a smooth functioning of capital markets. ***The European Competition Network (ECN)*** should report on the changes brought in the audit market structure by this Regulation. When carrying such analysis, ***the ECN*** should take into account the impact of the national civil liability rules for statutory auditors on the structure of the audit market. Based on such report and other appropriate evidence, the Commission should	deleted	

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the national liability rules for statutory auditors on the audit market structure and should take the steps it considers appropriate as a result of its findings.	present a report on the impact of the national liability rules for statutory auditors on the audit market structure and should take the steps it considers appropriate as a result of its findings. **[AM 30]**		
(41) In order to improve compliance with the requirements of this Regulation and ***following the Commission Communication of 9 December 2010 entitled 'Reinforcing sanctioning regimes in the financial sector' , the power to adopt supervisory measures and the sanctioning powers of competent authorities should be enhanced. Administrative pecuniary sanctions on statutory auditors, audit firms and public-interest entities for identified violations should be foreseen. The competent authorities should be transparent about the sanctions and measures they apply.*** The adoption and publication of sanctions should respect fundamental rights as laid down	(41) In order to improve compliance with the requirements of this Regulation***, Member States should provide for the imposition on statutory auditors, audit firms and public-interest entities of administrative pecuniary sanctions for identified violations. To that end, measures and sanctions should be sufficiently dissuasive, proportionate and consistently enforced.*** The adoption and publication of sanctions should respect fundamental rights as laid down in the Charter of Fundamental Rights of the European Union, in particular the right to respect for private and family life (Article 7), the right to the protection of personal data (Article 8) and the right to an	Transferred to Directive, recital 8a	

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in the Charter of Fundamental Rights of the European Union, in particular the right to respect for private and family life (Article 7), the right to the protection of personal data (Article 8) and the right to an effective remedy and to a fair trial (Article 47).	effective remedy and to a fair trial (Article 47). ***Member States should ensure that decisions taken by the competent national authorities are subject to the right of appeal to the courts. [AM 31]***		
(42) Whistleblowers can bring new information to the attention of competent authorities which assists them in detecting and sanctioning irregularities, including fraud. However, whistleblowers may be deterred from doing so for fear of retaliation, or may lack incentives to do so. Member States should therefore ensure that adequate arrangements are in place to encourage whistleblowers to alert them to possible breaches of this Regulation and to protect them from retaliation. Member States may also provide them with incentives for doing so; however, whistleblowers should only be eligible for such incentives	***deleted [AM 32]***	Transferred to Directive, recital 8c	

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where they bring to light new information which they are not already legally obliged to notify and where this information results in a sanction for a breach of this Regulation. Member States should also ensure that whistleblowing schemes they implement include mechanisms that provide appropriate protection of a reported person, particularly with regard the right to the protection of his personal data and procedures to ensure the right of the reported person of defence and to be heard before the adoption of a decision concerning him as well as the right to seek effective remedy before a tribunal against a decision concerning him.			
(43) In order to take account of developments in auditing and the audit market, the Commission should be empowered to specify technical requirements on the content of the handover file that the new statutory auditor or audit firm should receive and on	***deleted [AM 33]***	deleted	

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the establishment of a European quality certificate for statutory auditors and audit firms carrying out statutory audits of public-interest entities.			
(44) In order to take account of the technical developments in the financial markets, in auditing and the audit profession and to specify the requirements laid down in this Regulation, the Commission *should be empowered* to adopt *delegated* acts in accordance with Article 290 of the Treaty on the Functioning of the European Union. *In particular, the use of delegated acts is necessary to adapt* the list of related audit services and of non-audit services ***as well as to set out the level of fees that ESMA could charge for delivering the European Quality Certificate to statutory auditors and audit firms***. It is of particular importance that the Commission *carries* out appropriate consultations during its preparatory work, including at	(44) In order to take account of the technical developments in the financial markets, in auditing and ***in*** the audit profession***,*** and to specify the requirements laid down in this Regulation, *the power* to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union *should be delegated to the* Commission *in respect of* adapting the list of related audit services and of non-audit services. It is of particular importance that the Commission *carry* out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the	deleted	

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expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.	Council. **[AM 34]**		
(45) In order to ensure legal certainty and the smooth transition to the regime introduced by this Regulation, it is important to introduce a transitional regime regarding the entry into force of the obligation to rotate audit firms, the obligation to organise a selection procedure for the choice of audit firm and the conversion of audit firms into firms that only provide audit services.	***deleted [AM 35]***	(45) In order to ensure legal certainty and the smooth transition to the regime introduced by this Regulation, it is important to introduce a transitional regime regarding the entry into force of the obligation to rotate audit firms and the obligation to organise a selection procedure for the choice of audit firm […].	
		(45a) References to provisions of Directive 2006/43/EC should be understood as references to the national provisions transposing those provisions of Directive 2006/43/EC. The new European audit framework replaces existing requirements laid down in	

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		Directive 2006/43/EC and should be interpreted without referring to any preceding instruments such as Commission recommendations adopted under the previous framework.	
(46) Since the objectives of this Regulation, namely clarifying and better defining the role of statutory audit regarding public-interest entities, improving the information that the statutory auditor or audit firm provides to the audited entity, investors and other stakeholers, improving the communication channels between auditors and supervisors of public-interest entities, preventing any conflict of interest arising from the provision of non-audit services to public-interest entities, mitigating the risk of any potential conflict of interest due to existing system of "auditee selects and pays the auditor" or to familiarity threat, facilitating the switching of statutory auditor or audit firm and the choice of an audit provider to public-interest	AS COM	AS COM	

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entities, increasing the choice of audit providers to public-interest entities and improving the effectiveness, independence and consistency of the regulation and supervison of statutory auditors and audit firms providing statutory audits to public interest entities including as regards cooperation at Union level, cannot be sufficiently achieved by the Member States and can, therefore, by reason of their scale, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulatoin does not go beyond what is necessary in order to achieve those objectives.			
(47) This Regulation respects the fundamental rights and observes the principles recognised in particular by the Charter of Fundamental Rights of the	AS COM	AS COM	

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European Union, notably the right to respect for private and family life (Article 7), the right to the protection of personal data (Article 8), the freedom to conduct a business (Article 16), the right to an effective remedy and to a fair trial (Article 47), the presumption of innocence and right of defence (Article 48), the principles of legality and proportionality of criminal offences and penalties (Article 49), the right not to be tried or punished twice for the same offence (Article 50), and has to be applied in accordance with those rights and principles,			
HAVE ADOPTED THIS REGULATION:	HAVE ADOPTED THIS REGULATION:	HAVE ADOPTED THIS REGULATION:	HAVE ADOPTED THIS REGULATION:
TITLE I SUBJECT MATTER, SCOPE AND DEFINITIONS	**TITLE I SUBJECT MATTER, SCOPE AND DEFINITIONS**	**TITLE I SUBJECT MATTER, SCOPE AND DEFINITIONS**	**TITLE I SUBJECT MATTER, SCOPE AND DEFINITIONS**
Article 1 *Subject matter*	*Article 1* *Subject matter*	*Article 1* *Subject matter*	*Article 1* *Subject matter*
This Regulation lays down requirements for the carrying out statutory audit of annual and consolidated financial statements	AS COM	AS COM	This Regulation lays down requirements for the carrying out statutory audit of annual and consolidated financial statements

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of public-interest entities, rules on the organisation and selection of statutory auditors and audit firms by public-interest entities to promote their independence and the avoidance of conflicts of interest and rules on the supervision of compliance by statutory auditors and audit firms with those requirements.			of public-interest entities, rules on the organisation and selection of statutory auditors and audit firms by public-interest entities to promote their independence and the avoidance of conflicts of interest and rules on the supervision of compliance by statutory auditors and audit firms with those requirements.
Article 2 *Scope*	*Article 2* *Scope*	*Article 2* *Scope*	*Article 2* *Scope*
1. This Regulation applies to the following:	AS COM	AS COM	1. This Regulation applies to the following:
(a) statutory auditors and audit firms who carry out statutory audits of public-interest entities;	AS COM	AS COM	(a) statutory auditors and audit firms who carry out statutory audits of public-interest entities;
(b) public-interest entities.	AS COM	AS COM	(b) public-interest entities.
	Member States may exempt public-interest entities which have not issued transferable securities admitted to trading on a regulated market within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC and their statutory auditor(s) or audit firm(s) from one or more of the requirements of this Regulation. [AM 36]		

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2. This Regulation applies without prejudice to Directive 2006/43/EC.	AS COM	AS COM	2. This Regulation applies without prejudice to Directive 2006/43/EC.
		3. Where a cooperative within the meaning of Article 2(14) of Directive 2006/43/EC, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC, or a subsidiary or a legal successor of a cooperative, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC is required or permitted under national law to be a member of a non-profit-making auditing entity, the Member State may decide that this Regulation or certain provisions of it shall not apply to the statutory audit of such entity, provided that the principles of independence laid down in Directive 2006/43/EC are complied with by the statutory auditor when carrying out the statutory audit of one of its members and by persons who may be in a position to influence the statutory audit.	3. Where a cooperative within the meaning of Article 2(14) of Directive 2006/43/EC, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC, or a subsidiary or a legal successor of a cooperative, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC is required or permitted under national law to be a member of a non-profit-making auditing entity, the Member State may decide that this Regulation or certain provisions of it shall not apply to the statutory audit of such entity, provided that the principles of independence laid down in Directive 2006/43/EC are complied with by the statutory auditor when carrying out the statutory audit of one of its members and by persons who may be in a position to influence

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		Where a cooperative within the meaning of Article 2(14) of Directive 2006/43/EC, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC, or a subsidiary or a legal successor of a cooperative, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC is required or permitted under national provisions to be a member of a non-profit-making auditing entity, an objective, reasonable and informed party would not conclude that the membership-based relationship compromises the statutory auditor's independence, provided that when such an auditing entity is conducting a statutory audit of one of its members, the principles of independence are applied to the auditors carrying out the audit and those persons who may be in a position to exert influence on the statutory audit.	the statutory audit. Where a cooperative within the meaning of Article 2(14) of Directive 2006/43/EC, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC, or a subsidiary or a legal successor of a cooperative, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC is required or permitted under national provisions to be a member of a non-profit-making auditing entity, an objective, reasonable and informed party would not conclude that the membership-based relationship compromises the statutory auditor's independence, provided that when such an auditing entity is conducting a statutory audit of one of its members, the principles of independence are applied to the auditors carrying out the audit and those persons who may be in a position to exert influence on the statutory audit.

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		4. The Member State shall inform Commission and a Committee of European Auditing Oversight Bodies, hereinafter referred to as 'CEAOB', referred to in Article 46, of such exceptional situations of non-application of certain provisions of this Regulation. It shall communicate to Commission and CEAOB the list of provisions of this Regulation that have not been applied to the statutory audit of the entities referred to in paragraph 3 and the reasons that justified the exemption granted for such non-application.	[4. The Member State shall inform Commission and a Committee of European Auditing Oversight Bodies, hereinafter referred to as 'CEAOB', referred to in Article 46, of such exceptional situations of non-application of certain provisions of this Regulation. It shall communicate to Commission and CEAOB the list of provisions of this Regulation that have not been applied to the statutory audit of the entities referred to in paragraph 3 and the reasons that justified the exemption granted for such non-application.]

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Article 3 *Definitions*	*Article 3* *Definitions*	*Article 3* *Definitions*	*Article 3* *Definitions*
For the purposes of this Regulation, the definitions laid down in Article 2 of Directive 2006/43/EC shall apply, except for the definitions of 'audit report' and 'competent authority'.	AS COM	For the purposes of this Regulation, the definitions laid down in Article 2 of Directive 2006/43/EC shall apply, except for the definition of […] 'competent authority'.	For the purposes of this Regulation, the definitions laid down in Article 2 of Directive 2006/43/EC shall apply, except for the definitions of 'competent authority'.
Article 4 *Large public interest entities*	*Article 4* *Large public interest entities*	*Article 4* *Large public interest entities*	deleted
	deleted [AM 37]	deleted	
For the purposes of this Regulation, 'large public-interest entities' shall cover the following	***deleted [AM 37]***		
(a) in relation to entities defined in point 13(a) of Article 2 of Directive 2006/43/EC, the largest 10 issuers of shares in each Member State measured by the market capitalisation on the basis of the end-year quotes and in any case all issuers of shares that had an average market capitalisation of more than EUR 1 000 000 000 on the basis of end-year quotes for the previous three calendar years;	***deleted [AM 37]***		

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(b) in relation to entities defined in points 13(b) to (f) of Article 2 of Directive 2006/43/EC, any entity which on their balance sheet date has a balance sheet total exceeding EUR 1 000 000 000;	***deleted [AM 37]***		
(c) in relation to entities defined in points 13(g) and (h) of Article 2 of Directive 2006/43/EC, any entity which on their balance sheet date has total assets under management exceeding EUR 1 000 000 000.	***deleted [AM 37]***		
TITLE II **CONDITIONS FOR CARRYING OUT STATUTORY AUDIT OF PUBLIC-INTEREST ENTITIES**	**TITLE II** **CONDITIONS FOR CARRYING OUT STATUTORY AUDIT OF PUBLIC-INTEREST ENTITIES**	**TITLE II** **CONDITIONS FOR CARRYING OUT STATUTORY AUDIT OF PUBLIC-INTEREST ENTITIES**	
CHAPTER I ***INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST***	***CHAPTER I*** ***INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST***	***CHAPTER I*** ***INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST***	
Article 5 *Independence and objectivity*	*Article 5* *Independence and objectivity*	*Article 5* *Independence and objectivity*	deleted
A statutory auditor or audit firm shall take all ***necessary*** steps to ensure that the ***carrying out*** of ***a statutory audit of a public-interest entity is not affected by***	A statutory auditor or audit firm shall take all ***reasonable*** steps to ensure that the ***independence*** of the statutory auditor or audit firm carrying out the statutory audit ***is***	transferred to the Directive, Article 22(5)	

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any existing or potential conflict of interest or business or other relationship involving the statutory auditor or audit firm carrying out the statutory audit ***and***, ***where appropriate***, ***its network***, ***managers, auditors, employees, any other natural persons whose services are placed at the disposal*** or ***under*** the ***control of the*** statutory auditor ***or*** audit firm, ***or*** any person directly or indirectly ***linked*** to the statutory ***auditor or*** audit ***firm by control***.	***not compromised by financial***, ***personal***, ***business***, ***employment*** or ***other relationships involving*** the statutory auditor***, the*** audit firm, ***its network,*** or any ***natural*** person ***in a position*** to directly or indirectly ***influence*** the ***outcome of the*** statutory audit. deleted **[AM 38]**		
Article 6 *Internal organisation of auditors and audit firms*	*Article 6* *Internal organisation of auditors and audit firms*	*Article 6* *Internal organisation of auditors and audit firms*	deleted
	deleted [AM 39]	transferred to Directive, Article 24a	
1. A statutory auditor or audit firm shall comply with the following organisational requirements:	***deleted [AM 39]***		
(a) an audit firm shall establish adequate policies and procedures to ensure that its owners or shareholders as well as the members of the administrative,	***deleted [AM 39]***		

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management and supervisory bodies of the firm, or of an affiliate firm, do not intervene in the carrying out of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm;			
(b) a statutory auditor or an audit firm shall have sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems.	***deleted [AM 39]***		
Those internal control mechanisms shall be designed to secure compliance with decisions and procedures at all levels of the audit firm or of the working structure of the statutory auditor.	***deleted [AM 39]***		
A statutory auditor or an audit firm shall implement and maintain decision-making procedures and organisational	***deleted [AM 39]***		

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structures which clearly and in a documented manner specify reporting lines and allocate functions and responsibilities;			
(c) a statutory auditor or an audit firm shall establish adequate policies and procedures to ensure that his, her or its employees and any other natural persons whose services are placed at its disposal or under its control and who are directly involved in the statutory audit activities have appropriate knowledge and experience for the duties assigned;	***deleted [AM 39]***		
(d) a statutory auditor or an audit firm shall establish adequate policies and procedures to ensure that outsourcing of important audit functions is not undertaken in such a way as to impair the quality of the statutory auditor's or audit firm's internal control and the ability of the competent authorities to supervise the statutory auditor's or audit firm's compliance with the obligations	***deleted [AM 39]***		

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laid down in this Regulation;			
(e) a statutory auditor or an audit firm shall establish appropriate and effective organisational and administrative arrangements to prevent, identify, eliminate or manage and disclose any threats to independence referred to in Article 11(2);	***deleted [AM 39]***		
(f) a statutory auditor or an audit firm shall establish appropriate procedures and standards for carrying out statutory audits of public-interest entities, coaching, supervising and reviewing employees activities and organising the structure of the audit file referred to in Article 15(5);	***deleted [AM 39]***		
(g) a statutory auditor or an audit firm shall establish an internal quality control system to ensure the quality of the statutory audit of public-interest entities. The quality control system shall at least cover the procedures and standards described in point (f). In the case	***deleted [AM 39]***		

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of an audit firm, the responsibility of the internal quality control system shall be with a person that qualifies as statutory auditor;			
(h) a statutory auditor or an audit firm shall use appropriate systems, resources and procedures to ensure continuity and regularity in the performance of its statutory audit activities;	***deleted [AM 39]***		
(i) a statutory auditor or an audit firm shall establish a policy to preclude his, her or its involvement and that of his, her or its employees in any criminal offence or breach of the law in the conduct of their work. The statutory auditor or the audit firm shall also establish appropriate and effective organisational and administrative arrangements for dealing with and recording incidents which have or may have serious consequences for the integrity of his, her or its statutory audit activities;	***deleted [AM 39]***		

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(j) a statutory auditor or an audit firm shall have adequate remuneration policies providing sufficient performance incentives to secure audit quality. In particular, compensation and performance evaluation of employees shall not be contingent on the amount of revenue that the statutory auditor or the audit firm derives from the audited entity;	***deleted [AM 39]***		
(k) a statutory auditor or an audit firm shall monitor and evaluate the adequacy and effectiveness of his, her or its systems, internal control and internal quality control mechanisms and arrangements established in accordance with this Regulation and take appropriate measures to address any deficiencies. A statutory auditor or an audit firm shall in particular carry out an annual evaluation of the internal quality control system referred to in point (g). A statutory auditor or an audit firm shall keep records	***deleted [AM 39]***		

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of the findings of that evaluation and any proposed measure to modify the internal quality control system.			
The policies and procedures referred to in the first subparagraph shall be documented and communicated to the employees of the statutory auditor or audit firm.	***deleted [AM 39]***		
Any outsourcing of audit functions as referred to in point (d) shall not affect the liability of the statutory auditor or audit firm towards the audited entity	***deleted [AM 39]***		
2. The statutory auditor or audit firm shall take into consideration his, her or its size and complexity of activities when complying with the requirements of paragraph 1 of this Article.	***deleted [AM 39]***		
The statutory auditor or audit firm shall be able to demonstrate to the competent authority referred to in Article 35(1) that such compliance is proportionate to the size and complexity of activities of the statutory auditor or audit firm.	***deleted [AM 39]***		

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Article 7 *Independence from the audited entity*	*Article 7* *Independence from the audited entity*	*Article 7* *Independence from the audited entity*	deleted
	deleted [AM 40]	transferred to Directive, Article 22	
1. A statutory auditor or an audit firm and any holder of voting rights in an audit firm shall be independent of the audited entity and shall not be involved in the decision-taking of the audited entity.	***deleted [AM 40]***		
2. A statutory auditor, an audit firm, their key audit partners, their employees as well as any other natural person whose services are placed at the disposal or under the control of such auditor or firm and who is directly involved in statutory audit activities, and persons closely associated with them within the meaning of Article 1(2) of Commission Directive 2004/72/EC[31] shall not buy or sell or engage in any transaction in any financial instrument	***deleted [AM 40]***		

[31] OJ L 162, 30.4.2004, p.70.

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issued, guaranteed, or otherwise supported by any audited entity within their area of statutory audit activities other than holdings in diversified collective investment schemes, including managed funds such as pension funds or life insurance.			
3. Persons or firms referred to in paragraph 2 shall not participate in or otherwise influence the determination of a statutory audit of any particular audited entity if they:	***deleted [AM 40]***		
(a) own financial instruments of the audited entity, other than holdings in diversified collective investment schemes;	***deleted [AM 40]***		
(b) own financial instruments of any entity related to an audited entity, the ownership of which may cause or may be generally perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes;	***deleted [AM 40]***		
(c) have had a recent employment, business or other relationship with the audited	***deleted [AM 40]***		

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entity that may cause or may be generally perceived as causing a conflict of interest.			
4. Persons or firms referred to in paragraph 2 shall not solicit or accept money, gifts or favours from anyone with whom the statutory audit or audit firm has a contractual relationship.	***deleted [AM 40]***		
5. National measures on professional ethics enacted pursuant to Article 21(1) of Directive 2006/43/EC which are not compatible with paragraphs 2, 3 and 4 shall not apply.	***deleted [AM 40]***		
Article 8 *Employment by public-interest entities of former statutory auditors or of employees of statutory auditors or audit firms*	*Article 8* *Employment by public-interest entities of former statutory auditors or of employees of statutory auditors or audit firms*	*Article 8* *Employment by public-interest entities of former statutory auditors or of employees of statutory auditors or audit firms*	deleted
	deleted [AM 41]	transferred to Directive, Article 22c	
1. A statutory auditor or a key audit partner who carries out a statutory audit of a public-interest entity on behalf of an audit firm shall not, before a period of at least two years has elapsed since he or she resigned	***deleted [AM 41]***		

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as a statutory auditor or key audit partner from the audit engagement, take up any of the following duties:			
(a) take up a key management position in the audited entity;	***deleted [AM 41]***		
(b) become a member of the audit committee of the audited entity or, where such committee does not exist, of the body performing equivalent functions to an audit committee;	***deleted [AM 41]***		
(c) become a non-executive member of the administrative body or a member of the supervisory body of the audited entity.	***deleted [AM 41]***		
2. Employees of a statutory auditor or an audit firm carrying out a statutory audit of a public-interest entity as well as any other natural person whose services are placed at the disposal or under the control of such auditor or firm shall not, when such employees or other natural persons are personally approved as statutory auditors, before a period of at least one	***deleted [AM 41]***		

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year has elapsed since he or she was directly involved in the statutory audit activities, take up any of the duties referred to in points (a), b) and (c) of paragraph 1.			
Article 9 *Audit fees*	*Article 9* *Audit fees*	*Article 9* *Audit fees*	**Political**
1. Fees for the provision of statutory audits to public-interest entities shall not be contingent fees. For the purposes of the first subparagraph, contingent fees means fees for audit engagements calculated on a predetermined basis relating to the outcome or result of a transaction or the result of the work performed. Fees shall not be regarded as being contingent if a court or a competent authority has established them.	AS COM	1. Fees for the provision of statutory audits to public-interest entities shall not be contingent fees. Without prejudice of Article 25 of the Directive, for the purposes of the first subparagraph, contingent fees means fees for audit engagements calculated on a predetermined basis relating to the outcome or result of a transaction or the result of the work performed. Fees shall not be regarded as being contingent if a court or a competent authority has established them.	1. Fees for the provision of statutory audits to public-interest entities shall not be contingent fees. Without prejudice of Article 25 of the Directive, for the purposes of the first subparagraph, contingent fees means fees for audit engagements calculated on a predetermined basis relating to the outcome or result of a transaction or the result of the work performed. Fees shall not be regarded as being contingent if a court or a competent authority has established them.
2. When the statutory auditor or audit firm provides to the audited entity related financial audit services, as referred to in Article	***deleted [AM 42]***	When the statutory auditor or audit firm provides to the audited entity, for a period of three or more consecutive financial years,	When the statutory auditor or audit firm provides to the audited entity, its parent undertaking or its controlled undertakings, for a

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10(2), the fees for such services shall be limited to no more than 10 % of the fees paid by the audited entity for the statutory audit.		services other than the ones referred to in Article 10(1), the fees for such services shall be limited to no more than 70% of the average of the fees paid in the last three consecutive financial years by the audited entity for the statutory audit. For the purposes of the limits specified in the first subparagraph, services, other than the ones referred to in Article 10(1), imposed by national and Union legislation shall be excluded. Member States may provide that a competent authority may, upon a request by the statutory auditor or audit firm, on an exceptional basis, allow that statutory auditor or audit firm to be exempted from the requirements in subparagraph 1 for a period of no more than two financial years.	period of three or more consecutive financial years, services other than the ones referred to in Article 10(1), the total fees for such services shall be limited to no more than 70% of the average of the fees paid in the last three consecutive financial years ~~by the audited entity~~ for the statutory audit(s) of the audited entity and, where applicable, of its parent undertaking, its controlled undertakings and of the consolidated financial statements of that group of undertakings. For the purposes of the limits specified in the first subparagraph, services, other than the ones referred to in Article 10(1), imposed by national and Union legislation shall be excluded. Member States may provide that a competent authority may, upon a request by the statutory auditor or audit firm, on an exceptional basis, allow that statutory auditor or audit firm to be exempted from

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			the requirements in subparagraph 1 for a period of no more than two financial years.
3. When the total fees received from a public-interest entity subject to the statutory audit represent either more than 20 % or, for two consecutive years, more than 15 % of the of the total annual fees received by the statutory auditor or audit firm carrying out the statutory audit, such auditor or firm shall disclose to the audit committee the fact that the total of such fees represents more than 20 % or 15 %, as appropriate, of the total fees received by the firm and the discussions referred to in Article 11(4)(d) shall be undertaken. The audit committee shall consider whether the audit engagement shall be subject to a quality control review by another statutory auditor or audit firm prior to the issuance of the audit report.	AS COM	3. When the total fees received from a public-interest entity in each of the last three consecutive financial years are more than 15% of the of the total fees received by the statutory auditor or audit firm or, when applicable, group auditor carrying out the statutory audit in each such financial year, such auditor or firm shall disclose that fact to the audit committee and discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats. The audit committee shall consider whether the audit engagement shall be subject to a quality control review by another statutory auditor or audit firm prior to the issuance of the audit report.	3. When the total fees received from a public-interest entity in each of the last three consecutive financial years are more than 15% of the of the total fees received by the statutory auditor or audit firm or, when applicable, group auditor carrying out the statutory audit in each such financial year, such auditor or firm shall disclose that fact to the audit committee and discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats. The audit committee shall consider whether the audit engagement shall be subject to a quality control review by another statutory auditor or audit firm prior to the issuance of the audit report.

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When the total fees received from a public-interest entity subject to the statutory audit represent, for two consecutive years, 15 % or more of the total annual fees received by the statutory auditor or audit firm carrying out the statutory audit, the auditor or firm shall inform the competent authority referred to in Article 35(1) of such situation. The competent authority referred to in Article 35(1) ***shall*** decide on the basis of objective grounds provided by the statutory auditor or the audit firm whether the statutory auditor or audit firm of such entity may continue to carry out the statutory for an additional period which in any case shall not be longer than two years.	When the total fees received from a public-interest entity subject to the statutory audit represent, for two consecutive years, 15 % or more of the total annual fees received by the statutory auditor or audit firm carrying out the statutory audit, the auditor or firm shall inform the competent authority referred to in Article 35(1) of such situation. The competent authority referred to in Article 35(1) ***may*** decide on the basis of objective grounds provided by the statutory auditor or the audit firm whether the statutory auditor or audit firm of such entity may continue to carry out the statutory for an additional period which in any case shall not be longer than two years. deleted **[AM 43]**	Where the fees received from such public-interest entity continues to exceed 15% of the total fee income of such audit firm, the audit committee shall decide on the basis of objective grounds whether the group auditor, statutory auditor or audit firm of such entity or group of entities may continue to carry out the statutory audit for an additional period which in any case shall not be longer than two years.	Where the fees received from such public-interest entity continues to exceed 15% of the total fee income of such audit firm, the audit committee shall decide on the basis of objective grounds whether the group auditor, statutory auditor or audit firm of such entity or group of entities may continue to carry out the statutory audit for an additional period which in any case shall not be longer than two years.
Where the audited entity is exempted from the obligation to have an audit committee, the audited entity shall decide which body or organ of the entity shall engage with the statutory auditor or audit firm for the purposes of		deleted	

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the obligations set out in this paragraph.			
	3a. Where Article 37(2) of Directive 2006/43/EC applies, paragraph 3 of this Article shall not apply. [AM 44]		
		4. Member States may apply more stringent requirements than provided in this Article.	4. Member States may apply more stringent requirements than provided in this Article.
Article 10 *Prohibition of the provision of non-audit services*	*Article 10* ***Non-audit services [AM 45]***	*Article 10* *Prohibition of the provision of non-audit services*	**political**
1. A statutory auditor or an audit firm carrying out statutory audit of public-interest entities may provide to the audited entity, to its parent undertaking and to its controlled undertakings statutory audit services ***and related financial audit*** services.	1. A statutory auditor or an audit firm carrying out statutory audit of public-interest entities may provide to the audited entity, to its parent undertaking and to its controlled undertakings statutory audit services***, other assurance*** services***, tax advisory services and other non-audit services other than prohibited non-audit services where the provision of those services has been approved by the audit committee in accordance with the audit policy approved in accordance with Article 10a, and the statutory auditor or audit firm is itself***	1. A statutory auditor or an audit firm carrying out the statutory audit of a public-interest entity, and any member of a network where the statutory auditor or audit firm belongs to such network, shall not directly or indirectly provide to the audited entity, to its parent undertaking or to its controlled undertakings within the Union any prohibited non-audit services in (i) the period between the beginning of the period audited and the issuing of the audit report; (ii) the financial year immediately	1. A statutory auditor or an audit firm carrying out the statutory audit of a public-interest entity, and any member of a network where the statutory auditor or audit firm belongs to such network, shall not directly or indirectly provide to the audited entity, to its parent undertaking or to its controlled undertakings within the Union any prohibited non-audit services in (i) the period between the beginning of the period audited and the issuing of the audit report;

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	satisfied that the provision of those services does not pose a threat to the independence of the statutory auditor or audit firm that cannot be reduced to an acceptable level by the application of safeguards**. **[AM 46]	preceding that period in relation to the services listed at subparagraph (g); and, (iii) the period of six months immediately following the issuing of the audit report.	(ii) the financial year immediately preceding that period in relation to the services listed at subparagraph (g); and, ~~(iii) the period of six months immediately following the issuing of the audit report.~~
		For the purposes of this Article, prohibited non-audit services shall mean: (a) provision of services relating to: (i) preparation of tax forms, (ii) payroll tax, (iii) customs duties, (iv) identification of public subsidies and tax incentives unless support from the statutory auditor or audit firm in respect of such services is required by law, (v) support regarding tax inspections and inquiries by tax authorities unless support from the statutory auditor or audit firm in respect of such inspections and enquiries is required by law;	For the purposes of this Article, prohibited non-audit services shall mean: (a) provision of tax services relating to: (i) preparation of tax forms, (ii) payroll tax, (iii) customs duties, (iv) identification of public subsidies and tax incentives unless support from the statutory auditor or audit firm in respect of such services is required by law, (v) support regarding tax inspections and inquiries by tax authorities unless support from the statutory auditor or audit firm in respect of such inspections and enquiries is required by law;

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		(b) calculation of direct and indirect tax and deferred tax; (c) provision of tax advice where the effectiveness of the tax advice depends on a particular accounting treatment or presentation in the financial statements; (d) services that involve playing any part in the management or decision-making process of the audited entity including: (i) working capital management, (ii) providing financial information, (iii) business process optimization, (iv) cash management, (v) transfer pricing or, (vi) creating supply chain efficiency. (vii) *[deleted]* (e) bookkeeping and preparing accounting records and financial statements;	~~(b)~~ (vi) calculation of direct and indirect tax and deferred tax; (c) provision of tax advice where the effectiveness of the tax advice depends on a particular accounting treatment or presentation in the financial statements; (d) services that involve playing any part in the management or decision-making process of the audited entity ~~including:~~ ~~(i) working capital management,~~ ~~(ii) providing financial information,~~ ~~(iii) business process optimization,~~ ~~(iv) cash management,~~ ~~(v) transfer pricing or,~~ ~~(vi) creating supply chain efficiency.~~ ~~(vii) *[deleted]*~~ (e) bookkeeping and preparing accounting records and financial statements;

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		(f) payroll services; (g) designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or financial information technology systems; (h) valuation services, including valuations performed in connection with actuarial services or litigation support services; (i) legal services, with respect to: (i) the provision of general counsel, (ii) negotiating on behalf of the audit client, or (iii) acting in an advocacy role in the resolution of litigation; (j) services related to the audit client's internal audit function;	(f) payroll services; (g) designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or financial information technology systems; (h) valuation services, including valuations performed in connection with actuarial services or litigation support services; (i) legal services, with respect to: (i) the provision of general counsel, (ii) negotiating on behalf of the audit client, or (iii) acting in an advocacy role in the resolution of litigation; (j) services related to the audit client's internal audit function;

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		(k) corporate finance services, except those required by European Union or national legislation;	(k) ~~corporate finance services, except those required by European Union or national legislation;~~ services linked to the financial and investment strategy of the audit client, except providing assurance on the financial statements; (k1) promoting, dealing in, or underwriting shares in the audited entity;
		(l) human resources services with respect to: (i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve: (1) searching for or seeking out candidates for such positions; or (2) undertaking reference checks of candidates for such positions. (ii) structuring the organisation	(l) human resources services with respect to: (i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve: (1) searching for or seeking out candidates for such positions; or (2) undertaking reference checks of candidates for such positions. (ii) structuring the organisation

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		design and (iii) cost control.	design and (iii) cost control.
		1A. Member States may prohibit services other than those listed in paragraph 1 which could represent a threat to independence. Member States shall communicate to the Commission any additions to the list referred to in paragraph 1.	1A. Member States may prohibit services other than those listed in paragraph 1 which could represent a threat to independence. Member States shall communicate to the Commission any additions to the list referred to in paragraph 1.
			1AA. By derogation from the second subparagraph of paragraph 1, Member States may allow the services referred to in point (a) if they are tax compliance services and the services referred to in point (h), provided that they satisfy the following requirements: (i) they have immaterial effect separately or in aggregate on the audited financial statements; (ii) they do not create threat of self-review; (iii) the estimation of the effect on the audited financial statements is comprehensively documented and explained in the additional report to the audit committee referred to in

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			Article 23; and (iv) the principles of independence laid down in Directive 2006/43/EC are complied with by the statutory auditor or audit firm.
Where the statutory auditor belongs to a network, a member of such network may provide to the audited entity, to its parent undertaking and to its controlled undertakings within the Union statutory audit services ***or related financial audit*** services.	Where the statutory auditor belongs to a network, a member of such network may provide to the audited entity, to its parent undertaking and to its controlled undertakings within the Union statutory audit services, ***other assurance*** services***, tax advisory services and other non-audit services other than prohibited non-audit services where the provision of those services has been approved by the audit committee in accordance with the audit policy approved in accordance with Article 10a, and the statutory auditor or audit firm is itself satisfied that the provision of those services does not pose a threat to the independence of the statutory auditor or audit firm that cannot be reduced to an acceptable level***	deleted	deleted

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	by the application of safeguards. ***[AM 47]***		
2. For the purposes of this Article, ***related financial audit*** services shall mean:	2. For the purposes of this Article, ***assurance*** services***, tax advisory services and other non-audit services*** shall mean***, in particular***: **[AM 48]**	2. A statutory auditor or an audit firm carrying out statutory audit of public-interest entities and, where the statutory auditor or audit firm belongs to a network, any member of such network, may provide to the audited entity, to its parent undertaking or its controlled undertakings non audit services other than the prohibited non-audit services referred to in paragraphs 1 and 1A subject to the approval of the audit committee after having properly assessed threats and potential safeguards to independence in accordance with Article 22d of Directive 2006/43/EC. Member States may establish stricter rules setting out the conditions under which a statutory auditor, an audit firm or a member of a network to which the auditor or audit firm belongs may provide to the audited entity, to its parent undertaking or its controlled undertakings non audit services	2. A statutory auditor or an audit firm carrying out statutory audit of public-interest entities and, where the statutory auditor or audit firm belongs to a network, any member of such network, may provide to the audited entity, to its parent undertaking or its controlled undertakings non audit services other than the prohibited non-audit services referred to in paragraphs 1 and 1A subject to the approval of the audit committee after having properly assessed threats and potential safeguards to independence in accordance with Article 22d of Directive 2006/43/EC. Member States may establish stricter rules setting out the conditions under which a statutory auditor, an audit firm or a member of a network to which the auditor or audit firm belongs may provide to the audited entity, to its parent undertaking or its controlled undertakings non audit

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		other than the prohibited non-audit services referred to in paragraph 1.	services other than the prohibited non-audit services referred to in paragraph 1.
(a) the audit or review of interim financial statements;	AS COM	deleted	deleted
(b) providing assurance on corporate governance statements;	AS COM	deleted	deleted
(c) providing assurance on corporate social responsibility matters;	AS COM	deleted	deleted
(d) providing assurance on or attestation of regulatory reporting to regulators of financial institutions beyond the scope of the statutory audit and designed to assist regulators in fulfilling their role, such as on capital requirements or specific solvency rations determining how likely an undertaking will be to continue meeting its debt obligations;	AS COM	deleted	deleted
(e) providing certification on compliance with tax requirements ***where such attestation is required by national law***;	(e) providing certification on compliance with tax requirements***, preparation of tax declarations, advice on indirect taxes, payroll tax, customs duties and public support measures, and support regarding tax inspections and inquiries by tax authorities***;	deleted	deleted

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	[AM 49]		
	(ea) providing assurance on the implementation and further development of electronic data-processing systems; [AM 50]		
(f) any ***other*** statutory duty ***related to audit work*** imposed by ***Union legislation to*** the statutory auditor or audit firm.	(f) any statutory ***or regulatory*** duty imposed by ***law or regulation on*** the statutory auditor or audit firm. **[AM 51]**	deleted	deleted
	(fa) reports or other services in relation to documents, including investment circulars or actions required to be taken by the audited entity by securities legislation or regulation; [AM 52]		
	(fb) providing assurance concerning the audited entity to other parties in relation to a financial or corporate transaction. [AM 53]		
	2a. The statutory auditor or the audit firm may continue to carry out the statutory audit of the public-interest entity only if he, she or it can justify, in accordance with Article 11, that		

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	such provision of services does not affect his, her or its professional judgement and the audit report. [AM 54]		
3. A statutory auditor or an audit firm carrying out statutory audit of public-interest entities shall not directly or indirectly provide to the audited entity, to its parent undertaking ***and*** to its controlled undertakings non-audit services.	3. A statutory auditor or an audit firm carrying out statutory audit of public-interest entities shall not directly or indirectly provide to the audited entity, to its parent undertaking ***or*** to its controlled undertakings ***prohibited*** non-audit services. **[AM 55]**	deleted (see paragraph 1)	deleted
Where the statutory auditor belongs to a network, no member of such network shall provide to the audited entity, to its parent undertaking ***and*** to its controlled undertakings within the Union any non-audit services.	Where the statutory auditor belongs to a network, no member of such network shall provide to the audited entity, to its parent undertaking ***or*** to its controlled undertakings within the Union any ***prohibited*** non-audit services. **[AM 56]**	deleted (see paragraph 1)	deleted
For the purposes of this Article, non-audit services shall mean:	For the purposes of this Article, ***prohibited*** non-audit services shall mean: **[AM 57]**	deleted (see paragraph 1)	deleted
(a) ***services entailing conflict of interest in all cases:***	(a) ***playing any part in the management or decision-making process of an entity; [AM 58]***		
(i) expert services unrelated to the audit, tax consultancy, general management and other	***deleted [AM 59]***		

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advisory services;			
(ii) bookkeeping and preparing accounting records and financial statements;	***(a a)*** bookkeeping ***services,*** and preparing accounting records and financial statements; ***[AM 60]***		
	(a b) payroll services; [AM 61]		
(iii) designing ***and*** implementing internal control ***or*** risk management ***procedure*** related to the preparation and/or control of ***financing*** information included in the financial statements ***and advice on risk;***	***(a c)*** designing ***or*** implementing internal control***,*** risk management ***or financial information technology systems*** related to the preparation and/or control of ***financial*** information included in the financial statements ***that: [AM 62]***		
	(i) form a part of the internal control over financial reporting of the audited entity, or [AM 62]		
	(ii) generate information that is significant to the accounting records or financial statements that are the subject of the statutory audit; [AM 62]		
(iv) valuation services, ***providing fairness opinions or contribution-in-kind reports***;	***(a d)*** valuation services***,*** ***including valuations performed in connection with actuarial services or litigation support services, where the valuation would have a material effect, separately or in the aggregate, on the financial statements***; **[AM**		

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	63]		
(v) actuarial and legal services, ***including*** the resolution of litigation;	***(a e)*** legal services, ***with respect to: [AM 64]***		
	(i) the provision of general counsel, [AM 64]		
	(ii) negotiating on behalf of the audit client, or [AM 64]		
	(iii) acting in an advocacy role in the resolution of litigation; ***[AM 64]***		
(vi) designing and implementing financial information technology systems for public-interest entities as referred to in Article 2(13)(b) to (j) of Directive 2006/43/EC;	***deleted [AM 65]***		
(vii) participating in the audit client's internal audit and the provision of services related to the internal audit function;	***(a f)*** participating in the audit client's internal audit and the provision of services related to the internal audit function; **[AM 66]**		
	(a g) calculation of current and deferred taxes, where the outcome would have a material impact on the financial statements to be audited; [AM 67]		
(viii) broker or dealer, investment adviser, or investment	***deleted [AM 68]***		

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banking services.			
	(a h) promoting, dealing in, or underwriting shares in the audit client. [AM 69]		
(b) services which may entail conflict of interest:	***deleted [AM 70]***		
(i) human resources services***, including recruiting*** senior management;	***(a i)*** human resources services ***with respect to*** senior management ***in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:*** ***[AM 71]***		
	(i) searching for or seeking out candidates for such positions; or [AM 71]		
	(ii) undertaking reference checks of candidates for such positions. [AM 71]		
(ii) providing comfort letters for investors in the context of the issuance of an undertaking's securities;	***deleted [AM 72]***		
(iii) designing and implementing financial information technology systems for public-interest	***deleted [AM 73]***		

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entities as referred to in Article 2(13)(a) of Directive 2006/43/EC;			
(iv) due diligence services to the vendor or the buy side on potential mergers and acquisitions and providing assurance on the audited entity to other parties at a financial or corporate transaction.	***deleted [AM 74]***		
	(a j) provision of tax advice where the effectiveness of the advice depends on a particular accounting treatment or presentation in the financial statements and where there is reasonable doubt about the appropriateness of the accounting treatment and the outcome or consequences of the advice would materially affect such financial statements. [AM 75]		
By derogation from the first and second subparagraphs, the services mentioned in point (b)(iii) and (iv) may be provided by the statutory auditor or the audit firm, subject to prior	***deleted [AM 76]***	deleted	deleted

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approval by the competent authority referred to in Article 35(1).			
By derogation from the first and second subparagraphs, the services mentioned in point (b)(i) and (ii) may be provided by the statutory auditor or the audit firm, subject to prior approval by the audit committee as referred to in Article 31 of this Regulation.	***deleted [AM 77]***	deleted	deleted
4. When a member of the network to which the statutory auditor or the audit firm carrying out statutory audit of a public-interest entity belongs provides non-audit services to an undertaking incorporated in a third country controlled by the audited public-interest entity, the statutory auditor or the audit firm concerned shall assess whether his, her or its independence would be compromised by such provision of services by the member of the network.	***deleted [AM 78]***	3. When a member of the network to which the statutory auditor or the audit firm carrying out statutory audit of a public-interest entity belongs provides any of the non-audit services, referred to in the paragraphs 1 and 1A of this Article, to an undertaking incorporated in a third country controlled by or under control of the audited public-interest entity, the statutory auditor or the audit firm concerned shall assess whether his, her or its independence would be compromised by such provision of services by the member of the	3. When a member of the network to which the statutory auditor or the audit firm carrying out statutory audit of a public-interest entity belongs provides any of the non-audit services, referred to in the paragraphs 1 and 1A of this Article, to an undertaking incorporated in a third country controlled by or under control of the audited public-interest entity, the statutory auditor or the audit firm concerned shall assess whether his, her or its independence would be compromised by such provision of services by the

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		network.	member of the network.
	Where the statutory auditor or audit firm belongs to a network and services are provided to undertakings outside the Union which are controlled by the audited entity, the statutory auditor or audit firm shall assess whether his, her or its independence could be compromised by the provision of such services. If the threat to the independence of the statutory auditor or audit firm can be reduced to an acceptable level by the application of safeguards, the statutory auditor or audit firm shall apply those safeguards in order to mitigate any threats to independence caused by the provision of such services. ***[AM 79]***		
If his, her or its independence is affected, the statutory auditor or the audit firm shall apply safeguards in order to mitigate the threats caused by such provision of services in a third	The statutory auditor or the audit firm may continue to carry out the statutory audit of the public-interest entity only if he, she or it can justify, in accordance with Article 11, that such provision of	If his, her or its independence is affected, the statutory auditor or the audit firm shall apply safeguards where applicable in order to mitigate the threats caused by such provision of	If his, her or its independence is affected, the statutory auditor or the audit firm shall apply safeguards where applicable in order to mitigate the threats caused by such provision of

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country. The statutory auditor or the audit firm may continue to carry out the statutory audit of the public-interest entity only if he, she or it can justify, in accordance with Article 11, that such provision of services does not affect his, her or its professional judgement and the audit report.	services does not affect his, her or its professional judgement and the audit report. **[AM 80]**	services in a third country. The statutory auditor or the audit firm may continue to carry out the statutory audit of the public-interest entity only if he, she or it can justify, in accordance with Article 11 of this Regulation and Article 22d of Directive 2006/43/EC, that such provision of services does not affect his, her or its professional judgement and the audit report.	services in a third country. The statutory auditor or the audit firm may continue to carry out the statutory audit of the public-interest entity only if he, she or it can justify, in accordance with Article 11 of this Regulation and Article 22d of Directive 2006/43/EC, that such provision of services does not affect his, her or its professional judgement and the audit report.
Being involved in the decision-taking of the audited entity ***and the provision of the services referred to in points (ii) and (iii) of paragraph 3(a)*** shall be considered as affecting such independence in all cases.	Being involved in the decision-taking of the audited entity shall be considered as affecting such independence in all cases. **[AM 81]**	For the purpose of this paragraph: (a) being involved in the decision-taking of the audited entity and the provision of the services referred to in points (d) (e) and (g) of paragraph 1 shall be considered as affecting such independence in all cases and be incapable of mitigation by any safeguards.	For the purpose of this paragraph: (a) being involved in the decision-taking of the audited entity and the provision of the services referred to in points (d) (e) and (g) of paragraph 1 shall be considered as affecting such independence in all cases and be incapable of mitigation by any safeguards.
The provision of the services referred to in points (i) and (iv) to (viii) of paragraph 3(a) shall be presumed to affect such independence.	***deleted [AM 82]***	(b) The provision of the services referred to in points other than (d) (e) and (g) of paragraph 1 shall be presumed to affect such independence and therefore to require safeguards to mitigate the	(b) The provision of the services referred to in points other than (d) (e) and (g) of paragraph 1 shall be presumed to affect such independence and therefore to require safeguards to mitigate the

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		threats caused thereby.	threats caused thereby.
The statutory auditor or the audit firm may consult the competent authority for an opinion on this issue.	***deleted [AM 83]***	deleted	
5. Where an audit firm generates more than one third of its annual audit revenues from large public-interest entities and belongs to a network whose members have combined annual audit revenues which exceed EUR 1 500 million within the European Union, it shall comply with the following conditions:	***deleted [AM 84]***	deleted	deleted
(a) it shall not directly or indirectly provide to any public interest entity non-audit services;	***deleted [AM 84]***	deleted	deleted
(b) it shall not belong to a network which provides non-audit services within the Union;	***deleted [AM 84]***	deleted	deleted
(c) any entity which provides the services listed in paragraph 3 shall not directly or indirectly hold more than 5 % of the capital or of the voting rights in the audit firm;	***deleted [AM 84]***	deleted	deleted

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(d) the entities which provide the services listed in paragraph 3shall not directly or indirectly hold together more than 10 % of the capital or of the voting rights in the audit firm;	***deleted [AM 84]***	deleted	deleted
(e) such audit firm shall not directly or indirectly hold more than 5 % of the capital or of the voting rights in any entity which provides the services listed in paragraph 3.	***deleted [AM 84]***	deleted	deleted
6. The Commission shall be empowered to adopt delegated acts in accordance with Article 68 for the purpose of adapting the list of related financial audit services referred to in paragraph 2 and the list of non-audit services referred to in paragraph 3 of this Article. When using such powers, the Commission shall take into account developments in auditing and the audit profession.	***deleted [AM 85]***	deleted	deleted
	6a. Competent authorities may, on the basis of evidence, add to the list of prohibited non-audit services contained in paragraph		

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	3 for statutory auditors and audit firms where conclude that the provision of such services represents a threat to auditor independence. deleted [AM 86]		
	Competent authorities shall notify ESMA of all decisions taken pursuant to this provision. Such notification shall be accompanied by a statement of the grounds on which the decision in question was taken. [AM 86]		
	Article 10a [AM 87] ***Audit committee approval of non-audit services [AM 87]***		***Article 10a*** **Audit committee approval of non-audit services**
	1. The audit committee shall prepare a recommendation for a policy governing the provision of assurance services, tax advisory services and other non-audit services other than prohibited non-audit services as defined in point (a) of the third subparagraph of paragraph 3 of Article 10 by a statutory auditor or audit firm or, where the statutory auditor belongs to a network, a member of such		1. The audit committee shall prepare a recommendation for a policy governing the provision of services other than prohibited non-audit services as defined in paragraph 1 of Article 10 by a statutory auditor or audit firm or, where the statutory auditor belongs to a network, a member of such network, or such other firms as may be considered to be providers of assurance services, tax advisory services and other

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	network, or such other firms as may be considered to be providers of assurance services, tax advisory services and other non-audit services. [AM 87]		non-audit services.
	The recommendation shall be submitted to the administrative or supervisory board, which shall present the policy for approval by the general meeting of shareholders. [AM 87]		The recommendation shall be submitted to the administrative or supervisory body, which shall present the policy for approval by the general meeting of shareholders.
	If the decision of the administrative or supervisory board departs from the recommendation of the audit committee, it shall provide a statement of the reasons for not following that recommendation. [AM 87]		Member States may permit or require the recommendation to be submitted to the administrative or supervisory body for approval.
	Member States may permit or require the recommendation to be submitted to the administrative or supervisory board for approval. [AM 87]		If the decision of the administrative or supervisory body departs from the recommendation of the audit committee, it shall provide a statement of the reasons for not following that recommendation.
	2. The policy referred to in paragraph 1 shall include considerations with regard to:		2. The policy referred to in paragraph 1 shall include considerations with regard to:

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	[AM 87]		
	(i) the nature of non-audit services and the extent to which they are to be subject to an open and transparent tendering procedure designed by the audit committee, and [AM 87]		(i) the nature of non-audit services and the extent to which they are to be subject to an open and transparent tendering procedure designed by the audit committee, and
			(ii) where relevant, acceptable level of immateriality with regard to services referred to in paragraph 1AA of Article 10;
			(iii) procedures to monitor compliance with the requiment of paragraph 2 of Article 9;and
	(ii) the delegation of authority for certain levels of approval. [AM 87]		(iV) the delegation of authority for certain levels of approval.
	3. The audited entity shall publish the policy adopted pursuant to the second subparagraph of paragraph 1 and shall communicate it to the competent authority. The audited entity shall include in its communication a reasoned explanation of its policy, in particular with regard to decisions taken in relation to point (i) of paragraph 2. [AM 87]		3. The audited entity shall publish the policy adopted pursuant to the second subparagraph of paragraph 1 and shall communicate it to the competent authority. The audited entity shall include in its communication a reasoned explanation of its policy, in particular with regard to decisions taken in relation to point (i) of paragraph 2.

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	4. The audit committee shall review the policy adopted under this Article annually, and may submit recommendations to the administrative or supervisory board in accordance with paragraph 1. [AM 87]		4. The audit committee shall review the policy adopted under this Article annually, and may submit recommendations to the administrative or supervisory board in accordance with paragraph 1.
Article 11 *Preparation for the statutory audit and assessment of threats to independence*	*Article 11* *Preparation for the statutory audit and assessment of threats to independence*	*Article 11* *Preparation for the statutory audit and assessment of threats to independence*	*Article 11* *Preparation for the statutory audit and assessment of threats to independence*
1. Before accepting or continuing an engagement for a statutory audit of a public-interest entity, a statutory auditor or audit firm shall assess and document the following:	AS COM	1. Before accepting or continuing an engagement for a statutory audit of a public interest entity, a statutory auditor or audit firm shall assess and document, in addition to the provisions of Article 22d of Directive 2006/43/EC, the following:	1. Before accepting or continuing an engagement for a statutory audit of a public interest entity, a statutory auditor or audit firm shall assess and document, in addition to the provisions of Article 22d of Directive 2006/43/EC, the following:
– whether he, she or it complies with the internal organisation requirements of Article 6;	***deleted [AM 88]***	deleted	deleted
– whether he, she or it complies with the requirements of Articles *7,* 9 and 10;	– whether he, she or it complies with the requirements of Articles 9 and 10; **[AM 89]**	- whether he, she or it complies with the requirements of Articles 9 and 10 of this Regulation;	- whether he, she or it complies with the requirements of Articles 9 and 10 of this Regulation;
- whether he, she or it has the competent employees, time and resources to carry out the audit in an appropriate manner;	AS COM	deleted	deleted

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- whether, in the case of an audit firm, the key audit partner is approved as statutory auditor in the Member State requiring the statutory audit;	AS COM	deleted	deleted
- whether the conditions of Article 33 are complied with;	AS COM	AS COM	- whether the conditions of Article 33 are complied with;
- without prejudice to Directive 2005/60//EC, the integrity of the public-interest entity.	AS COM	- without prejudice to Directive 2005/60/EC, the integrity of the members of the supervisory body, administrative body and the senior management of the public-interest entity.	- without prejudice to Directive 2005/60/EC, the integrity of the members of the supervisory, administrative and ~~the senior~~ management bodies of the public-interest entity.
		1A. A statutory auditor or audit firm shall: (a) confirm annually in writing to the audit committee that the statutory auditor, the audit firm and partners, senior managers and managers, conducting the statutory audit are independent from the audited entity; (b) discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats, as documented by them pursuant	deleted

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		to paragraph 1.	
2. The statutory auditor or audit firm shall also assess whether there are threats to his, her or its independence.	AS COM	moved to Article 22	deleted
The statutory auditor or audit firm shall not carry out a statutory audit if there is any direct or indirect financial, business, employment or other relationship between the statutory auditor, audit firm, or network and the audited entity from which an objective, reasonable and informed third party would conclude that the statutory auditor's or audit firm's independence is compromised.	AS COM		deleted
If the statutory auditor's or audit firm's independence is affected by threats of self-review ***or self-interest***, the statutory auditor or audit firm shall not carry out the statutory audit.	If the statutory auditor's or audit firm's independence is affected by threats of self-review, the statutory auditor or audit firm shall not carry out the statutory audit. **[AM 90]**		deleted
If the statutory auditor's or audit firm's independence is affected by threats of advocacy, familiarity or trust or intimidation, the statutory auditor or audit firm shall apply	AS COM		deleted

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safeguards in order to mitigate those threats. If the significance of the threats compared to the safeguards applied is such that his, her or its independence is compromised, the statutory auditor or audit firm shall not carry out the statutory audit.			
3. A statutory auditor or audit firm shall keep records of the assessments referred to in paragraphs 1 and 2 and shall document in the audit working papers all significant threats to his, her or its independence as well as the safeguards applied to mitigate those threats.	***deleted [AM 91]***	moved to Article 22d	deleted
4**.** A statutory auditor or audit firm shall:	AS COM	1A. A statutory auditor or audit firm shall:	2. A statutory auditor or audit firm shall:
(a) confirm annually in writing to the audit committee ***his***, ***her or its independence*** from the audited entity;	(a) confirm annually in writing to the audit committee ***that the statutory auditor***, ***the audit firm, and audit partners, senior managers and managers conducting the statutory audit are independent*** from the audited entity; **[AM 92]**	(a) confirm annually in writing to the audit committee that the statutory auditor, the audit firm and partners, senior managers and managers, conducting the statutory audit are independent from the audited entity;	(a) confirm annually in writing to the audit committee that the statutory auditor, the audit firm and partners, senior managers and managers, conducting the statutory audit are independent from the audited entity;
(b) confirm annually in writing to the audit committee the names	***deleted [AM 93]***	deleted	deleted

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of the audit partners, senior manager and manager of the core team conducting the statutory audit, certifying that there are no conflicts of interest;			
(c) request permission from the audit committee to provide the non-audit services referred to in Article 10(3)(b)(i) and (ii) to the audited entity;	***deleted [AM 94]***	deleted	deleted
(d) request permission from the competent authority referred to in Article 35(1) to provide the non-audit services referred to in Article 10(3)(b)(iii) and (iv) to the audited entity;	***deleted [AM 95]***	deleted	deleted
(e) discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats, as documented by them pursuant to paragraph 3.	AS COM	(b) discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats, as documented by them pursuant to paragraph 1.	(b) discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats, as documented by them pursuant to paragraph 1.
Where the audited entity is exempted from the obligation to have an audit committee, the audited entity shall decide which body or organ of the entity shall perform the functions assigned to the audit committee in this	AS COM	deleted	deleted

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paragraph.			
CHAPTER II CONFIDENTIALITY AND PROFESSIONAL SECRECY	*CHAPTER II CONFIDENTIALITY AND PROFESSIONAL SECRECY*	*CHAPTER II CONFIDENTIALITY AND PROFESSIONAL SECRECY*	
Article 12 Confidentiality and professional secrecy	*Article 12 Confidentiality and professional secrecy*	*Article 12 Confidentiality and professional secrecy*	deleted
Statutory auditors or audit firms, including those who have ceased to be engaged in a particular audit assignment and former statutory auditors or audit firms, shall not invoke the rules on confidentiality and professional secrecy referred to in Article 23(1) of Directive 2006/43/EC to prevent the application of the provisions of this Regulation.	AS COM	deleted	
Article 13 Disclosure to third-country auditors and to third country authorities	*deleted [AM 96]*	*Article 13 Disclosure to third-country auditors and to third country authorities* transferred to Directive, Article 23(5)	deleted

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1. Where a statutory auditor or an audit firm carries out statutory audit of a public-interest entity which is part of a group of undertakings whose parent undertaking is situated in a third country, the confidentiality and professional secrecy rules referred to in Article 23(1) of Directive 2006/43/EC shall not impede the transfer by the statutory auditor or audit firm of relevant documentation of the audit work performed to the group auditor situated in a third country if such documentation is exclusively necessary for the preparation of the audit of consolidated financial statements of the parent undertaking.	***deleted [AM 96]***		
The transfer of information to the group auditor situated in a third country shall comply with Chapter IV of Directive 95/46/EC and the applicable national rules on personal data protection.	***deleted [AM 96]***		

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2. A statutory auditor or audit firm that carries out statutory audit of a public-interest entity which has issued securities in a third country or which forms part of a group issuing statutory consolidated financial statements in a third country may only transfer the audit working papers or other documents related to the audit of that entity that he, she or it holds to the competent authorities in the relevant third countries under the conditions set out in Article 47 of Directive 2006/43/EC.	***deleted [AM 96]***		
CHAPTER III PERFORMANCE OF THE STATUTORY AUDIT	*CHAPTER III PERFORMANCE OF THE STATUTORY AUDIT*	*CHAPTER III PERFORMANCE OF THE STATUTORY AUDIT*	
Article 14 Scope of the statutory audit	*deleted [AM 97]*	*Article 14 Scope of the statutory audit* transferred to Directive, Article 23(5)	deleted
1. When carrying out the statutory audit of a public-interest entity, the statutory auditor or audit firm shall take the necessary steps with a view to forming an opinion as to	***deleted [AM 97]***		

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whether the annual or consolidated financial statements of the public-interest entity give a true and fair view in accordance with the relevant financial reporting framework and, where appropriate, whether such annual or consolidated financial statements comply with statutory requirements as referred to in Article 22.			
Such steps shall include at least the requirements set out in Articles 15 to 20.	***deleted [AM 97]***		
The opinion of the statutory auditor or audit firm shall be expressed in accordance with Articles 21 to 25.	***deleted [AM 97]***		
2. Without prejudice to the reporting requirements as referred to in Articles 22 and 23, the scope of statutory audit shall not include the assurance on the future viability of the audited entity nor the efficiency or effectiveness with which the management or administrative body has conducted or will conduct the affairs of the entity.	***deleted [AM 97]***		

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Article 15 ***Professional scepticism***	*Article 15* *Professional scepticism*	*Article 15* *Professional scepticism* transferred to the Directive, Article 22e	deleted
When carrying out the statutory audit of a public-interest entity, the statutory auditor or audit firm shall maintain professional scepticism throughout the audit, recognizing the possibility that a material misstatement due to facts or behaviour indicating irregularities, including fraud or error could exist, notwithstanding the auditor's or firm's past experience of the honesty and integrity of the audited entity's management and of the persons charged with its governance. ***The statutory auditor or the audit firm shall maintain professional scepticism in particular when reviewing management estimates relating to fair values and the impairment of goodwill and other intangible and future cash***	***deleted [AM 98]***		

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flow relevant to the consideration of the going concern.			
For the purposes of this Article, 'professional scepticism' means an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud and a critical assessment of audit evidence.	***deleted [AM 98]***		
Article 16 ***Organisation of the work***		*Article 16* *Organisation of the work* Transferred to the Directive, Article 22f	deleted
1. When the statutory audit of a public-interest entity is carried out by an audit firm, that audit firm shall designate at least one key audit partner. The audit firm shall provide the designated audit partner(s) with sufficient ressources to carry out his, her or their duties appropriately.	***deleted [AM 99]***		
Securing audit quality, independence and competence shall be the main criteria for the audit firm to select the key audit	***deleted [AM 99]***		

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partner(s) to be designated. The designated audit partner(s) shall be actively involved in the carrying out of the statutory audit.			
2. When the statutory audit of a public-interest entity is carried out by a statutory auditor, he or she shall devote sufficient time to the engagement and shall assign sufficient ressources among his or her employees to carry our his or her duties appropriately.	***deleted [AM 99]***		
3. The statutory auditor or the audit firm shall keep records of the cases in which their employees do not respect this Regulation. They shall also keep records of any consequence thereof, including the measures taken towards those employees and the measures taken to modify the internal quality control system. The statutory auditor or the audit firm shall prepare an annual report with an overview of any such measures taken and communicate it to the employees.	***deleted [AM 99]***		

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When the statutory auditor or the audit firm ask external experts for advice, he, she or it shall document the request made and advice received.	***deleted [AM 99]***		
4. A statutory auditor or an audit firm shall maintain a client account record. Such record shall include the following data for each audit client:	***deleted [AM 99]***		
(a) the name, the address and the place of business;	***deleted [AM 99]***		
(b) in the case of an audit firm, the key audit partner(s);	***deleted [AM 99]***		
(c) the fees charged for the statutory audit and the fees charged for other services in any financial year.	***deleted [AM 99]***		
5. A statutory auditor or an audit firm shall create an audit file for each statutory audit carried out. The audit file shall contain at least the following data and documents, either in paper form or in electronic form:	***deleted [AM 99]***		
(a) the contract between the statutory auditor or the audit firm and the audited entity, and any amendments thereto;	***deleted [AM 99]***		

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(b) the correspondence with the audited entity related to the statutory audit;	***deleted [AM 99]***		
(c) an audit plan setting out the probable scope and method of the statutory audit;	***deleted [AM 99]***		
(d) a description of the nature and the extent of the auditing activities carried out;	***deleted [AM 99]***		
(e) the starting and ending dates of the phases of audit procedures set out in the audit plan;	***deleted [AM 99]***		
(f) the principal findings of the audit procedures carried out;	***deleted [AM 99]***		
(g) the conclusions drawn from the findings referred to under point (f);	***deleted [AM 99]***		
(h) the opinion of the statutory auditor or the key audit partner as evidenced by the drafts of the reports referred to in Articles 22 and 23;	***deleted [AM 99]***		
(i) the data recorded pursuant to Article 11(3), Article 16(3), Articles 17 and 18 and 19(6);	***deleted [AM 99]***		
(j) other relevant data and documents that are of importance in support of the reports referred to in Articles 22	***deleted [AM 99]***		

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and 23 and for monitoring compliance with this Regulation and other applicable legal requirements.			
The audit file shall be closed no later than two months after the date of signature of the audit report referred to in Article 22.	***deleted [AM 99]***		
6. The statutory auditor or the audit firm shall keep records of any complaints about the performance of the statutory audits.	***deleted [AM 99]***		
Article 17 *Market integrity*		*Article 17* *Irregularities*	*Article 17* *Irregularities*
1. Where an incident which has or may have serious consequences for the integrity of the statutory audit activities of a statutory auditor or an audit firm occurs, the statutory auditor or the audit firm shall:	***deleted [AM 100]***	deleted	deleted
(a) keep record of the incident;	***deleted [AM 100]***	deleted	deleted
(b) take appropriate measures with a view to managing the consequences of the incident and prevent any recurrence;	***deleted [AM 100]***	deleted	deleted
(c) inform the competent authority referred to in Article	***deleted [AM 100]***	deleted	deleted

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35(1) of the incident.			
The record referred in point (a) of the first subparagraph shall include the facts and circumstances of the incident, information about the person or persons involved and details of the measures that have been taken pursuant to point (b) of that subparagraph.	***deleted [AM 100]***	deleted	deleted
2. Without prejudice to Directive 2005/60/EC, when a statutory auditor or an audit firm carrying out the statutory audit of a public-interest entity suspects or has reasonable grounds to suspect that facts or behaviour indicating irregularities, including fraud with regard to the financial statements of the audited entity is being or has been committed or attempted, he, she or it shall inform the audited entity and invite it to investigate the matter and take appropriate measures to deal with such irregularities and to prevent any recurrence of such irregularities in the future.	***deleted [AM 100]***	Without prejudice to Article 25 and Directive 2005/60/EC, when a statutory auditor or an audit firm carrying out the statutory audit of a public-interest entity suspects or has reasonable grounds to suspect that […] irregularities […] with regard to the financial statements of the audited entity may occur or have occured, he, she or it shall inform the audited entity and invite it to investigate the matter and take appropriate measures to deal with such irregularities and to prevent any recurrence of such irregularities in the future.	Without prejudice to Article 25 and Directive 2005/60/EC, when a statutory auditor or an audit firm carrying out the statutory audit of a public-interest entity suspects or has reasonable grounds to suspect that irregularities, including fraud with regard to the financial statements of the audited entity may occur or have occured, he, she or it shall inform the audited entity and invite it to investigate the matter and take appropriate measures to deal with such irregularities and to prevent any recurrence of such irregularities in the future.

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Where the audited entity does not investigate the matter or does not take any measures, or where the statutory auditor or audit firm believes that the measures taken by the audited entity are not adequate to deal with such irregularities, the statutory auditor or audit firm shall inform the competent authorities supervising public-interest entities of such irregularities.	***deleted [AM 100]***	Where the audited entity does not investigate the matter […], the statutory auditor or audit firm shall inform the authorities as defined by the Member States for investigating such irregularities.	Where the audited entity does not investigate the matter, the statutory auditor or audit firm shall inform the authorities as defined by the Member States responsible for investigating such irregularities.
The disclosure in good faith to the competent authorities, by the statutory auditor or audit firm, of any fact referred to in the first subparagraph shall not constitute a breach of any contractual or legal restriction on disclosure of information and shall not involve such persons in liability of any kind.	***deleted [AM 100]***	The disclosure in good faith to the […] authorities, by the statutory auditor or audit firm, of any irregularities referred to in the first subparagraph shall not constitute a breach of any contractual or legal restriction on disclosure of information […].	The disclosure in good faith to those authorities, by the statutory auditor or audit firm, of any irregularities referred to in the first subparagraph shall not constitute a breach of any contractual or legal restriction on disclosure of information.

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Article 18 ***Audit of consolidated financial statements***		*Article 18* *Audit of consolidated financial statements* transferred to the Directive, Article 27	deleted
1. In the case of a statutory audit of the consolidated financial statements of a group of undertakings where the parent undertaking is a public-interest entity, the group auditor shall:	***deleted [AM 101]***		
(a) bear the full responsibility for the audit report referred to in Article 22 and the additional report to the audit committee referred to in Article 23 in relation with the consolidated financial statements;	***deleted [AM 101]***		
(b) document which audit work is performed by third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) for the purpose of the group audit;	***deleted [AM 101]***		
(c) carry out a review and maintain documentation of his, her or its review of the audit work performed by third-country	***deleted [AM 101]***		

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auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) for the purpose of the group audit. The documentation retained by the group auditor shall enable the relevant competent authority to review the work of the group auditor properly.			
For the purpose of point (c) of the first subparagraph, the group auditor shall secure the agreement of the third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) to the transfer of relevant documention during the conduct of the audit of consolidated financial statements, as a condition of the reliance by the group auditor on the work of that third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s).	***deleted [AM 101]***		

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2. Where the group auditor is not in a position to comply with point (c) of the first subparagraph of paragraph 1, he, she or it shall take appropriate measures and inform the competent authority referred to in Article 35(1) accordingly.	***deleted [AM 101]***		
Such measures may include carrying out additional statutory audit work, either directly or by outsourcing such tasks, in the relevant subsidiary of the public-interest entity.	***deleted [AM 101]***		
3. Where the group auditor is subject to a quality assurance review or an investigation concerning the statutory audit of the consolidated financial statements of a group of undertakings where the parent undertaking is a public-interest entity, the group auditor shall, when requested, make available to the competent authority the relevant documention he, she or it mantains concerning the audit work performed by third-country auditor(s), statutory auditor(s),	***deleted [AM 101]***		

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third-country audit entity(ies) or audit firm(s) for the purpose of the group audit, including the working papers relevant to the group audit.			
The competent authority shall request additional documentation on the audit work performed by statutory auditor(s) or audit firm(s) for the purpose of the audit group to the relevant competent authorities pursuant to Chapter III of Title IV of this Regulation.	***deleted [AM 101]***		
When a component of a group of undertakings is audited by auditor(s) or audit entity(ies) from a third country, the competent authority shall request additional documentation on the audit work performed by third-country auditor(s) or third-country audit entity(ies) to the relevant competent authorities from third countries through the working arrangements referred to in Article 47 of Directive 2006/43/EC.	***deleted [AM 101]***		

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By way of derogation from the third subparagraph, when a component of a group of undertakings is audited by auditor(s) or audit entity(ies) from a third country that has no working arrangement as referred to in Article 47 of Directive 2006/43/EC, the group auditor shall, when requested, also be responsible for ensuring proper delivery of the additional documentation of the audit work performed by third-country auditor(s) or audit entity(ies), including the working papers relevant to the group audit. To ensure such delivery, the group auditor shall retain a copy of such documentation, or alternatively agree with the third-country auditor(s) or audit entity(ies) his, her or its proper and unrestricted access upon request, or take any other appropriate action. Where audit working papers for legal or other reasons cannot be passed from a third country to the group	***deleted [AM 101]***		

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auditor, the documentation retained by the group auditor shall include evidence that he or she has undertaken the appropiate procedures in order to gain access to the audit documentation, and in the case of impediments other than legal ones arising from the legislation of the third country, evidence supporting such an impediment.			
Article 19 *Internal quality control review*		*Article 19* *Engagement quality control review*	*Article 19* *Engagement quality control review*
1. Before the reports referred to in Articles 22 and 23 are issued, an internal quality control review shall be performed to assess whether the statutory auditor or the key audit partner could reasonably have come to the opinion and conclusions expressed in the draft of these reports.	***deleted [AM 102]***	1. Before the reports referred to in Articles 22 and 23 are issued, an engagement quality control review shall be performed to assess whether the statutory auditor or the key audit partner could reasonably have come to the opinion and conclusions expressed in the draft of these reports.	1. Before the reports referred to in Articles 22 and 23 are issued, an engagement quality control review shall be performed to assess whether the statutory auditor or the key audit partner could reasonably have come to the opinion and conclusions expressed in the draft of these reports.
2. The internal quality control review shall be performed by an internal quality control reviewer.	***deleted [AM 102]***	2. The engagement quality control review shall be performed by an engagement quality control	2. The engagement quality control review shall be performed by an engagement quality control

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Such reviewer shall be a statutory auditor who is not involved in the performance of the statutory audit to which the internal quality review relates.		reviewer. Such reviewer shall be a statutory auditor who is not involved in the performance of the statutory audit to which the engagement quality control review relates.	reviewer. Such reviewer shall be a statutory auditor who is not involved in the performance of the statutory audit to which the engagement quality control review relates.
		2a. By derogation from paragraph 2 above, where the audit is carried out by an audit firm where all the statutory auditors were involved in the performance of the statutory audit, or where the statutory audit is carried out by a statutory auditor and the statutory auditor is not a member of an audit firm, he/she/it shall arrange that another statutory auditor shall perform an engagement quality control review. The disclosure of documents or information to the independent reviewer for the purposes of this Article shall not constitute a breach of professional secrecy. Documents or information disclosed to the engagement quality reviewer for the purposes of this Article shall be subject to professional secrecy.	2a. By derogation from paragraph 2 above, where the audit is carried out by an audit firm where all the statutory auditors were involved in the performance of the statutory audit, or where the statutory audit is carried out by a statutory auditor and the statutory auditor is not a member of an audit firm, he/she/it shall arrange that another statutory auditor shall perform an engagement quality control review. The disclosure of documents or information to the independent reviewer for the purposes of this Article shall not constitute a breach of professional secrecy. Documents or information disclosed to the engagement quality reviewer for the purposes of this Article shall be subject to professional

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			secrecy.
3. When reviewing the internal quality control, the reviewer shall record at least the following:	***deleted [AM 102]***	3. When performing the engagement quality control review, the reviewer shall record at least the following:	3. When performing the engagement quality control review, the reviewer shall record at least the following:
(a) the oral and written information provided by the statutory auditor or key audit partner to support the main findings of the audit procedures carried out and the conclusions drawn from those findings, whether or not at the request of the internal quality control reviewer;	***deleted [AM 102]***	(a) the oral and written information provided by the statutory auditor or key audit partner to support the main findings of the audit procedures carried out and the conclusions drawn from those findings, whether or not at the request of the engagement quality control reviewer;	(a) the oral and written information provided by the statutory auditor or key audit partner to support the significant judgements and the main findings of the audit procedures carried out and the conclusions drawn from those findings, whether or not at the request of the engagement quality control reviewer;
(b) the audited financial statements;	***deleted [AM 102]***	deleted	deleted
(c) the main findings of the audit procedures carried out and the conclusions drawn from those findings;	***deleted [AM 102]***	deleted	deleted
(d) the opinions of the statutory auditor or key audit partner, as expressed in the draft of the reports referred to in Articles 22 and 23;	***deleted [AM 102]***	AS COM	(d) the opinions of the statutory auditor or key audit partner, as expressed in the draft of the reports referred to in Articles 22 and 23;

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4. The internal quality control review shall at least assess the following elements:	***deleted [AM 102]***	4. The engagement quality control review shall at least assess the following elements:	4. The engagement quality control review shall at least assess the following elements:
(a) the independence of the statutory auditor or audit firm from the audited entity;	***deleted [AM 102]***	AS COM	(a) the independence of the statutory auditor or audit firm from the audited entity;
(b) the significant risks that the statutory auditor or key audit partner has identified during the performance of the statutory audit and the measures that he or she has taken to adequately manage those risks;	***deleted [AM 102]***	(b) the significant risks which are relevant to the statutory audit and which the statutory auditor or key audit partner has identified during the performance of the statutory audit and the measures that he or she has taken to adequately manage those risks;	(b) the significant risks which are relevant to the statutory audit and which the statutory auditor or key audit partner has identified during the performance of the statutory audit and the measures that he or she has taken to adequately manage those risks;
(c) the reasoning of the statutory auditor or key audit partner, in particular with regard to the materiality and the significant risks referred to in point (b);	***deleted [AM 102]***	(c) the reasoning of the statutory auditor or key audit partner, in particular with regard to the level of materiality and the significant risks referred to in point (b);	(c) the reasoning of the statutory auditor or key audit partner, in particular with regard to the level of materiality and the significant risks referred to in point (b);
(d) any request for advice to external experts and the implementation of such advice;	***deleted [AM 102]***	AS COM	(d) any request for advice to external experts and the implementation of such advice;
(e) the nature and scope of the corrected and uncorrected misstatements in the financial statements that were identified during the performance of the audit;	***deleted [AM 102]***	AS COM	(e) the nature and scope of the corrected and uncorrected misstatements in the financial statements that were identified during the performance of the audit;

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(f) the subjects discussed with the audit committee and the management and/or supervisory bodies of the audited entity;	***deleted [AM 102]***	AS COM	(f) the subjects discussed with the audit committee and the management and/or supervisory bodies of the audited entity;
(g) the subjects discussed with competent authorities and, if applicable, with other third parties;	***deleted [AM 102]***	AS COM	(g) the subjects discussed with competent authorities and, if applicable, with other third parties;
(h) whether the documents and information selected from the file satisfactorily reflect the positions taken by the employees involved in the audit, and whether such documents and information support the opinion of the statutory auditor or key audit partner as expressed in the draft of the reports referred to in Articles 22 and 23.	***deleted [AM 102]***	(h) whether the documents and information selected from the file by the engagement quality control reviewer support the opinion of the statutory auditor or key audit partner as expressed in the draft of the reports referred to in Articles 22 and 23.	(h) whether the documents and information selected from the file by the engagement quality control reviewer support the opinion of the statutory auditor or key audit partner as expressed in the draft of the reports referred to in Articles 22 and 23.
5. The internal quality control reviewer shall discuss the results of the internal quality control review with the statutory auditor or the key audit partner. The statutory auditor or the audit firm shall determine the procedure to be followed when the reviewer and the statutory auditor or the key audit partner	***deleted [AM 102]***	5. The engagement quality control reviewer shall discuss the results of the engagement quality control review with the statutory auditor or the key audit partner. The audit firm shall establish procedures for determining the manner in which any disagreement between the key audit partner and the engagement quality reviewer are to be	5. The engagement quality control reviewer shall discuss the results of the engagement quality control review with the statutory auditor or the key audit partner. The audit firm shall establish procedures for determining the manner in which any disagreement between the key audit partner and the engagement

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do not agree on the results of the review.		resolved.	quality reviewer are to be resolved.
6. The statutory auditor or the audit firm shall keep record of the results of the internal quality control review, together with the considerations underlying those results.	***deleted [AM 102]***	6. The audit firm or the statutory auditor and the engagement quality reviewer shall keep a record of the results of the engagement quality control review, together with the considerations underlying those results.	6. The statutory audit or the audit firm and the engagement quality reviewer shall keep a record of the results of the engagement quality control review, together with the considerations underlying those results.
Article 20 ***Use of international standards on auditing***		*Article 20* *Use of international standards on auditing*	***Article 20*** ***~~Use of~~ International standards on auditing***
The statutory auditor(s) or the audit firm(s) shall comply with the international auditing standards referred to in Article 26 of Directive 2006/43/EC when carrying out the statutory audit of public-interest entities as long as those standards are in conformity with the requirements of this Regulation.	***deleted [AM 103]***	deleted	The Commission shall be empowered to adopt by means of delegated acts in accordance with Article 68 the international auditing standards referred to in Article 26 of Directive 20006/43/EC in the area of audit practice, independence of and internal controls of statutory auditors and audit firms for the purposes of their application within the Union. The international auditing standards may only be adopted if

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			they meet the requirements of points (a), (b) and (c) of Article 26(2a) of Directive 20006/43/EC and do not amend the requirements set out in Chapters I and III of Title II and Articles 21-23, 33 and 40 of this Regulation.
CHAPTER IV AUDIT REPORTING		CHAPTER IV AUDIT REPORTING	
Article 21 Results of the statutory audit		*Article 21* *Results of the statutory audit*	deleted
The statutory auditor or the audit firm shall present the results of the statutory audit in the following reports: - an audit report in accordance with Article 22;	AS COM	AS COM	
- an additional report to the audit committee in accordance with Article 23.	AS COM	AS COM	
The statutory auditor or the audit firm shall present the results of the statutory audit to the audit committee of the audited entity in accordance with Article 24 and to supervisors of public-interest entities in accordance with Article 25.	AS COM	deleted	

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Article 22 *Audit Report*		*Article 22* *Audit Report*	*Article 22* *Audit Report*
1. The statutory auditor or the audit firm shall present the results of the statutory audit of the public-interest entity in an audit report.	1. The statutory auditor or the audit firm shall present the results of the statutory audit of the public-interest entity in an audit report ***prepared in accordance with the international auditing standards referred to in Article 26 of Directive 2006/43/EC***. deleted **[AM 104]**	1. The statutory auditor(s) or the audit firm(s) shall present the results of the statutory audit of the public-interest entity in an audit report.	1. The statutory auditor(s) or the audit firm(s) shall present the results of the statutory audit of the public-interest entity in an audit report.
2. The audit report shall be in writing. It shall at least:	2. The audit report shall be in writing ***and in electronic form***. It shall at least: **[AM 105]**	2. The audit report shall be prepared in accordance with the provisions of Article 28 of Directive 2006/43/EC and additionally shall at least:	2. The audit report shall be prepared in accordance with the provisions of Article 28 of Directive 2006/43/EC and additionally shall at least:
(a) identify the entity whose annual or consolidated financial statements have been audited;	AS COM	transferred to Article 28(1)(a) of the Directive	
(b) **specify** *the annual or consolidated financial statements* **and** *the date* **and** *period* **they cover***;*	(b) ***identify the title of each financial statement included in*** the annual or consolidated financial statements ***of the individual entity or consolidated group and state*** the date ***of, or the*** period ***covered by, each financial statement***; **[AM 106]**	transferred to Article 28(1)(a) of the Directive	

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(c) explain, where additional reports have been reviewed, the scope of such review;	***deleted [AM 107]***	(c) explain, where additional reports required by the national law of the Member State, have been reviewed and/or audited, the scope of such review/audit;	~~(c) explain, where additional reports required by the national law of the Member State, have been reviewed and/or audited, the scope of such review/audit;~~
	(ca) express an opinion on: [AM 108]		
	(i) whether the management report is consistent with the financial statements for the same financial year; [AM 108]		
	(ii)whether the management report has been prepared in accordance with the applicable legal requirements; [AM 108]		
	(cb) state whether, in the light of knowledge and understanding of the undertaking and its environment obtained during the course of the audit, the statutory auditor or audit firm has identified material misstatements in the management report, and give an indication of the nature of any such misstatements; [AM 109]		
(d) ***identify*** which body ***within the audited entity appointed*** the statutory auditor(s) or the audit	(d) ***if not already disclosed in the management report or the annual financial statements for***	deleted	(d) state by whom or by which body the statutory auditor(s) or audit firm(s) was appointed;

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firm(s);	***the same financial year, state by whom or by*** which body the statutory auditor(s) or audit firm(s) ***was appointed***; **[AM 110]**		
(e) indicate the date of the appointment and the period of total uninterrupted engagement including previous renewals and reappointments;	(e) ***if not already disclosed in the management report or the annual financial statements for the same financial year,*** indicate the date of the appointment ***of the statutory auditor(s) or audit firm*** and the period of total uninterrupted engagement***,*** including previous renewals and reappointments***, of the statutory auditor(s) or audit firm***; **[AM 111]**	(e) indicate the date of the appointment and the period of total uninterrupted engagement including previous renewals and reappointments of the statutory auditor(s) or audit firm(s)	(e) indicate the date of the appointment and the period of total uninterrupted engagement including previous renewals and reappointments of the statutory auditor(s) or audit firm(s)
(f) indicate that the statutory audit was conducted in accordance with the international standards on auditing ***as*** referred to in ***Article 20***;	(f) indicate that the statutory audit was conducted in accordance with the international standards on auditing referred to in ***Article 26 of Directive 2006/43/EC***; **[AM 112]**	deleted	deleted
	(fa) provide, in support of the audit opinion, as required by point (t), the following: [AM 113]		(fa) provide, in support of the audit opinion, the following:
	(i) a description of the most important assessed risks of material misstatement, including assessed risks of material		(i) a description of the most significant assessed risks of material misstatement, including assessed risks of material

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	misstatement due to fraud; [AM 113]		misstatement due to fraud;
	(ii) a summary of the auditor's response to those risks; and [AM 113]		(ii) a summary of the auditor's response to those risks; and
	(iii) key observations arising from the audit work. [AM 113]		(iii) where relevant, key observations arising with respect to those risks.
	Where relevant to the above information provided in the audit report concerning each significant audit risk, a clear reference to the relevant disclosures in the financial statements shall be provided. [AM 113]		Where relevant to the above information provided in the audit report concerning each significant audit risk, a clear reference to the relevant disclosures in the financial statements shall be provided.
	The information to be disclosed in the audit report, as referred to above, in respect of the most important assessed risks of material misstatement shall be selected from the matters discussed with the audit committee of the entity in accordance with the requirements imposed by the international auditing standards referred to in Article 26 of Directive 2006/43/EC; [AM 113]		

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(g) identify the financial reporting framework that has been applied in the preparation of the financial statements;	AS COM	transferred to Article 28(1)(a) of the Directive	deleted
(h) describe the used methodology, including how much of the balance sheet has been directly verified and how much has been based on system and compliance testing;	***deleted [AM 114]***	transferred to Article 23(2)(ea)	deleted
(i) explain any variation in the weighting of substantive and compliance testing when compared to the previous year, even if the previous year's statutory audit had been conducted by another statutory auditor(s) or audit firm(s);	***deleted [AM 115]***	transferred to Article 23(2)(eb)	deleted
(j) lay out the details of the level of materiality applied to perform the statutory audit;	***deleted [AM 116]***	transferred to Article 23(2)(ec)	deleted
(k) identify key areas of risk of material misstatement of the annual or consolidated financial statements, including critical accounting estimates or areas of measurement uncertainty;	***deleted [AM 117]***	transferred to Article 28(1)(f2) of the Directive	deleted

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(l) provide ***a statement on the situation of the audited entity or, in case of the statutory audit of consolidated financial statements, of the parent undertaking and the group, especially an assessment of*** the entity's ***or the parent undertaking's and group's*** ability to ***meet its/their obligation in the foreseeable future and therefore*** continue as a going concern;	(l) provide***: [AM 118]***	transferred to Article 28(1)(f1) of the Directive	deleted
	(i) a conclusion on the appropriateness of management's use of the going concern assumption in the preparation of the financial statements in accordance with the applicable financial reporting framework; and [AM 118]		
	(ii) a statement as to whether, based on the audit, the auditor has identified any material uncertainty relating to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern; ***[AM 118]***		

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(m) assess the entity's or, in case of consolidated financial statements, the parent undertaking's internal control system, including significant internal control deficiencies identified during the statutory audit, as well as the bookkeeping and accounting system;	***deleted [AM 119]***	transferred to Article 23(2)(ga)	deleted
(n) explain to what extent the statutory audit was designed to detect irregularities, including fraud;	***deleted [AM 120]***	(n) explain to what extent the statutory audit was considered capable of detecting irregularities, including fraud;	(n) explain to what extent the statutory audit was considered capable of detecting irregularities, including fraud;
(o) indicate and explain any violation of accounting rules or violation of laws or the articles of incorporations, accounting policy decisions and other matters that are significant for the governance of the entity;	***deleted [AM 121]***	deleted	deleted
	(oa) identify any breach of accounting or legal requirements that are significant to the governance of the entity or to its continued operation; [AM 122]		
(p) confirm that the audit opinion is consistent with the additional report to the audit committee referred to in Article 23;	AS COM	**AS COM**	(p) confirm that the audit opinion is consistent with the additional report to the audit committee referred to in Article 23;

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(q) declare that the non-audit services referred to in Article 10(3) were not provided and that the statutory auditor(s) or the audit firm(s) remained ***completely*** independent in conducting the audit. Where the statutory audit was carried out by an audit firm, the report shall ***identify each member of the audit engagement team and shall*** state that all members remained ***completely*** independent ***and had no direct or indirect interest in*** the audited entity;	(q) declare that the ***prohibited*** non-audit services referred to in Article 10(3) were not provided and that the statutory auditor(s) or the audit firm(s) remained independent in conducting the audit***; indicate the assurance services, tax advisory services and other non-audit services referred to in Article 10(2) provided to the public-interest entity, as approved by the audit committee***. Where the statutory audit was carried out by an audit firm, the report shall state that all members ***of the engagement team*** remained independent ***of*** the audited entity; ***[AM 123]***	(q) declare that the prohibited non-audit services referred to in Article 10(1) were not provided and that the statutory auditor(s) or the audit firm(s) remained […] independent of the audited entity in conducting the audit; Second sentence transferred to Article 23(2)(a)	(q) declare that the prohibited non-audit services referred to in Article 10(1) were not provided and that the statutory auditor(s) or the audit firm(s) remained independent of the audited entity in conducting the audit;
(r) indicate the non-audit services referred to in Article 10(3)(b)(i) and (ii) that the audit committee allowed the statutory auditor or the audit firm to provide to the audited entity;	***deleted [AM 124]***	deleted	deleted
(s) indicate the non-audit services referred to in Article 10(3)(b)(iii) and (iv) that the competent authority referred to in Article 35(1) allowed the	***deleted [AM 125]***	deleted	deleted

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statutory auditor or the audit firm to provide to the audited entity;			
(t) give an opinion which shall state clearly the opinion of the statutory auditor(s) or the audit firm(s) as to whether the annual or consolidated financial statements give a true and fair view ***and have been prepared in accordance with the relevant financial reporting framework and, where appropriate, whether the annual or consolidated financial statements*** comply with statutory requirements; the audit opinion shall be either ***unqualified***, qualified, an adverse opinion or, if the statutory auditor(s) or audit firm(s) are unable to express an audit opinion, a disclaimer of opinion. In case of a qualified or an adverse opinion or a disclaimer of opinion, the report shall explain the reasons *of* such decision;	(t) give an opinion which shall state clearly the opinion of the statutory auditor(s) or the audit firm(s) as to whether the annual or consolidated financial statements give a true and fair view ***of the financial position of the individual entity or consolidated group and of its financial performance and its cash flows and*** comply with statutory ***accounting*** requirements; the audit opinion shall be either ***unmodified***, qualified, an adverse opinion or, if the statutory auditor(s) or audit firm(s) are unable to express an audit opinion, a disclaimer of opinion. In *the* case of a qualified or an adverse opinion or a disclaimer of opinion, the report shall explain the reasons *for* such decision; **[AM 126]**	deleted except the final sentence transferred to 28(1)(f) of the Directive	deleted

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(u) refer to any matters to which the statutory auditor(s) or the audit firm(s) draw attention by way of emphasis without ***qualifying*** the audit opinion;	(u) refer to any ***other*** matters to which the statutory auditor(s) or the audit firm(s) ***also*** draw attention by way of emphasis without ***modifying*** the audit opinion; **[AM 127]**	deleted	deleted
(v) give an opinion concerning the consistency or otherwise of the annual report with the annual financial statements for the same fiscal year;	***deleted [AM 128]***	deleted	deleted
(w) identify where the statutory auditor(s) or audit firm(s) is established.	***deleted [AM 129]***	moved to 28(1)(g) of Directive	deleted
		(x) indicate any services, in addition to the statutory audit, which were provided by the statutory auditor or audit firm to the audited entity and its controlled undertaking, and which have not been disclosed in the annual report or financial statements.	(x) indicate any services, in addition to the statutory audit, which were provided by the statutory auditor or audit firm to the audited entity and its controlled undertaking, and which have not been disclosed in the annual report or financial statements.
		Member States may set additional requirements in relation to the content of the audit report.	Member States may set additional requirements in relation to the content of the audit report.

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3. When more than one statutory auditor or audit firm *have* been appointed to carry out the statutory audit of the public-interest entity, ***they*** shall agree on the results of the statutory audit and submit a joint report and opinion. ***In case of disagreement, each statutory auditor or audit firm shall submit his, her or its opinion separately. If one statutory auditor or audit firm qualifies his, her or its opinion, submits an adverse opinion or a disclaimer of opinion, the overall opinion shall be considered as qualified, adverse opinion or a disclaimer of opinion. In a separate paragraph each statutory auditor or audit firm shall state the reasons of disagreement.***	3. When more than one statutory auditor or audit firm *has* been appointed to carry out the statutory audit of the public-interest entity, ***the statutory auditors or audit firms in question*** shall agree on the results of the statutory audit and submit a joint report and opinion. **[AM 130]**	transferred to Article 28(1b) of the Directive	deleted
4. The audit report shall not ***be longer than four pages or 10000 characters (without spaces). It shall not*** contain any cross-references to the additional report to the audit committee referred to in Article 23.	4. The audit report shall not contain any cross-references to the additional report to the audit committee referred to in Article 23. **[AM 131]**	4. Except as required at paragraph 2(p) above the audit report shall not […] contain any cross-references to the additional report to the audit committee referred to in Article 23 and shall be in clear and unambiguous language.	4. Except as required at paragraph 2(p) above the audit report shall not contain any cross-references to the additional report to the audit committee referred to in Article 23 and shall be in clear and unambiguous language.

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5. The audit report shall be signed and dated by the statutory auditor(s) or the audit firm(s). Where an audit firm carries out the statutory audit, the audit report shall be signed by ***at least*** the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm.	5. The audit report shall be signed and dated by the statutory auditor(s) or the audit firm(s). Where an audit firm carries out the statutory audit, the audit report shall be signed by the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm. **[AM 132]**	Included in Article 28(2) of the Directive	deleted
6. Article 35 of Directive [XXX] on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings shall not apply to audit reports of public-interest entities.	***deleted [AM 133]***	deleted	deleted
7. The statutory auditor or audit firm shall not use the name of any competent authority in such a way that would indicate or suggest endorsement or approval by that authority of the audit report.	AS COM	7. The statutory auditor or audit firm shall not use the name of any competent authority in […] a way that would indicate or suggest endorsement or approval by that authority of the audit report.	7. The statutory auditor or audit firm shall not use the name of any competent authority in a way that would indicate or suggest endorsement or approval by that authority of the audit report.

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Article 23 *Additional report to the audit committee*		*Article 23* ***Additional report to the audit committee***	*Article 23* ***Additional report to the audit committee***
1. The statutory auditor(s) or the audit firm(s) carrying out statutory audit of public-interest entities shall submit an additional report to the audit committee of the audited entity.	AS COM	1. The statutory auditor(s) or the audit firm(s) carrying out statutory audit of public-interest entities shall submit an additional report to the audit committee of the audited entity. <u>This additional report shall be submitted to the audit committee of the audited entity not later than the audit report referred to in article 22. Member States may additionally require that this additional report be submitted to the administrative or supervisory board of the audited entity.</u>	1. The statutory auditor(s) or the audit firm(s) carrying out statutory audit of public-interest entities shall submit an additional report to the audit committee of the audited entity. This additional report shall be submitted to the audit committee of the audited entity not later than the audit report referred to in article 22. Member States may additionally require that this additional report be submitted to the administrative or supervisory board of the audited entity.
If the audited entity does not have an audit committee, the additional report shall be submitted to the body performing equivalent functions within the audited entity.	AS COM	If the audited entity does not have an audit committee, the additional report shall be submitted to the body performing equivalent functions within the audited entity. <u>Member States may allow the audit committee to provide this report to such third parties as provided in national law.</u>	If the audited entity does not have an audit committee, the additional report shall be submitted to the body performing equivalent functions within the audited entity. Member States may allow the audit committee to provide this report to such third parties as provided in national law.

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The audit committee or the body performing equivalent functions shall ***be allowed to*** transmit the additional report to the management, administrative or supervisory body of the audited entity.	The audit committee or the body performing equivalent functions shall transmit the additional report to the management, administrative or supervisory body of the audited entity. **[AM 134]**	deleted	deleted
The additional report shall be disclosed to the general meeting of the audited entity if the management or administrative body of the audited entity so decides.	***deleted [AM 135]***	deleted	deleted
2. The additional report to the audit committee shall be in writing. It shall explain in detail and explicitly the results of the statutory audit carried out and shall at least:	AS COM	2. The additional report to the audit committee shall be in writing. It shall explain […] the results of the statutory audit carried out and shall at least:	2. The additional report to the audit committee shall be in writing. It shall explain the results of the statutory audit carried out and shall at least:
(a) include a declaration of independence **as provided for in point (q) of Article 22(2)**;	(a) include a declaration of independence; **[AM 136]**	(a) include the declaration of independence referred to in the paragraph 1A of Article 11; Where the statutory audit was carried out by an audit firm, the report shall identify each key audit partner who was involved in the audit;	(a) include the declaration of independence referred to in the paragraph 1A of Article 11; Where the statutory audit was carried out by an audit firm, the report shall identify each key audit partner who was involved in the audit;

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		(ab) where the statutory auditor or audit firm has made arrangements for any of his/her activities to be conducted by another statutory auditor or audit firm that is not a part of the same network, or has used the work of external experts, the report shall indicate that fact and shall confirm that the statutory auditor or audit firm received a confirmation from the other statutory auditor or audit firm and / or the external expert regarding their independence;	(ab) where the statutory auditor or audit firm has made arrangements for any of his/her activities to be conducted by another statutory auditor or audit firm that is not a part of the same network, or has used the work of external experts, the report shall indicate that fact and shall confirm that the statutory auditor or audit firm received a confirmation from the other statutory auditor or audit firm and / or the external expert regarding their independence;
(b) ***identify the dates of the meetings*** with the audit committee ***or*** the body ***performing equivalent functions within*** the audited entity;	(b) ***describe the nature and extent of communication*** with the audit committee***,*** the ***management*** body ***and the administrative or supervisory body of*** the audited entity***, including the frequency of such communication***; **[AM 137]**	AS COM	(b) describe the nature, frequency and extent of communication with the audit committee or the body performing equivalent functions within the audited entity, the management body and the administrative or supervisory body of the audited entity, including the dates of the meetings with those bodies;
(c) identify the dates of the meetings, if any, with the management, administrative or supervisory body of the audited	***deleted [AM 138]***	**AS COM**	~~(c) identify the dates of the meetings, if any, with the management, administrative or supervisory body of the audited~~

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entity;			~~entity~~;
(d) describe the appointment procedure;	***deleted [AM 139]***	deleted	deleted
			(da) include a description of the scope and timing of the audit;
(e) describe the distribution of tasks among the statutory auditor(s)s and/or the audit firm(s);	(e) ***include a description of the scope and timing of the audit, and where relevant*** describe***:*** **[AM 140]**	(e) where two or more auditor(s) or audit firms have been appointed, describe the distribution of tasks among the statutory auditor(s)s and/or the audit firm(s);	(e) where two or more auditor(s) or audit firms have been appointed, describe the distribution of tasks among the statutory auditor(s)s and/or the audit firm(s);
		(ea) describe the methodology used, including which categories of the balance sheet have been directly verified and which have been based on system and compliance testing, including an explanation of any substantial variation in the weighting of substantive and compliance testing when compared to the previous year, even if the previous year's statutory audit had been conducted by another statutory auditor(s) or audit firm(s);	(ea) describe the methodology used, including which categories of the balance sheet have been directly verified and which have been based on system and compliance testing, including an explanation of any substantial variation in the weighting of substantive and compliance testing when compared to the previous year, even if the previous year's statutory audit had been conducted by another statutory auditor(s) or audit firm(s);

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		(ec) disclose the quantitative level of materiality applied to perform the statutory audit for the financial statements as a whole and if applicable the materiality level or levels for particular classes of transactions account balances or disclosures, and disclose the qualitative factors which were considered when setting the level of materiality;	(ec) disclose the quantitative level of materiality applied to perform the statutory audit for the financial statements as a whole and if applicable the materiality level or levels for particular classes of transactions account balances or disclosures, and disclose the qualitative factors which were considered when setting the level of materiality;
	– the distribution ***and, where appropriate, the rotation*** of tasks among the statutory auditor(s)s and/or the audit firm(s); ***and*** **[AM 140]**		
	– which audit work has been performed by third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) in the case of a statutory audit of consolidated financial statements; [AM 140]		
	(ea) include significant findings from the statutory audit including: [AM 141]		

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	(i) a statement of events or conditions identified in the course of the statutory audit that may cast significant doubt on the audited entity's ability to continue as a going concern and whether those events or conditions constitute a material uncertainty; [AM 141]		
	(ii) summary information on guarantees, comfort letters, undertakings of public intervention and other support measures that have been relied upon when making a going concern assessment; [AM 141]		
	(iii) details of material errors or omissions in the accounting records, the annual or consolidated financial statements and other reports subject to audit – if those were used and influenced the financial statements – identified during the course of the statutory audit; [AM 141]		
	(iv) matters involving non-compliance with laws and regulations identified during the		

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	course of the statutory audit, in so far as they are considered to be relevant in order to enable the audit committee to fulfil its tasks; [AM 141]		
	(v) significant deficiencies in internal control that have been identified. For each such significant deficiency, the additional report shall state whether or not the deficiency in question has been resolved by the management. In addition, it shall include information regarding any additional audit procedures performed to compensate for the deficiency in the entity's internal control in the specific areas concerned; [AM 141]		
	(vi) the views of the statutory auditor or audit firm about the significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates, valuations and financial statement disclosures; [AM 141]		

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	(vii) significant judgements as regards the application of principles of consolidation in the case of a statutory audit of consolidated financial statements; [AM 141]		
	(viii) a statement of significant difficulties encountered during the audit; [AM 141]		
	(ix) a statement of significant matters arising from the audit that were discussed, or the subject of correspondence, with the management; [AM 141]		
	(x) a statement of any other matters arising from the statutory audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process; [AM 141]		
	(xi) a statement as to whether all requested explanations and documents were provided by the audited entity. [AM 141]		
(F) INDICATE AND EXPLAIN JUDGMENTS ABOUT MATERIAL UNCERTAINTY THAT MAY CAST DOUBT	***deleted [AM 142]***	(f) report and explain judgments about events or conditions identified during the course of the audit that may cast significant	(f) report and explain judgments about events or conditions identified during the course of the audit that may cast significant

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ABOUT THE ENTITY'S ABILITY TO CONTINUE AS A GOING CONCERN;		doubt on the entity's ability to continue as a going concern and whether they constitute a material uncertainty; and provide a summary of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been taken into account when making a going concern assessment;	doubt on the entity's ability to continue as a going concern and whether they constitute a material uncertainty; and provide a summary of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been taken into account when making a going concern assessment;
(g) determine in detail whether the bookkeeping, the accounting, all audited documents, the annual or consolidated financial statements and possible additional reports show appropriateness;	***deleted [AM 143]***	deleted	deleted
		(ga) report on any significant deficiencies in the entity's or, in case of consolidated financial statements, the parent undertaking's internal financial control system, as well as in the accounting system;	(ga) report on any significant deficiencies in the entity's or, in case of consolidated financial statements, the parent undertaking's internal financial control system, as well as in the accounting system. For each such significant deficiency, the additional report shall state whether or not the deficiency in question has been resolved by the management;

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(h) indicate and explain in detail all instances of non-compliance, including non-material instances as far as it is considered to be important to the audit committee in order to fulfil its tasks;	***deleted; [AM 144]***	(h) report any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association which were identified during the course of the audit;	(h) report any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association which were identified during the course of the audit, in so far as they are considered to be relevant in order to enable the audit committee to fulfil its tasks
(i) assess the valuation methods applied to the various items in the annual or consolidated financial statements including any impact of changes of such;	***deleted [AM 145]***	(i) report and assess the valuation methods applied to the various items in the annual or consolidated financial statements including any impact of changes of such methods;	*(i) report and assess the valuation methods applied to the various items in the annual or consolidated financial statements including any impact of changes of such methods;*
(j) provide full details of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been relied upon when making a going concern assessment;	***deleted [AM 146]***	deleted	deleted
(k) confirm the attendance at stock takes as well as other instances of physical verification, in case such stock takes or verifications took place;	***deleted [AM 147]***	(k) where stocktakes or physical verifications have taken place, report any attendance at stocktakes as well as the other instances of physical verification and indicate the proportion of the total stock or other assets that was	~~(k) where stocktakes or physical verifications have taken place, report any attendance at stocktakes as well as the other instances of physical verification and indicate the proportion of the total stock or other assets that~~

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		physically verified by the auditor(s) or audit firm(s);	~~was physically verified by the auditor(s) or audit firm(s);~~
(l) indicate and explain the principles of consolidation in the case of a statutory audit of consolidated financial statements;	***deleted [AM 148]***	(l) […] in the case of a statutory audit of consolidated financial statements explain the scope of consolidation and the exclusion criteria applied to the non-consolidated entities, if any, applied by the audited entity and whether the criteria applied are in accordance with the financial reporting framework;	(l) in the case of a statutory audit of consolidated financial statements explain the scope of consolidation and the exclusion criteria applied to the non-consolidated entities, if any, applied by the audited entity and whether the criteria applied are in accordance with the financial reporting framework;
(m) indicate which audit work is performed by third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) in case of a statutory audit of consolidated financial statements;	***deleted [AM 149]***	(m) where applicable identify any audit work is performed by third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) in relation to a statutory audit of consolidated financial statements other than by members of the same network as the auditor of the consolidated financial statements;	(m) where applicable identify any audit work is performed by third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) in relation to a statutory audit of consolidated financial statements other than by members of the same network as the auditor of the consolidated financial statements;
(n) indicate whether all requested explanations and documents were provided by the audited entity.	***deleted [AM 150]***	AS COM	(n) indicate whether all requested explanations and documents were provided by the audited entity.

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		(nb) report:	(nb) report:
		(i) significant difficulties, if any, encountered during the audit;	(i) significant difficulties, if any, encountered during the audit;
		(ii) significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management; and	(ii) significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management; and
		(iii) other matters, if any, arising from the statutory audit that in the auditor's professional judgement, are significant to the oversight of the financial reporting process.	(iii) other matters, if any, arising from the statutory audit that in the auditor's professional judgement, are significant to the oversight of the financial reporting process.
		Member States may set additional requirements in relation to the content of the additional report to the audit committee.	Member States may set additional requirements in relation to the content of the additional report to the audit committee.
		Upon request by a statutory auditor, an audit firm or the audit committee, the statutory auditor(s) or audit firm(s) shall discuss key matters arising from the statutory audit, referred to in the additional report to the audit committee, and in particular in point (ga), with the audit committee, administrative body or where applicable supervisory body of the audited	Upon request by a statutory auditor, an audit firm or the audit committee, the statutory auditor(s) or audit firm(s) shall discuss key matters arising from the statutory audit, referred to in the additional report to the audit committee, and in particular in point (ga), with the audit committee, administrative body or where applicable supervisory

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		entity.	body of the audited entity.
3. In case of disagreement between the appointed statutory auditors or audit firms on auditing procedures, accounting rules or any other issue regarding the conduct of the statutory audit, the reasons for such disagreement shall be explained in the additional report to the audit committee.	AS COM	3. Where more than one statutory auditor or audit firm have been simultaneously engaged, in the case of a disagreement between the appointed statutory auditors or audit firms on auditing procedures, accounting rules or any other issue regarding the conduct of the statutory audit, the reasons for such disagreement shall be explained in the additional report to the audit committee.	3. Where more than one statutory auditor or audit firm have been simultaneously engaged, in the case of a disagreement between the appointed statutory auditors or audit firms on auditing procedures, accounting rules or any other issue regarding the conduct of the statutory audit, the reasons for such disagreement shall be explained in the additional report to the audit committee.
4. The additional report to the audit committee shall be signed and dated by the statutory auditor(s) or the audit firm(s). Where an audit firm carries out the statutory audit, the additional report to the audit committee shall be signed by ***at least*** the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm.	4. The additional report to the audit committee shall be signed and dated by the statutory auditor(s) or the audit firm(s). Where an audit firm carries out the statutory audit, the additional report to the audit committee shall be signed by the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm. **[AM 151]**	4. The additional report to the audit committee shall be signed and dated […]. Where an audit firm carries out the statutory audit, the additional report to the audit committee shall be signed by […] the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm.	4. The additional report to the audit committee shall be signed and dated. Where an audit firm carries out the statutory audit, the additional report to the audit committee shall be signed by the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm.
5. Upon request, the statutory auditors(s) or the audit firms(s) shall make available without delay the additional report to the	***deleted [AM 152]***	5. Upon request, and in accordance with national law, the statutory auditor(s) or the audit firm(s) shall make available	5. Upon request, and in accordance with national law, the statutory auditor(s) or the audit firm(s) shall make available

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competent authorities.		without delay the additional report to the competent authorities within the meaning of article 35(1) of this Regulation.	without delay the additional report to the competent authorities within the meaning of article 35(1) of this Regulation.
Article 24 *Oversight of the statutory audit by the audit committee*		*Article 24* *Monitoring of the statutory audit by the audit committee* transferred to other Articles	deleted
The audit committee of the public-interest entity shall monitor the work of the statutory auditor(s) or audit firm(s) carrying out the statutory audit.	AS COM		
The statutory auditor(s) or audit firm(s) shall report to the audit committee on key matters arising from the statutory audit, and in particular on ***material weaknesses*** in internal control in relation to the financial reporting process. Upon request of any of the parties, the statutory auditor(s) or audit firm(s) shall discuss *these* matters with the audit committee.	The statutory auditor(s) or audit firm(s) shall report to the audit committee on key matters arising from the statutory audit, and in particular on ***significant deficiencies*** in internal control in relation to the financial reporting process. Upon request of any of the parties, the statutory auditor(s) or audit firm(s) shall discuss *those* matters with the audit committee. **[AM 153]**		

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The audit committee shall inform the administrative or supervisory body of the audited entity of the outcome of the statutory audit. The audit committee shall explain how the statutory audit contributed to the integrity of financial reporting and which was its role in this process.	AS COM		
In is the instance of the audited entity ***being*** exempted from the obligation to have an audit committee, the audited entity shall decide which body or organ of the entity *shall* engage with the statutory auditor or audit firm for the purposes of the obligations set out in this Article.	***Where*** the audited entity ***is*** exempted from the obligation to have an audit committee, the audited entity shall decide which body or organ of the entity *is to* engage with the statutory auditor or audit firm for the purposes of the obligations set out in this Article. **[AM 154]**		
Article 25 *Report to supervisors of public-interest entities*		*Article 25* *Report to supervisors of public-interest entities*	*Article 25* *Report to supervisors of public-interest entities*
1. Without prejudice to Article 55 of Directive 2004/39/EC, Article 53 of Directive 2006/48/EC of the European Parliament and of the Council, Article 15(4) of Directive 2007/64/EC, Article 106 of Directive 2009/65/EC, the	1. Without prejudice to Article 55 of Directive 2004/39/EC, Article 53 of Directive 2006/48/EC of the European Parliament and of the Council, Article 15(4) of Directive 2007/64/EC, Article 106 of Directive 2009/65/EC, the first	1. Without prejudice to Article 55 of Directive 2004/39/EC, Article 53 of Directive 2006/48/EC of the European Parliament and of the Council , Article 15(4) of Directive 2007/64/EC, Article 106 of Directive 2009/65/EC, the first	1. Without prejudice to Article 55 of Directive 2004/39/EC, Article 53 of Directive 2006/48/EC of the European Parliament and of the Council , Article 15(4) of Directive 2007/64/EC, Article 106 of Directive 2009/65/EC, the

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first paragraph of Article 3 of Directive 2009/110/EC and Article 72 of Directive 2009/138/EC of the European Parliament and of the Council, the statutory auditor or audit firm carrying out the statutory audit of a public-interest entity shall have a duty to report promptly to the competent authorities supervising public-interest entities any ***fact or decision*** concerning that public-interest entity of which he, she or it has become aware ***while*** carrying out ***that*** statutory audit and which is liable to bring about any of the following:	paragraph of Article 3 of Directive 2009/110/EC and Article 72 of Directive 2009/138/EC of the European Parliament and of the Council, the statutory auditor or audit firm carrying out the statutory audit of a public-interest entity ***as defined in point 13 of Article 2 of Directive 2006/43/EC*** shall have a duty to report promptly to the competent authorities supervising public-interest entities any ***information*** concerning that public-interest entity of which he, she or it has become aware ***in the course of*** carrying out ***the*** statutory audit and which ***has brought about or*** is liable to bring about any of the following: **[AM 155]**	paragraph of Article 3 of Directive 2009/110/EC and Article 72 of Directive 2009/138/EC of the European Parliament and of the Council, the statutory auditor or audit firm carrying out the statutory audit of a public-interest entity shall have a duty to report promptly to the competent authorities supervising the public-interest entity or, where determined by the Member State to the competent authority supervising the auditor or audit firm, any information concerning that public-interest entity of which he, she or it has become aware while carrying out that statutory audit and which has brought about or has the potential to bring about any of the following:	first paragraph of Article 3 of Directive 2009/110/EC and Article 72 of Directive 2009/138/EC of the European Parliament and of the Council, the statutory auditor or audit firm carrying out the statutory audit of a public-interest entity shall have a duty to report promptly to the competent authorities supervising the public-interest entity or, where determined by the Member State to the competent authority supervising the auditor or audit firm, any information concerning that public-interest entity of which he, she or it has become aware while carrying out that statutory audit and which ~~has brought about or has the potential~~ may bring about any of the following:
(a) a material breach of the laws, regulations or administrative provisions which lay down, where appropriate, the conditions governing authorisation or which specifically govern pursuit of the activities of such public-interest	AS COM	AS COM	(a) a material breach of the laws, regulations or administrative provisions which lay down, where appropriate, the conditions governing authorisation or which specifically govern pursuit of the activities of such public-interest

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entity;			entity;
(b) ***the impairment of*** the continuous functioning of the public-interest entity;	(b) ***a material threat to, or doubt concerning,*** the continuous functioning of the public-interest entity; **[AM 156]**	(b) a material threat or doubt concerning the continuous functioning of the public-interest entity;	(b) a material threat or doubt concerning the continuous functioning of the public-interest entity;
(c) a refusal to ***certify*** the financial statements or the ***expression*** of ***reservations***.	(c) a refusal to ***issue an audit opinion on*** the financial statements or the ***issuing*** of ***an adverse disclaimed or qualified opinion***. **[AM 157]**	(c) a refusal to issue an audit opinion on the financial statements or the issuing of an adverse or qualified opinion.	(c) a refusal to issue an audit opinion on the financial statements or the issuing of an adverse or qualified opinion.
The statutory auditor or the audit firm shall also have a duty to report any facts and decisions of which he, she or it becomes aware in the course of carrying out the statutory audit of an undertaking ***having close links with*** the public-interest entity for which he, she or it is also carrying out the statutory audit.	The statutory auditor or the audit firm shall also have a duty to report any information ***referred to in point (a), (b) or (c) of the first subparagraph*** of which he, she or it becomes aware in the course of carrying out the statutory audit of an undertaking ***controlled by*** the public-interest entity for which he, she or it is also carrying out the statutory audit. **[AM 158]**	The statutory auditor(s) or the audit firm(s) shall also have a duty to report any information referred to in paragraph 1 (a) (b) or (c) above of which he, she or it becomes aware in the course of carrying out the statutory audit of an undertaking having close links with the public-interest entity for which he, she or it is also carrying out the statutory audit. In this article, close links shall have the meaning assigned to it in article 4(46) of Directive 2006/48/EC.	The statutory auditor(s) or the audit firm(s) shall also have a duty to report any information referred to in paragraph 1 (a) (b) or (c) above of which he, she or it becomes aware in the course of carrying out the statutory audit of an undertaking having close links with the public-interest entity for which he, she or it is also carrying out the statutory audit. In this article, close links shall have the meaning assigned to it in article ~~4(46) of Directive 2006/48/EC~~ 4(38) of Regulation 575/2013.

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		Member States may require additional information from the statutory auditor or audit firm provided it is necessary for effective financial market supervision.	Member States may require additional information from the statutory auditor or audit firm provided it is necessary for effective financial market supervision as provided in national law.
2. Competent authorities supervising ***credit institutions and insurance undertakings*** shall establish regular a dialogue with the statutory auditors and audit firms carrying out the statutory audit of those institutions and undertakings.	2. Competent authorities supervising ***public-interest entities*** shall establish regular a dialogue with the statutory auditors and audit firms carrying out the statutory audit of those institutions and undertakings. ***The competent authority and the statutory auditor or audit firm concerned shall inform each other and the audited entity about relevant facts or decisions referred to in paragraph 1. [AM 159]***	2. An effective dialogue between the competent authorities supervising credit institutions and insurance undertakings and the statutory auditor(s) and audit firm(s) carrying out the statutory audit of those institutions and undertakings shall be established. The responsibility for this requirement shall rest with both parties.	2. An [effective dialogue] between the competent authorities supervising public-interest entities and the statutory auditor(s) and audit firm(s) carrying out the statutory audit of those institutions and undertakings shall be established. The responsibility for this requirement shall rest with both parties.
	At least once a year, the European Systemic Risk Board (ESRB) shall organise a meeting with the statutory auditors and audit firms or networks carrying out the statutory audit of any FSB-identified systemically important financial institutions		At least once a year, the European Systemic Risk Board (ESRB) together with [CEAOB] shall organise a meeting with the statutory auditors and audit firms or networks carrying out the statutory audit of any systemically important financial

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	in order to inform the ESRB of sectoral or any significant developments in those systemically important financial institutions. [AM 159]		institutions, as identified by the Financial Stability Board (FSB), in order to inform the ESRB of sectoral or any significant developments in those systemically important financial institutions.
In order to facilitate the exercise of the tasks referred to in the first subparagraph, EBA and EIOPA shall issue guidelines addressed to the competent authorities supervising credit institutions and insurance undertakings, in accordance with Article 16 of Regulation (EU) No 1093/2010 and of Regulation (EU) No 1094/2010, respectively.	AS COM	In order to facilitate the exercise of the tasks referred to in the first subparagraph, EBA and EIOPA shall, taking current supervisory practices into account, issue guidelines addressed to the competent authorities supervising credit institutions and insurance undertakings, in accordance with Article 16 of Regulation (EU) No 1093/2010 and of Regulation (EU) No 1094/2010, respectively.	In order to facilitate the exercise of the tasks referred to in the first subparagraph, EBA and EIOPA shall, taking current supervisory practices into account, issue guidelines addressed to the competent authorities supervising credit institutions and insurance undertakings, in accordance with Article 16 of Regulation (EU) No 1093/2010 and of Regulation (EU) No 1094/2010, respectively.
3. The disclosure in good faith to the competent authorities, by the statutory auditor or audit firm, of any fact or decision referred to in paragraph 1 or of any fact during the dialogue ***foreseen*** in paragraph 2 shall not constitute a breach of any contractual or legal restriction on disclosure of	3. The disclosure in good faith to the competent authorities ***or to the bodies responsible for financial stability***, by the statutory auditor or audit firm, of any fact***, information, opinion*** or decision referred to in paragraph 1 or of any fact***, information or opinion emerging*** during the dialogue	3. The disclosure in good faith to the competent authorities, by the statutory auditor or audit firm, of any fact information or opinion referred to in paragraph 1 or of any fact information or opinion emerging during the dialogue provided for in paragraph 2 shall not constitute a breach of any	3. The disclosure in good faith to the competent authorities or to ESRB and [CEAOB], by the statutory auditor or audit firm, of any information ~~or opinion~~ referred to in paragraph 1 or of any information ~~or opinion~~ emerging during the dialogue provided for in paragraph 2 shall

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information and shall not involve such persons in liability of any kind.	***provided for in*** paragraph 2 shall not constitute a breach of any contractual or legal restriction on disclosure of information and shall not involve such persons in liability of any kind. **[AM 160]**	contractual or legal restriction on disclosure of information […].	not constitute a breach of any contractual or legal restriction on disclosure of information.
CHAPTER V TRANSPARENCY REPORTING BY STATUTORY AUDITORS AND AUDIT FIRMS AND RECORD KEEPING		CHAPTER V TRANSPARENCY REPORTING BY STATUTORY AUDITORS AND AUDIT FIRMS AND RECORD KEEPING	
Article 26 *Disclosure of financial information*		*Article 26* *Disclosure of financial information* merged with Article 27, and 29	deleted
1. An audit firm that carries out statutory audits of public-interest entities shall make public its annual financial report within the meaning of Article 4(2) of Directive 2004/109/EC at the latest four months after the end of each financial year.	AS COM		
Statutory auditors who carry out statutory audits of public-interest entities shall ***publish*** their annual income statement.	Statutory auditors who carry out statutory audits of public-interest entities shall ***make public*** their annual income statement ***at the***		

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	latest four months after the end of each financial year. **[AM 161]**		
2. The annual financial report and the annual income statement shall show the total turnover divided into fees from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity, fees from the statutory audit of annual and consolidated financial statements of other entities and fees charged for ***related financial audit*** services as defined in Article 10(2).	2. The annual financial report and the annual income statement shall show the total turnover divided into fees from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity, fees from the statutory audit of annual and consolidated financial statements of other entities and fees charged for ***assurance services, tax advisory services and other non-audit*** services as defined in Article 10(2). **[AM 162]**		
The annual financial report ***or*** the annual income statement shall be ***audited in accordance with the provisions of this Regulation***.	The annual financial report ***and*** the annual income statement shall be ***subject to statutory audit***. **[AM 163]**		
3. Where the statutory auditor or the audit firm belongs to a network, the statutory auditor or the audit firm shall provide the following additional information	3. Where the statutory auditor or the audit firm belongs to a network, the statutory auditor or the audit firm shall provide the following additional information		

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in the annual financial report or as an annex to the annual income statement:	in the annual financial report or as an annex to the annual income statement***, or in the transparency report required by Article 27***: **[AM 164]**		
(a) the name of each statutory auditor or audit firm belonging to the network;	AS COM		
(b) the country(ies) in which each statutory auditor or audit firm belonging to the network is qualified as statutory auditor or has his, her or its registered office, central administration or principal place of business;	AS COM		
(c) the total turnover generated by the statutory auditors and audit firms belonging to the network, resulting from the statutory audit of annual and consolidated financial statements;	AS COM		
(d) ***the audited consolidated financial statements for the network and,*** where there is a legal entity governing the network, the audited financial statements of such legal entity prepared in accordance with Article 4(3) of Directive	(d) where there is a legal entity governing the network, the audited financial statements of such legal entity prepared in accordance with Article 4(3) of Directive 2004/109/EC. **[AM 165]**		

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2004/109/EC.			
By derogation from the first subparagraph, the statutory auditor or the audit firm may not provide the additional information where it is disclosed by the legal entity governing the network or another representative of the network. In this case, the statutory auditor or the audit firm shall indicate in the annex to the annual income statement or to the annual financial report where that information is accessible.	AS COM		
4. The annual financial report or annual income statement shall be published on the website of the statutory auditor or the audit firm and shall remain available on that website for at least five years.	4. The annual financial report or annual income statement shall be published on the website of the statutory auditor or the audit firm and shall remain available on that website for at least five years ***from the date of its publication on the website***. **[AM 166]**		
Statutory auditors and audit firms shall communicate to the competent authorities that the annual income statement or to the annual financial report have been published on the websites of the statutory auditor or the audit firm.	AS COM		

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Article 27 *Transparency Report*		*Article 27* ***Transparency Report***	*Article 27* *Transparency Report*
1. A statutory auditor or an audit firm that carries out statutory audit(s) of public-interest entities shall make public an annual transparency report at the latest ***three*** months after the end of each financial year. The annual transparency report shall be published on the website of the statutory auditor or audit firm and shall remain available on that website for at least five years.	1. A statutory auditor or an audit firm that carries out statutory audit(s) of public-interest entities shall make public an annual transparency report at the latest ***four*** months after the end of each financial year. The annual transparency report shall be published on the website of the statutory auditor or audit firm and shall remain available on that website for at least five years ***from the day of its publication on the website***. **[AM 167]**	1. A statutory auditor or an audit firm that carries out statutory audit(s) of public-interest entities shall make public an annual transparency report at the latest four months after the end of each financial year. The annual transparency report shall be published on the website of the statutory auditor or audit firm and shall remain available on that website for at least five years. If the auditor is employed by an audit firm, the obligations established by this Article lie on the audit firm.	1. A statutory auditor or an audit firm that carries out statutory audit(s) of public-interest entities shall make public an annual transparency report at the latest four months after the end of each financial year. The annual transparency report shall be published on the website of the statutory auditor or audit firm and shall remain available on that website for at least five years from the day of its publication on the website. If the auditor is employed by an audit firm, the obligations ~~established by~~ under this Article ~~lie on~~ shall be incumbent on the audit firm.
A statutory auditor or audit firm shall be allowed to update its published annual transparency report. In such a case, the auditor or firm indicate that it is an updated version of the report and the original version of the report shall continue to remain available on the website.	AS COM	A statutory auditor or audit firm shall be allowed to update its published annual transparency report. In such a case, the auditor or firm shall indicate that it is an updated version of the report and the original version of the report shall continue to remain available on the website.	A statutory auditor or audit firm shall be allowed to update its published annual transparency report. In such a case, the auditor or firm shall indicate that it is an updated version of the report and the original version of the report shall continue to remain available on the website.

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Statutory auditors and audit firms shall communicate <u>to ESMA</u> and to the competent authorities that the transparency report has been published on the website of the statutory auditor or audit firm or, as appropriate, that it has been updated.	***deleted [AM 168]***	Statutory auditors and audit firms shall communicate <u>[…]</u> to the competent authorities that the transparency report has been published on the website of the statutory auditor or audit firm or, as appropriate, that it has been updated.	Statutory auditors and audit firms shall communicate to the competent authorities that the transparency report has been published on the website of the statutory auditor or audit firm or, as appropriate, that it has been updated.
2. The annual transparency report shall include at least the following:	AS COM	AS COM	2. The annual transparency report shall include at least the following:
(a) a description of the legal structure and ownership of the audit firm;	AS COM	AS COM	(a) a description of the legal structure and ownership of the audit firm;
(b) where the statutory auditor or audit firm <u>belongs to</u> a network, a description of the network and the legal and structural arrangements in the network;	AS COM	(b) where the statutory auditor or audit firm <u>is a member of</u> a network	(b) where the statutory auditor or audit firm is a member of a network
		<u>(i)</u> a description of the network and the legal and structural arrangements in the network;	<u>(i)</u> a description of the network and the legal and structural arrangements in the network;
		<u>(ii) the name of each statutory auditor who operates as sole practitioner or audit firm that is a nember of the network;</u>	(ii) the name of each statutory auditor who operates as sole practitioner or audit firm that is a nember of the network;
		<u>(iii) the country(ies) in which each statutory auditor who operates as sole practitioner or audit firm that</u>	(iii) the country(ies) in which each statutory auditor who operates as sole practitioner or

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		is a member of the network is qualified as statutory auditor or has his, her or its registered office, central administration or principal place of business;	audit firm that is a member of the network is qualified as statutory auditor or has his, her or its registered office, central administration or principal place of business;
		(iv) the total turnover by the statutory auditors who operate as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements.	(iv) the total turnover by the statutory auditors who operate as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements.
(c) a description of the governance structure of the audit firm;	(c) a description of the governance structure of the audit firm***, including the composition and operation of its administrative, management and supervisory bodies and their committees***; **[AM 169]**	AS COM	(c) a description of the governance structure of the audit firm;
(d) a description of the internal quality control system of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning;	AS COM	AS COM	(d) a description of the internal quality control system of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning;

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(e) an indication of when the last quality assurance review referred to in Article 40 was carried out;	AS COM	AS COM	(e) an indication of when the last quality assurance review referred to in Article 40 was carried out;
(f) a list of public-interest entities for which the statutory auditor or audit firm has carried out statutory audits during the preceding financial year ***and a list of the entities from which the statutory auditor or audit firm receives more than 5% of its annual revenue***;	(f) a list of public-interest entities for which the statutory auditor or audit firm has carried out statutory audits during the preceding financial year; **[AM 170]**	(f) a list of public-interest entities for which the statutory auditor or audit firm has carried out statutory audits during the preceding financial year and a separate list of those entities and groups, the total audit fee income from which represents more than 5% of the statutory auditor or audit firm's annual audit revenue;	(f) a list of public-interest entities for which the statutory auditor or audit firm has carried out statutory audits during the preceding financial year […];
(g) a statement concerning the statutory auditor's or audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted;	AS COM	AS COM	(g) a statement concerning the statutory auditor's or audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted;
(h) a statement on the policy followed by the statutory auditor or audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC;	AS COM	AS COM	(h) a statement on the policy followed by the statutory auditor or audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC;
(i) information concerning the basis for the partners' remuneration in audit firms;	AS COM	AS COM	(i) information concerning the basis for the partners' remuneration in audit firms;

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(j) a description of <u>its</u> policy concerning the rotation of key audit partners and staff in accordance with Article 33<u>(5);</u>	AS COM	(j) a description of <u>the statutory auditor or audit firm's</u> policy concerning the rotation of key audit partners and staff in accordance with Article 33<u>(4);</u>	(j) a description of the statutory auditor or audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article [33(4)];
(k) ***where appropriate, a corporate governance statement.***	(k) ***a reference to at least one of the following: [AM 171]***	<u>deleted</u>	deleted
	i) the corporate governance code to which the audit firm is subject, [AM 171]		
	(ii) the corporate governance code which the audit firm may have voluntarily decided to apply; [AM 171]		
	(iii) all relevant information about the corporate governance practices applied beyond the requirements under national law. [AM 171]		
	Where the information referred to in points (i) and (ii) is included, the audit firm shall also indicate where the relevant texts are publicly available. Where the information referred to in point (iii) is included, the audit firm shall make its corporate governance practices		

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	publicly available; [AM 171]		
	If applicable, the statutory auditor or audit firm shall include a explanation of the extent to which, in accordance with national law, the statutory auditor or audit firm departs from a corporate governance code referred to in points (a)(i) or (ii). Where the audit firm has decided not to apply any provisions of a corporate governance code referred to in points (a)(i) or (ii), it shall explain its reasons for doing so; [AM 171]		
	If the audit firm is not subject to any corporate governance code and does not voluntarily apply one, it shall state so. [AM 171]		
		(l) information about the statutory auditor or audit firm's total turnover divided into, if this information is not disclosed in its financial statement within the meaning of Article 4(2) of Directive 2013/34/EC:	(l) information about the statutory auditor or audit firm's total turnover divided into, if this information is not disclosed in its financial statement within the meaning of Article 4(2) of Directive 2013/34/EC:

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		(i) revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity,	(i) revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity,
		(ii) revenues from the statutory audit of annual and consolidated financial statements of other entities;	(ii) revenues from the statutory audit of annual and consolidated financial statements of other entities;
		(iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor or audit firm, and;	(iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor or audit firm, and;
		(iv) revenues from non-audit services to other entities.	(iv) revenues from non-audit services to other entities.
The statutory auditor or audit firm may, in exceptional circumstances, decide not to disclose the information required in point (f) of the first subparagraph to the extent necessary to mitigate an imminent and significant threat to the personal security of any person. The statutory auditor or audit firm shall be able to demonstrate to the	AS COM	AS COM	The statutory auditor or audit firm may, in exceptional circumstances, decide not to disclose the information required in point (f) of the first subparagraph to the extent necessary to mitigate an imminent and significant threat to the personal security of any person. The statutory auditor or audit firm shall be able to

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competent authority the existence of such threat.			demonstrate to the competent authority the existence of such threat.
3. The transparency report shall be signed by the statutory auditor or audit firm.	AS COM	AS COM	3. The transparency report shall be signed by the statutory auditor or audit firm.
Article 28 ***Corporate governance statement***	***deleted [AM 172]***	*Article 28* *Corporate governance statement* deleted	deleted
1. Where an audit firm generates more than one third of its annual audit revenues from large public-interest entities, it shall make public a corporate governance statement. That statement shall be included as a specific section of the Transparency Report.	***deleted [AM 172]***		
2. The corporate governance statement shall at least include the following information:	***deleted [AM 172]***		
(a) a reference to at least one of the following:	***deleted [AM 172]***		
(i) the corporate governance code to which the audit firm is subject,	***deleted [AM 172]***		

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(ii) the corporate governance code which the audit firm may have voluntarily decided to apply;	***deleted [AM 172]***		
(iii) all relevant information about the corporate governance practices applied beyond the requirements under national law.	***deleted [AM 172]***		
Where the information referred to in points (i) and (ii) is included, the audit firm shall also indicate where the relevant texts are publicly available. Where the information referred to in point (iii) is included, the audit firm shall make its corporate governance practices publicly available;	***deleted [AM 172]***		
If the audit firm is not subject to any corporate governance code and does not voluntarily apply one, it shall state so.	***deleted [AM 172]***		
(b) the extent to which an audit firm, in accordance with national law, departs from a corporate governance code referred to in points (a)(i) or (ii), an explanation by the audit firm	***deleted [AM 172]***		

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as to which parts of the corporate governance code it departs from and the reasons for doing so. Where the audit firm has decided not to apply any provisions of a corporate governance code referred to in points (a)(i) or (ii), it shall explain its reasons for doing so;			
(c) a description of the main features of the undertaking's internal control and risk management systems in relation to the financial reporting process;	***deleted [AM 172]***		
(d) the following information:	***deleted [AM 172]***		
(i) significant direct and indirect holdings of voting rights equal to or exceeding 5 % of the total voting rights in the audit firm, including indirect holdings of voting rights through pyramid structures and cross holdings of voting rights;	***deleted [AM 172]***		
(ii) the identity of the holders of any special control rights and a description of those rights, whether such rights results from the holding of any securities, by	***deleted [AM 172]***		

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contract or otherwise;			
(iii) any restrictions on voting rights, including limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights,	***deleted [AM 172]***		
(iv) the rules governing the appointment and replacement of board members and the amendment of the articles of association;	***deleted [AM 172]***		
(v) the powers of board members;	***deleted [AM 172]***		
(e) unless the information is already fully provided for in national laws or regulations, the operation of the meeting of shareholders or holders of voting rights and its key powers, and a description of shareholders' or voting rights holders' rights and how they can be exercised;	***deleted [AM 172]***		
(f) the composition and operation of the administrative, management and supervisory bodies and their committees.	***deleted [AM 172]***		

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Article 29 *Information to competent authorities*		*Article 29* *Information to competent authorities*	*Article 29* *Information to competent authorities*
A statutory auditor or audit firm shall provide annually to his, her or its competent authority a list of the ***audited*** public-interest entities ***by revenue generated from them***.	A statutory auditor or audit firm shall provide annually to his, her or its competent authority a list of ***all*** the public-interest entities ***audited by that statutory auditor or audit firm, together with details of the services provided to, and the fees payed by, each of those public-interest entities***. **[AM 173]**	A statutory auditor or audit firm shall provide annually to his, her or its competent authority a list of the audited public-interest entities by revenue generated from them, dividing those revenues into:	A statutory auditor or audit firm shall provide annually to his, her or its competent authority a list of the audited public-interest entities by revenue generated from them, dividing those revenues into:
		(i) revenues for statutory audit;	(i) revenues for statutory audit;
		(ii) revenues for other services referred in Article 9 which are required by national law and Union legislation; and,	(ii) revenues for other services referred in Article 9 which are required by national law and Union legislation; and,
		(iii) revenues for other services referred to in Article 9 which are not required by national law and Union legislation.	(iii) revenues for other services referred to in Article 9 which are not required by national law and Union legislation.
Article 30 *Record keeping*		*Article 30* *Record keeping*	*Article 30* *Record keeping*
Statutory auditors and audit firms shall keep the documents and information referred to in ***Article 6(1), Article 9(3), Article 11(3) and (4), Article 16(2) to (6),***	Statutory auditors and audit firms shall keep the documents and information referred to in Articles 22, 23 and 24, Article 25(1) and (2), Article 29, Article 32(2), (3),	Statutory auditors and audit firms shall keep the documents and information referred to in […] Article 9(3), 11, […] Article 17(1) and (2), […] Article 19(3) to (6),	Statutory auditors and audit firms shall keep the documents and information referred to in […] Article 9(3), 11, […] Article 17(1) and (2), […] Article 19(3)

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Article 17(1) and (2), Article 18(1) and (3), Article 19(3) to (6), Articles 22, 23 and 24, Article 25(1) and (2), Article 29, Article 32(2), (3), (5) and (6), Article 33(6) and Article 43(4) for a period of five years following the production of such documents or information.	(5) and (6), Article 33(6) and Article 43(4) for a period of five years following the production of such documents or information. **[AM 174]**	Articles 22, 23 and 24, Article 25(1) and (2), Article 29, Article 32(2), (3), (5) and (6), and Articles 22d, 24a, 24b, 27 and 28 of the Directive 2006/43 for a period of at least five years following the creation of such documents or information.	to (6), Articles 22, 23 and 24, Article 25(1) and (2), Article 29, Article 32(2), (3), (5) and (6), and Articles 22d, 24a, 24b, 27 and 28 of the Directive 2006/43 for a period of at least five years following the creation of such documents or information.
Member States may require statutory auditors and audit firms to keep the documents and information referred to in the first subparagraph for a longer period in accordance with their rules on personal data protection and administrative and judicial proceedings.		AS COM	Member States may require statutory auditors and audit firms to keep the documents and information referred to in the first subparagraph for a longer period in accordance with their rules on personal data protection and administrative and judicial proceedings.
TITLE III *The appointment of statutory auditors or audit firms by public-interest entities*		**TITLE III** **THE APPOINTMENT OF STATUTORY AUDITORS OR AUDIT FIRMS BY PUBLIC-INTEREST ENTITIES**	**TITLE III** **THE APPOINTMENT OF STATUTORY AUDITORS OR AUDIT FIRMS BY PUBLIC-INTEREST ENTITIES**
Article 31 **Audit Committee**	***deleted [AM 175]***	*Article 31* ***Audit Committee***	deleted
1. Each public-interest entity shall have an audit committee. The audit committee shall be composed of non-executive	***deleted [AM 175]***	1. Each public interest entity shall have an audit committee as referred to in Article 38a of Directive 2006/43/EC.	~~**1. Each public interest entity shall have an audit committee as referred to in Article 38a of Directive 2006/43/EC.**~~

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members of the administrative body and/or members of the supervisory body of the audited entity and/or members appointed by the general meeting of shareholders of the audited entity or, for entities without shareholders, by an equivalent body.			
At least one member of the audit committee shall have competence in auditing and another member in accounting and/or auditing. The committee members as a whole shall have competence relevant to the sector in which the audited entity is operating.	***deleted [AM 175]***		deleted
A majority of the members of the audit committee shall be independent. The chairman of the audit committee shall be appointed by its members and shall be independent.	***deleted [AM 175]***		deleted
2. By derogation from paragraph 1 of this Article, in public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive	***deleted [AM 175]***	2. Where the audited entity is exempted from the obligation to have an audit committee, the Member States shall decide which body or organ of the entity shall	~~2. Where the audited entity is exempted from the obligation to have an audit committee, the Member States shall decide which body or organ of the entity~~

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2003/71/EC of the European Parliament and of the Council[32], the functions assigned to the audit committee may be performed by the administrative or supervisory body as a whole, provided at least that where the chairman of such a body is an executive member, he or she is not the chairman of the audit committee.		perform its functions for the purposes of the obligations set out in this Regulation and Directive 2006/43/EC.	~~shall perform its functions for the purposes of the obligations set out in this Regulation and Directive 2006/43/EC.~~
3. By derogation from paragraph 1, the following public-interest entities may decide not to have an audit committee:	***deleted [AM 175]***	deleted	deleted
(a) any public-interest entity which is a subsidiary undertaking within the meaning of Article 1 of Directive 83/349/EEC if the entity complies with the requirements in paragraphs 1 to 4 of that Article at group level;	***deleted [AM 175]***	deleted	deleted
(b) any public-interest entity which is an undertaking for collective investment in transferable securities (UCITS) as defined in Article 1(2) of	***deleted [AM 175]***	deleted	deleted

[32] OJ L 345, 31.12.2003 p.64.

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Directive 2009/65/EC or an alternative investment fund (AIF) as defined in Article 4(1)(a) of Directive 2011/61/EU;			
(c) any public-interest entity the sole business of which is to act as issuer of asset backed securities as defined in Article 2(5) of Commission Regulation (EC) No 809/2004[33];	***deleted [AM 175]***	deleted	deleted
(d) any credit institution within the meaning of Article 1(1) of Directive 2006/48/EC whose shares are not admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC and which has, in a continuous or repeated manner, issued only debt securities admitted to trading in a regulated market, provided that the total nominal amount of all such debt securities remains below EUR 100 000 000 and that it has not published a prospectus under	***deleted [AM 175]***	deleted	deleted

[33] OJ L 149, 30.04.2004, p. 1.

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Directive 2003/71/EC.			
The public-interest entities referred to in points (b) and (c) shall explain to the public the reasons for which it considers it not appropriate to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee.	***deleted [AM 175]***	deleted	deleted
4. By derogation from paragraph 1, a public-interest entity that has a body performing equivalent functions to an audit committee, established and functioning according to provisions in place in the Member State in which the entity to be audited is registered, may decide not to have an audit committee. In such a case the entity shall disclose which body carries out those functions and how that body is composed.	***deleted [AM 175]***	deleted	deleted
5. Without prejudice to the responsibility of the members of the administrative, management or supervisory bodies, or of other members who are appointed by	***deleted [AM 175]***	deleted	deleted

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the general meeting of shareholders of the audited entity, the audit committee shall, inter alia:			
(a) monitor financial reporting process and submit recommendations or proposals to ensure its integrity;	***deleted [AM 175]***	deleted	deleted
(b) monitor the effectiveness of the undertaking's internal control, internal audit where applicable, and risk management systems;	***deleted [AM 175]***	deleted	deleted
(c) monitor the statutory audit of the annual and consolidated financial statements and supervise the completeness and integrity of the draft audit reports in accordance with Articles 22 to 23;	***deleted [AM 175]***	deleted	deleted
(d) review and monitor the independence of the statutory auditors or audit firms in accordance with Articles 5 to 11, and in particular the provision of additional services to the audited entity in accordance with Article 10;	***deleted [AM 175]***	deleted	deleted

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(e) be responsible for the procedure on the selection of statutory auditor(s) or audit firm(s) and recommend the statutory auditor(s) or audit firm(s) to be appointed in accordance with Articles 32;	***deleted [AM 175]***	deleted	deleted
(f) authorise, on a case by case basis, the provision by the statutory auditor or audit firm of the services referred to in Article 10(3)(b)(i) and (ii) of this Regulation to the audited entity.	***deleted [AM 175]***	deleted	deleted
Article 32 *Appointment of the statutory auditors or audit firms*		*Article 32* *Appointment of statutory auditors or audit firms*	*Article 32* *Appointment of statutory auditors or audit firms*
1. For the purposes of the application of Article 37 of Directive 2006/43/EC, for the appointment of statutory auditors or audit firms by public-interest entities, the conditions set out in paragraphs 2 to ***5*** of this Article shall apply.	1. For the purposes of the application of Article 37***(1)*** of Directive 2006/43/EC, for the appointment of statutory auditors or audit firms by public-interest entities, the conditions set out in paragraphs 2 to ***6*** of this Article shall apply***, but may be subject to paragraph 9***. **[AM 176]**	1. For the purposes of the application of Article 37 of Directive 2006/43/EC, for the appointment of statutory auditors or audit firms by public-interest entities, the conditions set out in paragraphs 2 to 6 of this Article shall apply.	1. For the purposes of the application of Article 37(1) of Directive 2006/43/EC, for the appointment of statutory auditors or audit firms by public-interest entities, the conditions set out in paragraphs 2 to 6 of this Article shall apply, but may be subject to paragraph 9.
Where Article 37(2) of Directive 2006/43/EC applies, the public-interest entity shall inform the competent authority of the use of	Where Article 37(2) of Directive 2006/43/EC applies, the public-interest entity shall inform the competent authority of the use of	Where Article 37(2) of Directive 2006/43/EC applies, the public-interest entity shall inform the competent authority of the use of	Where Article 37(2) of Directive 2006/43/EC applies, the public-interest entity shall inform the competent authority of the use of

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the alternative systems or modalities referred to in that Article.	the alternative systems or modalities referred to in that Article***. In such cases, paragraphs 2 to 6 of this Article shall not apply***. **[AM 177]**	the alternative systems or modalities referred to in that Article. In this case the paragraphs 2 to 6 of this article may not apply.	the alternative systems or modalities referred to in that Article. In this case the paragraphs 2 to 6 of this article may not apply.
The audit committee shall submit a recommendation to the administrative or supervisory board of the audited entity for the appontment of statutory auditors or audit firms. ***The audit committee shall justify the recommendation made.***	The audit committee shall submit a recommendation to the administrative or supervisory board of the audited entity for the appontment of statutory auditors or audit firms. **[AM 178]**	2. The audit committee shall submit a recommendation to the administrative or supervisory body of the audited entity for the appointment of statutory auditors or audit firms. The audit committee shall justify the recommendation made.	2. The audit committee shall submit a recommendation to the administrative or supervisory body of the audited entity for the appointment of statutory auditors or audit firms. […]
Unless it concerns the renewal of an audit engagement in accordance with the second subparagraph of Article 33(1), the recommendation shall contain at least two choices for the audit engagement and the audit committee shall express a duly justified preference for one of them.	AS COM	[…] The recommendation shall contain at least two choices for the audit engagement and the audit committee shall express a duly justified preference for one of them.	The recommendation shall be justified and contain at least two choices for the audit engagement ~~and the audit committee shall express a duly justified preference for one of them~~.
When it concerns the renewal of an audit engagement in accordance with the second subparagraph of Article 33(1), the audit committee shall, for the preparation of its	***deleted [AM 179]***	When it concerns the renewal of an audit engagement in accordance with Article 33(3), the audit committee shall, for the preparation of its recommendation, take into	~~When it concerns the renewal of an audit engagement in accordance with Article 33(3), the audit committee shall, for the preparation of its recommendation, take into~~

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recommendation, take into consideration any findings and conclusions on the recommended statutory auditor or audit firm referred to in Article 40(6) and published by the competent authority pursuant to Article 44(d).		consideration any findings and conclusions on the recommended statutory auditor or audit firm referred to in Article 40(6) and published by the competent authority pursuant to Article 44(d).	~~consideration any findings and conclusions on the recommended statutory auditor or audit firm referred to in Article 40(6) and published by the competent authority pursuant to Article 44(d).~~
In its recommendation, the audit committee shall state that its recommendation is free from influence by a third party and that no contractual clause as referred to in paragraph 7 has been imposed upon it.	***The*** audit committee shall state that its recommendation is free from influence by a third party and that no contractual clause as referred to in paragraph 7 has been imposed upon it. **[AM 180]**	AS COM	In its recommendation, the audit committee shall state that its recommendation is free from influence by a third party and that no ~~contractual~~ clause as referred to in paragraph 7 has been imposed upon it.
3. Unless it concerns the renewal of an audit engagement in accordance with the second subparagraph of Article 33(1), the recommendation of the audit committee referred to in paragraph 2 ***of this Article,*** shall be prepared following a selection procedure organized by the audited entity respecting the following criteria:	3. Unless it concerns the renewal of an audit engagement in accordance with the second subparagraph of Article 33(1), the recommendation of the audit committee referred to in paragraph 2 shall be prepared following a selection procedure organised by the audited entity respecting the following criteria: **[AM 181]**	3. […] The recommendation of the audit committee referred to in paragraph 2 of this Article shall be prepared following a selection procedure organized by the audited entity and approved by the audit committee respecting the following criteria:	3. The recommendation of the audit committee referred to in paragraph 2 of this Article shall be prepared following a selection procedure organized by the audited entity and approved by the audit committee or administrative or supervisory body respecting the following criteria:
(a) the audited entity shall be free to invite any statutory auditors or audit firms to submit proposals	(a) the audited entity shall be free to invite any statutory auditors or audit firms to submit proposals for	**(**a) the audited entity shall be free to invite any statutory auditors or audit firms to submit proposals for	(a) the audited entity shall be free to invite any statutory auditors or audit firms to submit proposals

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for the provision of the statutory audit service on the condition that Article 33(2) is respected and that ***at least one of the invited auditors or*** firms ***is not one*** who received ***more*** than 15% of the total audit fees from ***large*** public-interest entities in the Member State concerned in the previous calendar year;	the provision of the statutory audit service on the condition that Article 33(2) is respected and that ***the organisation of the tender process does not in any way preclude the participation in the selection procedure of*** firms who received ***less*** than 15 % of the total audit fees from public-interest entitites in the Member State concerned in the previous calendar year; **[AM 182]**	the provision of the statutory audit service on the condition that Article 33(2) is respected […].	for the provision of the statutory audit service on the condition that Article 33(2) is respected and that the organisation of the tender process does not in any way preclude the participation in the selection procedure of firms who received less than 15 % of the total audit fees from public-interest entities in the Member State concerned in the previous calendar year;
(b) the audited entity shall be free to choose the method to contact the invited statutory auditor(s) or audit firm(s) and shall not be required to publish a call for tenders in the Official Journal of the European Union and/or in national gazettes or newspapers;	***deleted [AM 183]***	AS COM	~~(b) the audited entity shall be free to choose the method to contact the invited statutory auditor(s) or audit firm(s) and shall not be required to publish a call for tenders in the Official Journal of the European Union and/or in national gazettes or newspapers;~~
(c) the audited entity shall prepare tender documents ***to*** the ***intention*** of the invited statutory auditor(s) or audit firm(s). Those tender documents shall allow them to understand the business of the audited entity and the type of statutory audit that is to be carried	(c) the audited entity shall prepare tender documents***, subject to review by the audit committee, for*** the ***attention*** of the invited statutory auditor(s) or audit firm(s). Those tender documents shall allow them to understand the business of the audited entity and	(c) the audited entity shall prepare tender documents for the attention of the invited statutory auditor(s) or audit firm(s). Those tender documents shall allow them to understand the business of the audited entity and the type of statutory audit that is to be carried	(c) the audited entity shall prepare tender documents for the attention of the invited statutory auditor(s) or audit firm(s). Those tender documents shall allow them to understand the business of the audited entity and the type of statutory audit that is to be

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out. The tender documents shall contain transparent and non-discriminatory selection criteria that shall be used by the audited entity to evaluate the proposals made by statutory auditors or audit firms;	the type of statutory audit that is to be carried out. The tender documents shall contain transparent and non-discriminatory selection criteria that shall be used by the audited entity to evaluate the proposals made by statutory auditors or audit firms; **[AM 184]**	out. The tender documents shall contain transparent and non-discriminatory selection criteria that shall be used by the audited entity to evaluate the proposals made by statutory auditors or audit firms;	carried out. The tender documents shall contain transparent and non-discriminatory selection criteria that shall be used by the audited entity to evaluate the proposals made by statutory auditors or audit firms;
(d) the audited entity shall be free to define the selection procedure and may conduct direct negotiations with interested tenderers in the course of the procedure;	AS COM	AS COM	(d) the audited entity shall be free to define the selection procedure and may conduct direct negotiations with interested tenderers in the course of the procedure;
(e) where, in accordance with national law or Union law, the competent authorities referred to in Article 35, require statutory auditors and audit firms to comply with certain quality standards, those standards shall be included in the tender documents;	AS COM	AS COM	(e) where, in accordance with national law or Union law, the competent authorities referred to in Article 35, require statutory auditors and audit firms to comply with certain quality standards, those standards shall be included in the tender documents;
(f) the audited entity shall evaluate ***the proposals made by the statutory auditors or audit firms*** in accordance with the	(f) the audited entity shall evaluate ***all tenders*** in accordance with the selection criteria predefined in the tender	(f) the audited entity shall evaluate the proposals made by the statutory auditors or audit firms in accordance with the	(f) the audited entity shall evaluate the proposals made by the statutory auditors or audit firms in accordance with the

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selection criteria predefined in the tender documents. The audited entity shall prepare a report on the conclusions of the selection procedure, which shall be validated by the audit committee. The audited entity and the audit committee shall take into consideration any inspection report on the applicant statutory auditor or audit firm referred to in ***Article 40(6)*** and published by the competent authority pursuant to Article 44(d);	documents. The audited entity shall prepare a report on the conclusions of the selection procedure, which shall be validated by the audit committee. The audited entity and the audit committee shall take into consideration any inspection report on the applicant statutory auditor or audit firm referred to in ***Article 40(7)*** and published by the competent authority pursuant to Article 44(d); **[AM 185]**	selection criteria predefined in the tender documents. The audited entity shall prepare a report on the conclusions of the selection procedure, which shall be validated by the audit committee. The audited entity and the audit committee shall take into consideration any findings or conclusions of any inspection report on the applicant statutory auditor or audit firm referred to in Article 40(6) and published by the competent authority pursuant to Article 44(d);	selection criteria predefined in the tender documents. The audited entity shall prepare a report on the conclusions of the selection procedure, which shall be validated by the audit committee. The audited entity and the audit committee shall take into consideration any findings or conclusions of any inspection report on the applicant statutory auditor or audit firm referred to in Article 40(6) and published by the competent authority pursuant to Article 44(d);
(g) the audited entity shall be able to demonstrate to the competent authority referred to in Article 35 that the selection procedure was conducted in a fair manner.	(g) the audited entity shall be able***, upon request,*** to demonstrate to the competent authority referred to in Article 35 that the selection procedure was conducted in a fair manner. **[AM 186]**	AS COM	(g) the audited entity shall be able to demonstrate**,** upon request, to the competent authority referred to in Article 35 that the selection procedure was conducted in a fair manner.
The audit committee shall be responsible for the selection procedure referred to in the first subparagraph.	The audit committee shall be responsible for the selection procedure referred to in the first subparagraph ***on behalf of the administrative or supervisory board***. **[AM 187]**	AS COM	The audit committee shall be responsible for the selection procedure referred to in the first subparagraph on behalf of the administrative or supervisory body.

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For the purposes of point (a) of the first subparagraph, the competent authority referred to in Article 35(1) shall make public a list of the auditors and audit firms concerned which shall be updated on an annual basis. The competent authority shall use the information provided by statutory auditors and audit firms pursuant to Article ***28*** to make the relevant calculations.	For the purposes of point (a) of the first subparagraph, the competent authority referred to in Article 35(1) shall make public a list of the auditors and audit firms concerned which shall be updated on an annual basis. The competent authority shall use the information provided by statutory auditors and audit firms pursuant to Article ***29*** to make the relevant calculations. **[AM 188]**	deleted	For the purposes of point (a) of the first subparagraph, the competent authority referred to in Article 35(1) shall make public a list of the auditors and audit firms concerned which shall be updated on an annual basis. The competent authority shall use the information provided by statutory auditors and audit firms pursuant to Article 29 to make the relevant calculations.
4. Public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive 2003/71/EC shall not be required to apply the selection procedure referred to in ***paragraph 4***.	4. Public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive 2003/71/EC shall not be required to apply the selection procedure referred to in ***paragraph 3***. **[AM 189]**	4. Public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive 2003/71/EC shall not be required to apply the selection procedure referred to in paragraph 3.	4. Public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive 2003/71/EC shall not be required to apply the selection procedure referred to in paragraph 3.
5. The proposal of the administrative or supervisory board to the general meeting of shareholders or members of the audited entity for the appointment of statutory auditors or audit firms shall include the recommendation made by the audit committee.	AS COM	5. The proposal […] to the general meeting of shareholders or members of the audited entity for the appointment of statutory auditors or audit firms shall include the recommendation and preference referred to in paragraph 2 made by the audit committee or the body performing	5. The proposal to the general meeting of shareholders or members of the audited entity for the appointment of statutory auditors or audit firms shall include the recommendation and preference referred to in paragraph 2 made by the audit committee or the body

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		equivalent functions.	performing equivalent functions.
If the proposal of the administrative or supervisory board departs from the recommendation of the audit committee, the proposal shall justify the reasons for not following the recommendation of the audit committee.	If the proposal of the administrative or supervisory board departs from the recommendation of the audit committee, the proposal shall justify the reasons for not following the recommendation of the audit committee. ***However, the auditor or auditors recommended by the administrative or supervisory board must have participated in the selection procedure described in paragraph 3.*** **[AM 190]**	If the proposal […] departs from the preference of the audit committee, the proposal shall justify the reasons for not following the recommendation of the audit committee. This provision shall not apply in the case when the audit committee's functions are performed by the supervisory body.	If the proposal departs from the preference of the audit committee, the proposal shall justify the reasons for not following the recommendation of the audit committee. However, the auditor or auditors recommended by the administrative or supervisory body must have participated in the selection procedure described in paragraph 3. This provision shall not apply in the case when the audit committee's functions are performed by the supervisory body.
6. In the case of a credit institution or insurance undertaking, the administrative or supervisory board shall submit its draft proposal to the competent authority referred to in Article 35(2). The competent authority referred to in Article 35(2) shall have the right to veto the choice proposed in the recommendation. Any such opposition shall be duly justified.	6. In the case of a credit institution or insurance undertaking, the administrative or supervisory board shall submit its draft proposal to the competent authority referred to in Article 35(2)***, which shall submit them to ESMA***. ***ESMA shall consult on such proposals with EBA and EIOPA.*** The competent authority referred to in Article 35(2) shall have the right to veto the choice	deleted	[6. In the case of a credit institution or insurance undertaking, the administrative or supervisory body, the competent authority referred to in Article 35(2) shall have the right to veto the choice proposed in the recommendation. Any such opposition shall be duly justified and notified by the competent authority to the relevant European Supervisory

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	proposed in the recommendation. Any such opposition shall be duly justified ***and notified to ESMA.*** **[AM 191]**		Authority.]
The absence of a reply by the competent authority within the prescribed time-limit following submission of the audit committee's recommendation shall be considered as constituting an implied consent to the recommendation.	The absence of a reply by the competent authority ***or ESMA*** within the prescribed time-limit following submission of the audit committee's recommendation shall be considered as constituting an implied consent to the recommendation. **[AM 191]**	deleted	[The absence of a reply by the competent authority within the prescribed time-limit following submission of the audit committee's recommendation shall be considered as constituting an implied consent to the recommendation.]
7. Any contractual clause entered into between a public-interest entity and a third party restricting the choice by the general meeting of shareholders or members of that entity pursuant to Article 37 of Directive 2006/43/EC to certain categories or lists of statutory auditors or audit firms to carry out the statutory audit of that entity shall be null and void.	AS COM	**7**. Any contractual clause entered into between a public-interest entity and a third party restricting the choice by the general meeting of shareholders or members of that entity pursuant to Article 37 of Directive 2006/43/EC to certain categories or lists of statutory auditors or audit firms to carry out the statutory audit of that entity shall have no legal effect.	**7**. Any contractual clause entered into between a public-interest entity and a third party restricting the choice by the general meeting of shareholders or members of that entity pursuant to Article 37 of Directive 2006/43/EC to certain categories or lists of statutory auditors or audit firms to carry out the statutory audit of that entity shall be null and void.
The public-interest entity shall inform the competent authorities referred to in Article 35 of any attempt by a third party to impose	The public-interest entity shall inform the competent authorities referred to in Article 35 ***directly and without delay*** of any attempt	The public-interest entity shall inform the competent authorities referred to in Article 35 of any attempt by a third party to impose	The public-interest entity shall inform the competent authorities referred to in Article 35 directly and without delay of any attempt

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such a contractual clause or to otherwise influence the decision of the general meeting of shareholders on the selection of a statutory auditor or audit firm.	by a third party to impose such a contractual clause or to otherwise influence the decision of the general meeting of shareholders on the selection of a statutory auditor or audit firm. **[AM 192]**	such a contractual clause […].	by a third party to impose such a contractual clause or to otherwise improperly influence the decision of the general meeting of shareholders on the selection of a statutory auditor or audit firm.
8. Where the audited entity is exempted from the obligation to have an audit committee, the audited entity shall decide which body or organ of the entity shall perform its functions for the purposes of the obligations set out in this Article.	AS COM	transferred to Article 31	deleted
9. Member States may decide that a minimum number of statutory auditors or audit firms shall be appointed by public-interest entities in certain circumstances and establish the conditions governing the relations between the auditors or firms appointed.	AS COM	AS COM	9. Member States may decide that a minimum number of statutory auditors or audit firms shall be appointed by public-interest entities in certain circumstances and establish the conditions governing the relations between the auditors or firms appointed.
If a Member State establishes such requirement, it shall inform the Commission and ESMA thereof.	AS COM	If a Member State establishes any such requirement, it shall inform the Commission […].	If a Member State establishes any such requirement, it shall inform the Commission [and relevant European Supervisory Authority] therof.

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10. In order to facilitate the exercise of the task of the audited entity to organize a selection procedure for the appointment of a statutory auditor or audit firm, EBA, EIOPA and ESMA shall issue guidelines addressed to the public-interest entities on the criteria governing the selection procedure referred to in paragraph 3, in accordance with Article 16 of Regulation (EU) No 1093/2010, of Regulation (EU) No 1094/2010 and of Regulation (EU) No 1095/2010, respectively.	***deleted [AM 193]***	10. Where the audited entity has a nomination committee where shareholders have a considerable influence and which has the task of making recommendations on the selecting of auditors, Member State may allow a nomination committee to perform the functions of the audit committee that are laid down in this Article and require to submit the recommendation referred to in paragraph 2 to the general meeting of shareholders.	10. Where the audited entity has a nomination committee where shareholders have a considerable influence and which has the task of making recommendations on the selecting of auditors, Member State may allow a nomination committee to perform the functions of the audit committee that are laid down in this Article and require to submit the recommendation referred to in paragraph 2 to the general meeting of shareholders.
Article 33 *Duration of the audit engagement*		*Article 33* ***Duration of the audit engagement***	**political**
1. The public-interest entity shall appoint a statutory auditor or audit firm for an initial engagement ***that shall not be shorter than two years***.	1. The public-interest entity shall appoint a statutory auditor or audit firm for an initial engagement ***of at least one year***. **[AM 194]**	1. A public-interest entity shall appoint a statutory auditor or audit firm for an initial engagement of at least one year which engagement may be renewed.	1. A public-interest entity shall appoint a statutory auditor or audit firm for an initial engagement of at least one year which engagement may be renewed.
		Neither the initial engagement of a particular statutory auditor or audit firm, nor this in combination with any renewed engagements	Neither the initial engagement of a particular statutory auditor or audit firm, nor this in combination with any renewed

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		therewith shall exceed a maximum duration of ten years.	engagements therewith shall exceed a maximum duration of ten years.
The public-interest entity may renew this engagement ***only once***.	The public-interest entity may renew this engagement. **[AM 194]**	deleted	deleted
The maximum duration of the combined ***two*** engagements ***shall*** not exceed ***6*** years.	***Member States shall ensure that the*** maximum duration of the combined engagements ***does*** not exceed ***14*** years. **[AM 194]**	deleted	deleted
Where ***throughout a continuous engagement of 6 years two statutory auditors or audit firms have been appointed, the maximum duration of the engagement of each statutory auditor or audit firm shall not exceed 9 years***.	Where ***Article 37(2) of Directive 2006/43/EC applies, this Article shall not apply***. **[AM 194]**	deleted	deleted
		1A. By way of derogation from paragraph 1 Member States may (a) require that the initial engagement referred to in paragraph 1 be for a period longer than one year; (b) set a maximum duration of less than ten years for the engagements referred to in the second subparagraph of paragraph	1A. By way of derogation from paragraph 1 Member States may (a) require that the initial engagement referred to in paragraph 1 be for a period longer than one year; (b) set a maximum duration of less than ten years for the engagements referred to in the second subparagraph of

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		1.	paragraph 1.
2. After the expiry of the maximum duration of the engagement referred to in paragraph 1, the statutory auditor or audit firm or any members of its network within the Union, where applicable, shall not undertake the statutory audit of the public-interest entity concerned until a period of at least four years has elapsed.	AS COM	2. After the expiry of the durations of engagements referred to in the second subparagraph of paragraph 1 or in point (c) of paragraph 1A, neither the statutory auditor or audit firm nor, where applicable, any members of their networks within the Union shall undertake the statutory audit of the same public-interest entity […] within the following four-year period.	2. After the expiry of the durations of engagements referred to in the second subparagraph of paragraph 1 or in point (b) of paragraph 1A or after the expiry of the durations of engagements extended in accordance with paragraph 3, neither the statutory auditor or audit firm nor, where applicable, any members of their networks within the Union shall undertake the statutory audit of the same public-interest entity within the following four-year period.
3. By way of derogation from paragraphs 1 and 2, on an exceptional basis the public-interest entity may request the competent authority referred to in Article 35(1) to grant an extension to re-appoint the statutory auditor or audit firm for an additional engagement. In case of appointment of two statutory auditors or audit firms, this third engagement shall not exceed three years. In case of	***deleted [AM 195]***	deleted	deleted

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appointment of one statutory auditor or audit firm, this third engagement shall not exceed two years.			
	(3a) By way of derogation from paragraphs 1 and 2, Member States may provide for the maximum duration referred to in the third subparagraph of paragraph 1 to recommence if one or more of the following requirements is satisfied: ***(a) a public tendering process for the statutory audit is conducted, in accordance with Article 32(2) to (6);*** ***(b) a comprehensive assessment of the audit engagement is carried out by the audit committee. The comprehensive assessment shall be carried out in a transparent and systematic manner and shall include a consideration of the professional competencies the auditor or audit firm to perform the statutory audit, and compliance with the relevant ethical requirements and***	3. By way of derogation from paragraphs 1 and 2, Member States may provide that where: (a) a public tendering process for the statutory audit is conducted in accordance with paragraphs 2 to 6 of Article 32; or (b) throughout a given period which has reached the relevant maximum duration, more than one auditor or audit firm has been simultaneously engaged the maximum durations referred to in the second subparagraph of	3. By way of derogation from paragraphs 1 and 2, Member States may provide that the maximum durations referred to in the second subparagraph of paragraph 1 and in point (b) of paragraph 1A may be extended to the maximum duration of twenty years where: (a) a public tendering process for the statutory audit is conducted in accordance with paragraphs 2 to 6 of Article 32, after the expiry of the maximum durations referred to in the second subparagraph of paragraph 1 and in point (b) of paragraph 1A; or (b) throughout a given period which has reached the relevant maximum duration, more than one statutory auditor or audit firm has been simultaneously engaged provided that a new statutory auditor or audit firm is appointed

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	the international auditing standards referred to in Article 26 of Directive 2006/43/EC; ***(c) two or more statutory auditors or audit firms are appointed according to Article 32(9), or reappointed;*** ***[AM 196]***	paragraph 1 and in point (c) of paragraph 1A shall not exceed a maximum of: (i) fifteen years in the case of statutory audit of the public interest entities referred in points (b) and (c) of Article 2(13) of Directive 2006/43/EC, where the condition in point (a) is met; (ii) twenty years in the case of statutory audit of the public interest entities referred in points (b) and (c) of Article 2(13) of Directive 2006/43/EC, where the condition in point (b) is met; (iii) twenty years in the case of statutory audit of public interest entities other than those referred to in points (b) and (c) of Article 2(13) of Directive 2006/43/EC,	before the expiry of the maximum durations of the engagement referred to in the second subparagraph of paragraph 1 and in point (b) of paragraph 1A. (~~c) of paragraph 1A shall not exceed a maximum of:~~ ~~(i) fifteen years in the case of statutory audit of the public interest entities referred in points (b) and (c) of Article 2(13) of Directive 2006/43/EC, where the condition in point (a) is met;~~ ~~(ii) twenty years in the case of statutory audit of the public interest entities referred in points (b) and (c) of Article 2(13) of Directive 2006/43/EC, where the condition in point (b) is met;~~ ~~(iii) twenty years in the case of statutory audit of public interest entities other than those referred to in points (b) and (c) of Article 2(13) of Directive 2006/43/EC,~~

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		where either the conditions in points (a) or (b) are met.	~~where either the conditions in points (a) or (b) are met.~~
	The maximum duration referred to in the third subparagraph of paragraph 1 shall only recommence if, upon a recommendation of the audit committee, the administrative or supervisory board, acting in accordance with national law, proposes to the general meeting of shareholders that the engagement be renewed and that proposal is approved by the general meeting. ***Prior to the proposal to the general meeting of shareholders the audited entity shall communicate the recommendation and explain upon request its findings to the competent authority referred to in Article 35 (2).*** ***[AM 196]***	3aa. The maximum duration periods referred to in the second subparagraph of paragraph 1 and in paragraph 1A(c) shall be extended only if, upon a recommendation of the audit committee, the administrative or supervisory board in accordance with national law proposes to the general meeting of shareholders to renew the engagement and that proposal is approved.	3aa. The maximum duration periods referred to in the second subparagraph of paragraph 1 and in paragraph 1A(b) shall be extended only if, upon a recommendation of the audit committee, the administrative or supervisory board in accordance with national law proposes to the general meeting of shareholders to renew the engagement and that proposal is approved.
	Where one or more derogations are applied the total duration of the audit engagement period shall not exceed 25 years.	3a. After the expiry of the maximum duration of the engagement referred to in the second subparagraph of paragraph	3a. After the expiry of the maximum duration of the engagement referred to in the second subparagraph of

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	[AM 196]	1 in paragraph 1A(c), or in paragraph 3 as appropriate, the public interest entity may, on an exceptional basis, request that the competent authority referred to in Article 35(1) grant an extension to re-appoint the statutory auditor or audit firm for a further engagement. If more than one statutory auditor or audit firm had previously been appointed, such an additional engagement shall not exceed three years. If single statutory auditor or audit firm had previously been appointed, such an additional engagement shall not exceed two years.	paragraph 1 in paragraph 1A(b), or in paragraph 3 as appropriate, the public interest entity may, on an exceptional basis, request that the competent authority referred to in Article 35(1) grant an extension to re-appoint the statutory auditor or audit firm for a further engagement where the conditions in points (a) and (b) of paragraph 3 are met. ~~If more than one statutory auditor or audit firm had previously been appointed,~~ Such an additional engagement shall not exceed ~~three years. If single statutory auditor or audit firm had previously been appointed, such an additional engagement shall not exceed~~ two years.
4. The key audit partner(s) responsible for carrying out a statutory audit shall cease his, her or their participation in the statutory audit of the audited entity after a period of seven years from the date of appointment has elapsed. He, she or they may participate in the	4. The key audit partner(s) responsible for carrying out a statutory audit shall cease his, her or their participation in the statutory audit of the audited entity after a ***maximum*** period of seven years from the date of appointment has elapsed. He, she or they may participate in the	4. The key audit partner(s) responsible for carrying out a statutory audit shall cease his, her or their participation in the statutory audit of the audited entity not later than seven years from the date of their appointment. He, she or they may participate again in the statutory	4. The key audit partner(s) responsible for carrying out a statutory audit shall cease his, her or their participation in the statutory audit of the audited entity not later than seven years from the date of their appointment. He, she or they may participate again in the statutory

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statutory audit of the audited entity again after a period of at least three years.	statutory audit of the audited entity again after ***the expiry of*** a period of at least three years ***since the date on which he, she or they resigned as statutory auditor or key audit partner from the audit engagement***. **[AM 197]**	audit of the audited entity no sooner than three years after that cessation.	audit of the audited entity no sooner than three years after that cessation.
		Member States may require that the key audit partner(s) responsible for carrying out a statutory audit shall cease his, her or their participation in the audit engagement earlier than seven years from the date of their appointment.	Member States may require that the key audit partner(s) responsible for carrying out a statutory audit shall cease his, her or their participation in the audit engagement earlier than seven years from the date of their appointment.
The statutory auditor or audit firm shall establish an appropriate gradual rotation mechanism with regard to the most senior personnel involved in the statutory audit, including at least the persons who are registered as statutory auditors. The gradual rotation mechanism shall be undertaken in phases on the basis of individuals rather than of ***a complete*** team. It shall be proportionate in view of the scale and the dimension of the activity	The statutory auditor or audit firm shall establish an appropriate gradual rotation mechanism with regard to the most senior personnel involved in the statutory audit, including at least the persons who are registered as statutory auditors. The gradual rotation mechanism shall be undertaken in phases on the basis of individuals rather than of ***the entire engagement*** team. It shall be proportionate in view of the scale and the dimension of the	AS COM	The statutory auditor or audit firm shall establish an appropriate gradual rotation mechanism with regard to the most senior personnel involved in the statutory audit, including at least the persons who are registered as statutory auditors. The gradual rotation mechanism shall be undertaken in phases on the basis of individuals rather than of ~~a complete~~ the entire engagement team. It shall be proportionate in view of the scale and the

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of the statutory auditor or audit firm.	activity of the statutory auditor or audit firm. **[AM 198]**		dimension of the activity of the statutory auditor or audit firm.
The statutory auditor or audit firm shall be able to demonstrate to the competent authority that such mechanism is effectively applied and adapted to the scale and the dimension of the activity of the statutory auditor or audit firm.		AS COM	The statutory auditor or audit firm shall be able to demonstrate to the competent authority that such mechanism is effectively applied and adapted to the scale and the dimension of the activity of the statutory auditor or audit firm.
		5. For the purposes of this Article, the duration of the audit engagement shall be calculated as from the date of the first financial year covered in the audit engagement letter in which the statutory audit or audit firm has been appointed for the first time for the carrying-out of consecutive statutory audits for the same public-interest entity. For the purposes of this Article, the audit firm shall include other firms that the audit firm has acquired or that have merged with it. If there is uncertainty as to the	5. For the purposes of this Article, the duration of the audit engagement shall be calculated as from the date of the first financial year covered in the audit engagement letter in which the statutory audit or audit firm has been appointed for the first time for the carrying-out of consecutive statutory audits for the same public-interest entity. For the purposes of this Article, the audit firm shall include other firms that the audit firm has acquired or that have merged with it. If there is uncertainty as to the

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		date the audit firm began carrying out consecutive statutory audits for the public-interest entity, such as due to firm mergers, acquisitions, or changes in ownership structure, the auditor should immediately report such uncertainties to the competent authority, who will ultimately determine the relevant date for the purposes of the first subparagraph.	date the audit firm began carrying out consecutive statutory audits for the public-interest entity, such as due to firm mergers, acquisitions, or changes in ownership structure, the auditor should immediately report such uncertainties to the competent authority, who will ultimately determine the relevant date for the purposes of the first subparagraph.
		Article 33a *Hand-over file*	*Article 33a* *Hand-over file*
5. Where a statutory auditor or audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall provide the incoming statutory auditor or audit firm with a handover file. Such file shall include relevant information concerning the audited entity as may reasonably be necessary to understand the nature of the business and the internal organisation of the audited entity and to ensure the continuity of the statutory audit and the	AS COM	1. Where a statutory auditor or audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall comply with the requirements referred to in Article 23(3) of Directive 2006/43/EC.	1. Where a statutory auditor or audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall comply with the requirements referred to in Article 23(3) of Directive 2006/43/EC.

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comparability with the audits carried out in previous years.			
The former statutory auditor or audit firm shall also grant access to the incoming statutory auditor or audit firm to the additional reports to the audit committee referred to in Article 23 of previous years and to any information transmitted to competent authorities pursuant to Articles 25 and 27.	AS COM	Subject to Article 30, the former statutory auditor or audit firm shall also grant access to the incoming statutory auditor or audit firm to the additional reports to the audit committee referred to in Article 23 of previous years and to any information transmitted to competent authorities pursuant to Articles 25 and 27.	Subject to Article 30, the former statutory auditor or audit firm shall also grant access to the incoming statutory auditor or audit firm to the additional reports to the audit committee referred to in Article 23 of previous years and to any information transmitted to competent authorities pursuant to Articles 25 and 27.
The former statutory auditor or audit firm shall be able to demonstrate to the competent authority that such information has been provided to the incoming statutory auditor or audit firm.	AS COM	AS COM	The former statutory auditor or audit firm shall be able to demonstrate to the competent authority that such information has been provided to the incoming statutory auditor or audit firm.
6. ESMA shall develop draft regulatory technical standards to specify technical requirements on the content of the handover file referred to in paragraph ***6***.	6. ESMA shall develop draft regulatory technical standards to specify technical requirements on the content of the handover file referred to in ***the first subparagraph of*** paragraph ***5***. **[AM 199]**	deleted	deleted

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Power is delegated to the Commission to adopt the regulatory technical standards referred to in paragraph ***6*** in accordance with Article 10 of Regulation (EU) No 1095/2010.	Power is delegated to the Commission to adopt the regulatory technical standards referred to in ***the first subparagraph*** in accordance with Article 10 of Regulation (EU) No 1095/2010. **[AM 199]**	deleted	deleted
	6a. Article 32(8) shall apply mutatis mutandis. [AM 200]		deleted
Article 34 *Dismissal and resignation of the statutory auditors or audit firms*		*Article 34* *Dismissal and resignation of the statutory auditors or audit firms*	*Article 34* *Dismissal and resignation of the statutory auditors or audit firms*
1. Without prejudice to article 38(1) of directive 2006/43/ec, the audited entity and the statutory auditor or audit firm shall inform the competent authority concerning the dismissal or resignation of the statutory auditor or audit firm during the term of appointment and give an adequate explanation of the reasons thereof. Where a member state has appointed other competent authorities for the purpose of title iii of this regulation in accordance with article 35(2), such competent	AS COM	Without prejudice to Article 38(1) of Directive 2006/43/EC […] where a Member State has appointed […] competent authorities for the purpose of Title III of this Regulation in accordance with Article 35(2), such competent authority shall forward the information concerning the dismissal or resignation of the statutory auditor or audit firm during the term of appointment and adequate explanation of the reasons thereof to the competent authority referred to in Article 35(1).	Without prejudice to Article 38(1) of Directive 2006/43/EC where a Member State has appointed competent authorities for the purpose of Title III of this Regulation in accordance with Article 35(2), such competent authority shall forward the information concerning the dismissal or resignation of the statutory auditor or audit firm during the term of appointment and adequate explanation of the reasons thereof to the competent authority referred to in Article 35(1).

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authority shall forward this information to the competent authority referred to in article 35(1).			
2. The audit committee, one or more shareholders, the competent authorities referred to in article 35(1) or 35(2) shall be able to bring a claim before a national court for the dismissal of the statutory auditor(s) or audit firm(s) where there are proper grounds.	2. The audit committee, one or more shareholders ***representing at least 5 per cent of the share capital, or*** the competent authorities referred to in Article 35(1) or 35(2) shall be able to bring a claim before a national court for the dismissal of the statutory auditor(s) or audit firm(s) where there are proper grounds. **[AM 201]**	transferred to Article 38(3) of Directive 2006/43/EC	deleted
Where the condition laid down in article 6(2) of directive 2007/36/ec applies, it shall also apply to shareholders exercising the power described in the first subparagraph.	AS COM	transferred to Article 38(3) of Directive 2006/43/EC	deleted
In case that the audited entity is exempted from the obligation to have an audit committee, the audited entity shall decide which body or organ of the entity shall perform its functions for the purposes of this paragraph.	AS COM	transferred to Article 38(3) of Directive 2006/43/EC	deleted

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TITLE IV **SURVEILLANCE OF THE ACTIVITIES OF AUDITORS AND AUDIT FIRMS CARRYING OUT STATUTORY AUDIT OF PUBLIC-INTEREST ENTITIES**		**TITLE IV** **SURVEILLANCE OF THE ACTIVITIES OF AUDITORS AND AUDIT FIRMS CARRYING OUT STATUTORY AUDIT OF PUBLIC-INTEREST ENTITIES**	**TITLE IV** SURVEILLANCE OF THE ACTIVITIES OF AUDITORS AND AUDIT FIRMS CARRYING OUT STATUTORY AUDIT OF PUBLIC-INTEREST ENTITIES
CHAPTER I *COMPETENT AUTHORITIES*		*CHAPTER I* ***COMPETENT AUTHORITIES***	*CHAPTER I* ***COMPETENT AUTHORITIES***
Article 35 *Designation of competent authorities*	*Article 35* *Designation of competent authorities*	*Article 35* *Designation of competent authorities*	*Article 35* *Designation of competent authorities*
1. Each Member State shall designate ***a*** competent ***authority*** responsible for carrying out the tasks provided for in this Regulation and for ensuring that the provisions of this Regulation are applied.	1. Each Member State shall designate competent ***authorities*** responsible for carrying out the tasks provided for in this Regulation and for ensuring that the provisions of this Regulation are applied. **[AM 202]**	1. Competent authorities responsible for carrying out the tasks provided for in this Regulation and for ensuring that the provisions of this Regulation are applied shall be amongst the following:	1. Competent authorities responsible for carrying out the tasks provided for in this Regulation and for ensuring that the provisions of this Regulation are applied shall be amongst the following:
The competent ***authority*** shall be one of the following:	The competent ***authorities*** shall be one of the following: **[AM 203]**		
(a) the competent authority referred to in Article 24(1) of Directive 2004/109/EC;	AS COM	AS COM	(a) the competent authority referred to in Article 24(1) of Directive 2004/109/EC;
(b) the competent authority referred to in Article 24(4)(h) of Directive 2004/109/EC;	AS COM	AS COM	(b) the competent authority referred to in Article 24(4)(h) of Directive 2004/109/EC;
(c) the competent authority referred to in Article 32 of	AS COM	AS COM	(c) the competent authority referred to in Article 32 of

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Directive 2006/43/EC.			Directive 2006/43/EC.
2. By derogation from paragraph 1, Member States may decide that the responsibility for ensuring that all or part of the provisions of Title III of this Regulation are applied shall be entrusted to, as appropriate, the competent authorities referred to in:	AS COM	**AS COM**	2. By derogation from paragraph 1, Member States may decide that the responsibility for ensuring that all or part of the provisions of Title III of this Regulation are applied shall be entrusted to, as appropriate, the competent authorities referred to in:
(a) Article 24(1) of Directive 2004/109/EC;	AS COM	**AS COM**	(a) Article 24(1) of Directive 2004/109/EC;
(b) Article 24(4)(h) of Directive 2004/109/EC;	***deleted [AM 204]***	AS COM	(b) Article 24(4)(h) of Directive 2004/109/EC;
(c) Article 40 of Directive 2006/48/EC;	AS COM	deleted	deleted
(d) Article 30 of Directive 2009/138/EC;	AS COM	AS COM	(d) Article 30 of Directive 2009/138/EC;
(e) Article 20 of Directive 2007/64/EC;	AS COM	AS COM	(e) Article 20 of Directive 2007/64/EC;
(f) Article 3(1) of Directive 2009/110/EC;	AS COM	(f) Article 4(1) of Directive 2013/36/EU;	(f) Article 4(1) of Directive 2013/36/EU;
(g) Article 48 of Directive 2004/39/EC;	AS COM	(g) Article 48 of Directive 2004/39/EC;	(g) Article 48 of Directive 2004/39/EC;
(h) Article 97 of Directive 2009/110/EC;	AS COM	deleted	deleted
(h) Article 44 of Directive 2011/61/EU.	AS COM	(h) Article 44 of Directive 2011/61/EU, or	deleted

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		(i) to other authorities designated by national law.	(i) to other authorities designated by national law.
3. Where more than one competent authority has been designated pursuant to paragraphs 1 and 2, those authorities shall be organised in such a manner that their tasks are clearly allocated.	AS COM	AS COM	3. Where more than one competent authority has been designated pursuant to paragraphs 1 and 2, those authorities shall be organised in such a manner that their tasks are clearly allocated.
4. Paragraphs 1, 2 and 3 shall be without prejudice to the possibility for a Member State to make separate legal and administrative arrangements for overseas European territories for whose external relations that Member State is responsible.	AS COM	4. Paragraphs 1, 2 and 3 shall be without prejudice to the rights of a Member State to make separate legal and administrative arrangements for overseas European territories for whose external relations that Member State is responsible.	4. Paragraphs 1, 2 and 3 shall be without prejudice to the right~~s~~ of a Member State to make separate legal and administrative arrangements for overseas European territories for whose external relations that Member State is responsible.
5. The competent authorities shall be adequately staffed, with regard to capacity and expertise, and shall have the adequate resources in order to be able to fulfill their tasks provided for in this Regulation.	AS COM	Deleted	deleted
6. The Member States shall inform each other, **EBA, EIPA and ESMA in accordance with the relevant provisions of Regulations (EU) No 1093/2010,**	6. The Member States shall inform each other, and the Commission**,** of the appointment of competent authorities for the purposes of this Regulation. **[AM**	6. The Member States […] shall inform the Commission of the appointment of competent authorities for the purposes of this Regulation.	6. The Member States shall inform the Commission of the appointment of competent authorities for the purposes of this Regulation.

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(EU) No 1094/2010 and (EU) No 1095/2010, *and* **shall inform** *the Commission of the appointment of competent authorities for the purposes of this Regulation.*	**205]**		
ESMA shall consolidate this information and make it public.	***deleted [AM 206]***	The Commission shall consolidate this information and make it public.	The Commission shall consolidate this information and make it public.
Article 36 *Conditions of independence*		*Article 36* *Conditions of independence*	*Article 36* *Conditions of independence*
The competent authorities and any authority to which the competent authority referred to in Article 35(1) has delegated tasks shall be independent of statutory auditors and audit firms.	AS COM	The competent authorities […] shall be independent of statutory auditors and audit firms. The competent authority may consult experts, as referred to in Article 40(1)(c), for the purpose of carrying out specific tasks and may also be assisted by experts when this is essential for the proper execution of its tasks. The competent authority shall not involve these experts in any decision which it makes in these instances.	[The competent authorities shall be independent of statutory auditors and audit firms. The competent authority may consult experts, as referred to in Article 40(1)(c), for the purpose of carrying out specific tasks and may also be assisted by experts when this is essential for the proper execution of its tasks. The competent authority shall not involve these experts in any decision which it makes in these instances.]
A person shall not be involved in the governance of ***those*** authorities if in the course of the ***three*** previous years he or she:	A ***natural*** person shall not be involved in the governance of ***the competent*** authorities ***referred to in Article 35(1)*** if in the course of the previous ***two*** years he or she:	A person shall not be a member of the governing body or responsible for the decision making of those authorities if during his or her involvement or in the course of	A person shall not be a member of the governing body or responsible for the decision making of those authorities if during his or her involvement or

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	[AM 207]	the three previous years he or she:	in the course of the three previous years he or she:
(a) has carried out statutory audits of public-interest entities;	AS COM	(a) has carried out statutory audits […];	(a) has carried out statutory audits;
(b) held voting rights in an audit firm;	AS COM	AS COM	b) held voting rights in an audit firm;
(c) was member of the administrative, management or supervisory body of an audit firm;	AS COM	AS COM	(c) was member of the administrative, management or supervisory body of an audit firm;
(d) was an employee ***or otherwise associated with*** an audit firm.	(d) was an employee ***in*** an audit firm. **[AM 208]**	(d) was an employee of or otherwise associated with an audit firm.	(d) was a [partner, employee or otherwise contracted by] an audit firm.
The funding of those authorities shall be secure and free from ***any possible*** undue influence by statutory auditors and audit firms.	The funding of those authorities shall be secure and free from undue influence by statutory auditors and audit firms. **[AM 209]**	The funding of those authorities shall be secure and free from any […] undue influence by statutory auditors and audit firms.	The funding of those authorities shall be secure and free from undue influence by statutory auditors and audit firms.
	By way of derogation from the requirements set out in this Article, Member States may allow a minority of practitioners to be involved in the governance of the public oversight system. [AM 210]		deleted

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Article 37 *Professional secrecy*	*Article 37* *Professional secrecy*	*Article 37* *Professional secrecy - competent authority*	*Article 37* *Professional secrecy - competent authority*
The obligation of professional secrecy shall apply to all persons who are or have been employed by competent authorities or by any authority to whom the competent authority referred to in Article 35(1) has delegated tasks, including experts contracted by such authorities. Information covered by professional secrecy may not be disclosed to any other person or authority except by virtue of the obligations of this Regulation or of the laws, regulations or administrative procedures of a Member State.	AS COM	The obligation of professional secrecy shall apply to all persons who are or have been employed or independently contracted by or involved in the governance of competent authorities or by any authority to which the competent authority referred to in Article 35(1) has delegated tasks. Information covered by professional secrecy may not be disclosed to any other person or authority except by virtue of the laws, regulations or administrative procedures of a Member State.	The obligation of professional secrecy shall apply to all persons who are or have been employed or independently contracted by or involved in the governance of competent authorities or by any authority to which the competent authority referred to in Article 35(1) has delegated tasks. Information covered by professional secrecy may not be disclosed to any other person or authority except by virtue of the obligations of this Regulation or the laws, regulations or administrative procedures of a Member State.
Article 38 *Powers of competent authorities*	AS COM	*Article 38* *Powers of competent authorities*	*Article 38* *Powers of competent authorities*
1. Without prejudice to Articles 40 and 41, in carrying out their tasks under this Regulation, the competent authorities or any other public authorities of a Member State may not interfere with the content of audit reports.	AS COM	1. Without prejudice to Articles 40 […], in carrying out their tasks under this Regulation, the competent authorities or any other public authorities of a Member State may not interfere with the content of audit reports.	1. Without prejudice to Articles 40, in carrying out their tasks under this Regulation, the competent authorities or any other public authorities of a Member State may not interfere with the content of audit reports.

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2. In order to carry out their tasks under this Regulation, the competent authorities shall, in conformity with national law, have all the supervisory and investigatory powers that are necessary for the exercise of their functions. They shall exercise their powers in any of the following ways:	AS COM	2. Member States shall ensure that the competent authorities shall have all the supervisory and investigatory powers that are necessary for the exercise of their functions under this Regulation in accordance of provisions of Chapter VII of the Directive 2006/43/EC.	2. Member States shall ensure that the competent authorities shall have all the supervisory and investigatory powers that are necessary for the exercise of their functions under this Regulation in accordance of provisions of Chapter VII of the Directive 2006/43/EC.
(a) directly;	AS COM	deleted - see paragraph 3a(a)	deleted
(b) in collaboration with other authorities;	AS COM	deleted - see paragraph 3a(b)	deleted
(c) under their responsibility by delegation to entities to which tasks have been delegated according to Article 35(1);	AS COM	deleted	deleted
(d) by application to the competent judicial authorities.	AS COM	deleted - see paragraph 3a(c)	deleted
3. In order to carry out their tasks under this Regulation, the competent authorities shall, in conformity with national law, have the power in their supervisory capacity to:	AS COM	3. The powers mentioned in paragraph 2 of this Article shall, at least include to:	3. The powers mentioned in paragraph 2 of this Article shall, at least include to:
(a) access any document in any form relevant to the carrying out of their tasks and to receive or take a copy thereof;	AS COM	(a) access data, related to the statutory audit or other documents held by statutory auditors or audit firms in any form relevant to the	(a) access data related to the statutory audit or other documents held by statutory auditors or audit firms in any

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		carrying out of their tasks and to receive or take a copy thereof ;	form relevant to the carrying out of their tasks and to receive or take a copy thereof;
(b) demand information from any person and if necessary to summon and question a person with a view to obtaining information;	AS COM	(b) obtain information related to the statutory audit from any person […];	(b) obtain information related to the statutory audit from any person;
(c) carry out on-site inspections with or without announcement;	AS COM	(c) carry out on-site inspections of statutory auditors or audit firms;	(c) carry out on-site inspections of statutory auditors or audit firms;
(d) require records of telephone and data traffic processed by statutory auditors and audit firms;	AS COM	deleted	deleted
(e) refer matters for criminal prosecution;	AS COM	AS COM	(e) refer matters for criminal prosecution;
(f) request experts to carry out verifications or investigations;	AS COM	AS COM	(f) request experts to carry out verifications or investigations;
(g) take the administrative measures and sanctions referred to in Article 61.	AS COM	(g) take the administrative measures and sanctions referred to in Article 30B of Directive 2006/43/EC.	(g) take the administrative measures and sanctions referred to in Article 30B of Directive 2006/43/EC.
The competent authorities may use the powers referred to in the first subparagraph only in relation to statutory auditors and audit firms carrying out statutory audit of public-interest entities, persons involved in the activities of	AS COM	AS COM	The competent authorities may use the powers referred to in the first subparagraph only in relation to statutory auditors and audit firms carrying out statutory audit of public-interest entities, persons involved in the activities of

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statutory auditors and audit firms carrying out statutory audit of public-interest entities, audited entities, their affiliates and related third parties, third parties to whom the statutory auditors and audit firms carrying out statutory audit of public-interest entities have outsourced certain functions or activities, and persons otherwise related or connected to statutory auditors and audit firms carrying out statutory audit of public-interest entities.			statutory auditors and audit firms carrying out statutory audit of public-interest entities, audited entities, their affiliates and related third parties, third parties to whom the statutory auditors and audit firms carrying out statutory audit of public-interest entities have outsourced certain functions or activities, and persons otherwise related or connected to statutory auditors and audit firms carrying out statutory audit of public-interest entities.
		3a. Member States shall ensure that the competent authorities may exercise their supervisory and investigative powers in any of the following ways:	3a. Member States shall ensure that the competent authorities may exercise their supervisory and investigative powers in any of the following ways:
		(a) directly;	(a) directly;
		(b) in collaboration with other authorities;	(b) in collaboration with other authorities;
		(c) by application to the competent judicial authorities.	c) by application to the competent judicial authorities.

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4. A request for records of telephone or data traffic referred to in point (d) of paragraph 3 shall require authorisation from a judicial authority.	AS COM	4. The supervisory and investigatory powers of competent authorities shall be exercised in full compliance with the national laws of the Member State, in particular the principles of respect for private life and with the right of defence.	4. The supervisory and investigatory powers of competent authorities shall be exercised in full compliance with the national laws of the Member State, in particular the principles of respect for private life and with the right of defence.
5. Where a cooperative within the meaning of Article 2(14) *of Directive 2006/43/EC or a similar entity as referred to in Article 45 of Directive 86/635/EEC is required or permitted under national law to be a member of a non-profit-making auditing entity,* **the competent authority referred to in Article 35(1)** *may decide that certain provisions set out under this Regulation shall not apply to the statutory audit of such entity provided that the principles of independence laid down in Chapter I of this Regulation are complied with by the statutory auditor carrying out the statutory audit and by persons who may be in a position to influence the*	5. Where a cooperative within the meaning of *point (14) of Article 2* of Directive 2006/43/EC***, a savings bank*** or a similar entity as referred to in Article 45 of Directive 86/635/EEC ***or a subsidiary or a legal successor of such a cooperative, savings bank or similar entity*** is required or permitted under national law to be a member of a non-profit-making auditing entity, the ***Member State concerned*** may decide that certain provisions set out under this Regulation shall not apply to the statutory audit of such entity provided that the principles of independence laid down in Chapter I of this Regulation are complied with by the statutory auditor carrying out the statutory	deleted	[EP will check]

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statutory audit. **For the purpose of deciding upon such exceptional situations of non-application of certain provisions of this Regulation, the competent authority referred to in Article 35(1) shall consult the supervisory authority of the cooperative or the similar entity where appropriate.**	audit and by persons who may be in a position to influence the statutory audit. **[AM 211]**		
The competent authority referred to in Article 35(1) shall inform ESMA of such exceptional situations of non-application of certain provisions of this Regulation. It shall communicate ESMA the list of provisions of this Regulation that have not been applied to the statutory audit of the entities referred to in paragraph 5 and the reasons that justified the exemption granted for such non-application.	AS COM	deleted	[EP will check]
6. The processing of personal data processed in the exercise of the supervisory and investigative powers pursuant to this Article shall be carried out in accordance	AS COM	AS COM	6. The processing of personal data processed in the exercise of the supervisory and investigative powers pursuant to this Article shall be carried out in accordance

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with Directive 95/46/EC.			with Directive 95/46/EC.
		Article 38a *Delegation of tasks*	**on hold**
		1. The competent authority(ies) referred to in Article 35(1) may delegate any of the tasks required to be undertaken pursuant to this Regulation to other authorities or bodies designated or otherwise authorised by law to carry out such tasks, except for tasks related to:	
		(i) the quality assurance system referred in Article 40;	
		(ii) investigations referred in Article 38 of this Regulation and 32 of the Directive 2006/43/EC arising out of that quality assurance system or from a referral by another authority; and	
		(iii) the imposition of penalties, including sanctions and measures, referred in Chapter VII of the Directive 2006/43/EC related to the quality assurance inspections or investigation of statutory audits of public interest entities.	
		2. Any execution of tasks by other authorities or bodies shall be	

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		expressly delegated by the competent authority. The delegation shall specify the delegated tasks and the conditions under which they are to be carried out.	
		Where the competent authority delegates tasks to other authorities or bodies, it shall be able to reclaim these competences on a case-by-case basis.	
		3. The authorities or bodies shall be organized in such a manner that there are no conflicts of interest. The ultimate responsibility for supervising compliance with this Regulation and the implementing measures adopted pursuant thereto shall lie with the delegating competent authority.	
		The competent authority shall inform the Commission and the competent authorities of Member States of any arrangement entered into with regard to the delegation of tasks, including the precise conditions for regulating the delegations.	

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		4. By derogation from paragraph 1, Member States may decide to delegate the tasks referred to in point (iii) of paragraph 1 to another authority or body, when:	
		(i) the competent authority is authorised to issue the rules governing the other authority or body	
		(ii) the competent authority is authorised to appoint the members of the other authority or body, and	
		(iii) that authority or body is independent from the audit profession.	
Article 39 *Cooperation with other competent authorities at national level*		*Article 39* *Cooperation with other competent authorities at national level*	*Article 39* *Cooperation with other competent authorities at national level*
The competent authority designated pursuant to Article 35(1) and, where appropriate, any authority to whom that competent authority has delegated tasks shall cooperate at national level with:	AS COM	AS COM	The competent authority designated pursuant to Article 35(1) and, where appropriate, any authority to whom that competent authority has delegated tasks shall cooperate at national level with:
(a) the competent authorities responsible for the approval and registration of statutory auditors	AS COM	(a) the competent authorities referred to in Article 32(4) of Directive 2006/43/EC;	(a) the competent authorities referred to in Article 32(4) of Directive 2006/43/EC;

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and audit firms pursuant to Directive 2006/43/EC;			
(b) the authorities referred to in Article 35(2), whether they have been designated competent authorities for the purposes of this Regulation or not;	AS COM	AS COM	(b) the authorities referred to in Article 35(2), whether they have been designated competent authorities for the purposes of this Regulation or not;
(c) the financial intelligence units and the competent authorities referred to in Articles 21 and 37 of Directive 2005/60/EC.	AS COM	AS COM	(c) the financial intelligence units and the competent authorities referred to in Articles 21 and 37 of Directive 2005/60/EC.
		For the purposes of this cooperation, the obligations under Article 37 shall apply.	For the purposes of this cooperation, the obligations under Article 37 shall apply.
CHAPTER II QUALITY ASSURANCE, INVESTIGATION, MARKET MONITORING, CONTINGENCY PLANNING AND TRANSPARENCY OF COMPETENT AUTHORITIES TASKS		CHAPTER II QUALITY ASSURANCE, INVESTIGATION, MARKET MONITORING, AND TRANSPARENCY OF COMPETENT AUTHORITIES TASKS	CHAPTER II QUALITY ASSURANCE, INVESTIGATION, MARKET MONITORING, AND TRANSPARENCY OF COMPETENT AUTHORITIES TASKS
Article 40 *Quality assurance*		*Article 40* *Quality assurance*	*Article 40* *Quality assurance*
1. For the purposes of this Article:	AS COM	1. For the purposes of this Article:	1. For the purposes of this Article:
(a) "inspections" means quality assurance reviews of statutory	AS COM	(a) "inspections" means quality assurance reviews of statutory	(a) "inspections" means quality assurance reviews of statutory

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auditors and audit firms, which are led by an inspector and which do not represent an investigation within the meaning of Article 41;		auditors and audit firms, which are led by an inspector and which do not represent an investigation within the meaning of Article 32(5) of Directive 2006/43/EC;	auditors and audit firms, which are led by an inspector and which do not represent an investigation within the meaning of Article 32(5) of Directive 2006/43/EC;
(b) "inspector" means a reviewer who meets the requirements set out in point (a) of the second subparagraph of paragraph 3 of this Article and is employed by a competent authority;	AS COM	(b) "inspector" means a reviewer who meets the requirements set out in point (a) of the second subparagraph of paragraph 4 of this Article and is employed or otherwise contracted by a competent authority;	(b) "inspector" means a reviewer who meets the requirements set out in point (a) of the second subparagraph of paragraph 4 of this Article and is employed [or otherwise contracted] by a competent authority;
(c) "expert" means a natural person, who has specific expertise in financial markets, financial reporting, auditing or other fields relevant for inspections, including practising statutory auditors.	AS COM	AS COM	(c) "expert" means a natural person, who has specific expertise in financial markets, financial reporting, auditing or other fields relevant for inspections, including practising statutory auditors.
2. The competent authorities referred to in Article 35(1) shall establish an effective system of audit quality assurance.	AS COM	**2.** The competent authorities designated under Article 35(1) shall establish an effective system of audit quality assurance.	2. The competent authorities designated under Article 35(1) shall establish an effective system of audit quality assurance.
The competent authority shall carry out quality assurance reviews of statutory auditors and audit firms that carry out statutory audits of public-interest entities at least every three years.	AS COM	The competent authority shall carry out quality assurance inspections of statutory auditors and audit firms that carry out statutory audits of public-interest entities on the basis of an analysis	The competent authority shall carry out quality assurance inspections of statutory auditors and audit firms that carry out statutory audits of public-interest entities on the basis of an analysis

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		of the risk and	of the risk and
		(i) in case of statutory auditors and audit firms carrying out statutory audits of public interest entities other than those defined in Article 2(17) and Article 2(18) of Directive 2006/43/EC at least every three years; and,	[(i) in case of statutory auditors and audit firms carrying out statutory audits of public interest entities other than those defined in Article 2(17) and Article 2(18) of Directive 2006/43/EC at least every three years; and,]
		(ii) in other cases at least every six years.	[(ii) in other cases at least every six years.]
3. The competent authority shall ***be responsible*** for the quality assurance system and shall organise it in a manner that is ***independent of*** the reviewed statutory auditors and audit firms.	3. The competent authority shall ***have ultimate responsibility*** for the quality assurance system and shall organise it in a manner that is ***free from undue influence by*** the reviewed statutory auditors and audit firms. **[AM 212]**	3. The competent authority shall organize the quality assurance system in a manner that is independent of the reviewed statutory auditors and audit firms.	3. The competent authority shall organise the quality assurance system in a manner that is independent of the reviewed statutory auditors and audit firms.
The competent authority shall have the following responsibilities which may not be delegated to any association or body affiliated with the accounting or audit profession:	AS COM	The competent authority shall have the following responsibilities […]:	**[on hold linked to 38a]** The competent authority shall have the following responsibilities:
(a) approval and amendment of the inspection methodologies, including inspection and follow-up manuals, reporting	AS COM	AS COM	(a) approval and amendment of the inspection methodologies, including inspection and follow-up manuals, reporting

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methodologies and periodic inspection programmes;			methodologies and periodic inspection programmes;
(b) approval and amendment of inspection reports and follow up reports;	AS COM	AS COM	(b) approval and amendment of inspection reports and follow up reports;
(c) approval and assignment of inspectors for each inspection. The competent authority shall allocate adequate resources to the quality assurance system.	AS COM	AS COM	(c) approval and assignment of inspectors for each inspection. The competent authority shall allocate adequate resources to the quality assurance system.
4. The competent authority shall ensure that appropriate policies and procedures related to the independence and objectivity of the staff, including inspectors, and the management of the inspection system are put in place.	AS COM	AS COM	4. The competent authority shall ensure that appropriate policies and procedures related to the independence and objectivity of the staff, including inspectors, and the management of the inspection system are put in place.
The competent authority shall comply with the following criteria when appointing inspectors:	AS COM	AS COM	The competent authority shall comply with the following criteria when appointing inspectors:
(a) inspectors shall have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews;	AS COM	AS COM	(a) inspectors shall have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews;

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(b) a person who is a practicing statutory auditor or is employed or otherwise associated with a statutory auditor or an audit firm shall not be allowed to act as an inspector;	AS COM	AS COM	(b) a person who is a practicing statutory auditor or is employed or otherwise associated with a statutory auditor or an audit firm shall not be allowed to act as an inspector;
(c) a person shall not be allowed to act as an inspector in an inspection of the statutory auditor or audit firm until at least two years have elapsed since that person ceased to be a partner or employee of that auditor or in that audit firm or to be otherwise associated therewith;	AS COM	(c) a person shall not be allowed to act as an inspector in an inspection of a statutory auditor or audit firm until at least three years have elapsed since that person ceased to be a partner or employee of that auditor or in that audit firm or to be otherwise associated with that statutory auditor or audit firm;	(c) a person shall not be allowed to act as an inspector in an inspection of a statutory auditor or audit firm until at least three years have elapsed since that person ceased to be a partner or employee of that auditor or in that audit firm or to be otherwise associated with that statutory auditor or audit firm;
(d) inspectors shall declare that there are no conflicts of interest between them and the statutory auditor and audit firm to be inspected.	AS COM	AS COM	(d) inspectors shall declare that there are no conflicts of interest between them and the statutory auditor and audit firm to be inspected.
The competent authority may contract experts for carrying out specific inspections when the number of inspectors within the authority is insufficient. The competent authority may also be assisted by experts when this is essential for the proper conduct	The competent authority may contract experts for carrying out specific inspections when the number of inspectors within the authority is insufficient. The competent authority may also be assisted by experts when this is essential for the proper conduct of	By way of derogation from 1(b) of this Article, the competent authority may contract experts for carrying out specific inspections when the number of inspectors within the authority is insufficient. The competent authority may also be assisted by experts when this is	By way of derogation from 1(b) of this Article, the competent authority may contract experts for carrying out specific inspections when the number of inspectors within the authority is insufficient. The competent authority may also be assisted by

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of an inspection. In such instances, the competent authorities and the experts shall comply with the requirements of this paragraph. **Experts shall <u>be independent from professional associations and bodies</u>**.	an inspection. In such instances, the competent authorities and the experts shall comply with the requirements of this paragraph. **[AM 213]**	essential for the proper conduct of an inspection. In such instances, the competent authorities and the experts shall comply with the requirements of this paragraph. Experts shall <u>not be involved in the governance of, or employed or otherwise contracted by professional associations and bodies but may be members of such associations or bodies</u>.	experts when this is essential for the proper conduct of an inspection. In such instances, the competent authorities and the experts shall comply with the requirements of this paragraph. Experts shall not be involved in the governance of, or employed or otherwise contracted by professional associations and bodies but may be members of such associations or bodies.
5. The scope of inspections shall cover:	AS COM	5. The scope of inspections shall <u>at least</u> cover:	5. The scope of inspections shall at least cover:
(a) an assessment of the design of the internal quality control system of the audit firm or of the statutory auditor;	AS COM	AS COM	(a) an assessment of the design of the internal quality control system of the audit firm or of the statutory auditor;
(b) adequate compliance testing of procedures and a review of audit files of public interest entities in order to verify the effectiveness of the internal quality control system;	AS COM	AS COM	(b) adequate compliance testing of procedures and a review of audit files of public interest entities in order to verify the effectiveness of the internal quality control system;
(c) in the light of the inspection findings under points (a) and (b) of this paragraph, an assessment of the contents of the most recent annual transparency report	AS COM	AS COM	(c) in the light of the inspection findings under points (a) and (b) of this paragraph, an assessment of the contents of the most recent annual transparency report

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published by a statutory auditor or an audit firm in accordance with Article 27.			published by a statutory auditor or an audit firm in accordance with Article 27.
At least the following internal control policies and procedures of the statutory auditor or the audit firm shall be reviewed:	AS COM	AS COM	5a. At least the following internal control policies and procedures of the statutory auditor or the audit firm shall be reviewed:
(a) compliance by the statutory auditor or the audit firm with applicable auditing and quality control standards, and ethical and independence requirements, including those related to Chapter IV of Directive 2006/43/EC and Articles 5 to 10 of this Regulation, as well as relevant laws, regulations and administrative provisions of the Member State concerned;	AS COM	(aa) compliance by the statutory auditor or the audit firm with applicable auditing and quality control standards, and ethical and independence requirements, including those related to Chapter IV of Directive 2006/43/EC and Articles 9 to 10 of this Regulation, as well as relevant laws, regulations and administrative provisions of the Member State concerned;	(a) compliance by the statutory auditor or the audit firm with applicable auditing and quality control standards, and ethical and independence requirements, including those related to Chapter IV of Directive 2006/43/EC and Articles 9 to 10 of this Regulation, as well as relevant laws, regulations and administrative provisions of the Member State concerned;
(b) the quantity and quality of resources used, including compliance with continuing education requirements as set out in Article 13 of Directive 2006/43/EC;	AS COM	(bb) the quantity and quality of resources used, including compliance with continuing education requirements as set out in Article 13 of Directive 2006/43/EC;	(b) the quantity and quality of resources used, including compliance with continuing education requirements as set out in Article 13 of Directive 2006/43/EC;
(c) compliance with the requirements set out in Article 9 on the audit fees charged.	AS COM	(cc) compliance with the requirements set out in Article 9 on the audit fees charged.	(c) compliance with the requirements set out in Article 9 on the audit fees charged.

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For the purposes of testing compliance, at least a significant part of audit files shall be selected on the basis of an analysis of the risk of an inadequate carrying out of the statutory audit.	AS COM	For the purposes of testing compliance, […] audit files shall be selected on the basis of an analysis of the risk of an inadequate carrying out of the statutory audit.	For the purposes of testing compliance, audit files shall be selected on the basis of an analysis of the risk of an inadequate carrying out of the statutory audit.
The competent authorities shall also periodically review the methodologies used by statutory auditors and audit firms to carry out statutory audit.	AS COM	The competent authorities shall also periodically review the methodologies used by statutory auditors and audit firms to carry out statutory audit.	The competent authorities shall also periodically review the methodologies used by statutory auditors and audit firms to carry out statutory audit.
		In addition to the inspection covered by the first subparagraph, the competent authority shall have the power to perform other inspections.	[In addition to the inspection covered by the first subparagraph, the competent authority shall have the power to perform other inspections.]
Inspections shall be appropriate and proportionate in view of the scale and complexity of the activities of the reviewed audit firm or statutory auditor.	AS COM	deleted	deleted
6. Inspections findings and conclusions on which recommendations are based, including the findings and conclusions related to a transparency report, shall be communicated to and discussed with the inspected statutory	AS COM	6. The findings and conclusions of inspections on which recommendations are based, including the findings and conclusions related to a transparency report, shall be communicated to and discussed with the inspected statutory	6. The findings and conclusions of inspections on which recommendations are based, including the findings and conclusions related to a transparency report, shall be communicated to and discussed with the inspected statutory

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auditor or audit firm before an inspection report is finalised.		auditor or audit firm before an inspection report is finalised.	auditor or audit firm before an inspection report is finalised.
Recommendations of inspections shall be <u>followed up</u> by the inspected statutory auditor or audit firm within a reasonable period set by the competent authority. Such period shall not exceed 12 months in the case of recommendations on the internal quality control system of the audit firm.	AS COM	Recommendations of inspections shall be <u>implemented</u> by the inspected statutory auditor or audit firm within a reasonable period set by the competent authority. Such period shall not exceed 12 months in the case of recommendations on the internal quality control system of the audit firm.	Recommendations of inspections shall be implemented by the inspected statutory auditor or audit firm within a reasonable period set by the competent authority. Such period shall not exceed 12 months in the case of recommendations on the internal quality control system of the audit firm.
7. The inspection shall be the subject of a report which shall contain the main conclusions of the quality assurance review.	AS COM	**7.** The inspection shall be the subject of a report which shall contain the main <u>recommendations and</u> conclusions of the quality assurance review.	**7.** The inspection shall be the subject of a report which shall contain the main recommendations and conclusions of the quality assurance review.
Article 41 *Investigation*		*Article 41* *Investigation* <u>merged with the Directive (Articles 30 and 32)</u>	<u>deleted</u>
The competent authorities referred to in Article 35(1) shall establish effective systems of investigation with a view to detecting, correcting and preventing inadequate carrying	AS COM		

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out of the statutory audit of public-interest entities.			
Where a competent authority contracts experts for carrying out specific assignments, the authority shall ensure that there are no conflicts of interest between these experts and the statutory auditor or audit firm under investigation.	AS COM		
Article 42 ***Market monitoring***	*Article 42* ***Monitoring market quality and competitiveness*** ***[AM 214]***	*Article 42* *Market monitoring*	*Article 42* ***Monitoring market quality and competition***
1. The competent authorities referred to in Article 35(1) shall regularly monitor the developments in ***the market for*** providing statutory audit services to public-interest entities.	1. The competent authorities referred to in Article 35(1) ***and the European Competition Network (ECN)*** shall regularly monitor the developments in providing ***high-quality*** statutory audit services to public-interest entities. **[AM 215]**	1. The competent authorities designated under Article 35(1) or the competition authorities of the Member States, as appropriate, shall regularly monitor the developments in the market for providing statutory audit services to public-interest entities.	1. The competent authorities designated under Article 35(1) and the European Competition Network (ECN), as appropriate, shall regularly monitor the developments in the market for providing statutory audit services to public-interest entities and shall in particular assess the following:
The competent authorities shall in particular assess the following:	The competent authorities ***referred to in the first subparagraph*** shall in particular assess the following:	AS COM	deleted

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	[AM 216]		
(a) the risks arising from high concentration, including the demise of audit firms ***with significant market share***, the disruption in the provision of statutory audit services whether in a specific sector or across sectors, the further accumulation of risk ***in the market*** and the impact on the overall stability of the financial sector;	(a) the risks arising from high concentration ***of quality deficiencies of a statutory auditor or audit firm***, including ***systematic deficiencies within an audit firm network, which may lead to*** the demise of audit firms, the disruption in the provision of statutory audit services whether in a specific sector or across sectors, the further accumulation of risk ***of audit deficiencies*** and the impact on the overall stability of the financial sector; **[AM 217]**	(a) the risks arising from high concentration, including the demise of any audit firm(s) with significant market share, the disruption in the provision of statutory audit services whether in a specific sector or across sectors, the further accumulation of risk in the market and the impact on the overall stability of the financial sector;	(a) the risks arising from high incidence of quality deficiencies of a statutory auditor or audit firm, including systematic deficiencies within an audit firm network, which may lead to the demise of any audit firm, the disruption in the provision of statutory audit services whether in a specific sector or across sectors, the further accumulation of risk of audit deficiencies and the impact on the overall stability of the financial sector;
	(aa) the market concentration levels, including at the level of specific sectors; [AM 218]		(aa) the market concentration levels, including at the level of specific sectors;
	(ab) the performance of audit committees in monitoring the quality of audit work and safeguarding the independence of auditors; [AM 219]		(ab) the performance of audit committees;
(b) the need to adopt measures to mitigate those risks.	(b) the need to adopt measures to mitigate those risks***, which measures may be legally binding***; **[AM 220]**	AS COM	(b) the need to adopt measures to mitigate those risks.

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2. By X X 20XX [2 years after the entry into force of the Regulation], and at least on a ***two-year*** basis thereafter, each competent authority shall draw up a report on this issue and submit it to ESMA***, EBA*** and ***EIOPA***.	2. By X X 20XX [2 years after the entry into force of the Regulation], and at least on a ***four-year*** basis thereafter, each competent authority shall draw up a report on this issue and submit it to ESMA and ***the Commission***. **[AM 221]**	2. By X X 20XX [*2 years after the entry into force of the Regulation*], and at least on a three-year basis thereafter, each competent authority or competition authority, whichever is appropriate, shall draw up a report on this issue and submit it to CEAOB, EBA and EIOPA.	2. By X X 20XX [*2 years after the entry into force of the Regulation*], and at least every three years thereafter, each competent authority and the ECN, shall draw up a report on this issue and submit it to [CEAOB], ESMA, EBA, EIOPA and the Commission.
ESMA, EBA and EIOPA shall use those reports to draw up a joint report on the situation at Union level. The report shall be submitted to the ***Commission***, the European Central Bank and the European Systemic Risk Board.	***The Commission, following consultation with ESMA,*** shall use those reports to draw up a joint report on the situation at Union level. The report shall be submitted to ***Member States and their national parliaments,*** the ***European Parliament***, the European Central Bank and the European Systemic Risk Board. **[AM 222]**	CEAOB, EBA and EIOPA shall use those reports to draw up a joint report on the situation at Union level. The report shall be submitted to the Commission, the European Central Bank and the European Systemic Risk Board.	The Commission, following consultation with [CEAOB, ESMA], EBA, EIOPA shall use those reports to draw up a joint report on the situation at Union level. The report shall be submitted to the European Central Bank and the European Systemic Risk Board.
Article 43 *Contingency planning*		*Article 43* *Contingency planning* deleted	deleted
1. Without prejudice to Article 52, competent authorities designated pursuant to Article 35(1) shall require at least the six largest audit firms in terms of	1. Without prejudice to Article 52, competent authorities designated pursuant to Article 35(1) shall require at least the six largest audit firms in terms of statutory		deleted

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statutory audits of ***large*** public-interest entities in each Member State to establish a contingency plan addressing a possible event threatening the continuity of operations of the *concerned firm*.	audits of public-interest entities in each Member State to establish a contingency plan addressing a possible event threatening the continuity of operations of the *firm concerned*. **[AM 223]**		
The competent authority shall make public a list of the firms concerned by the first subparagraph and update it annually. The competent authority shall use the information provided by statutory auditors and audit firms pursuant to ***Article 28*** to calculate which the largest six audit firms are.	The competent authority shall make public a list of the firms concerned by the first subparagraph and update it annually. The competent authority shall use the information provided by statutory auditors and audit firms pursuant to ***Article 29*** to calculate which the largest six audit firms are. **[AM 224]**		deleted
2. The contingency plans shall identify measures to avoid disruption in the provision of statutory audit services to public-interest entities, prevent the contagion effect to other audit firms, belonging to the same network or not, as a result of either liability or reputation risks and prevent further structural accumulation of risk in the market.	AS COM		deleted

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The contingency plans shall indicate:	AS COM		deleted
(a) the level of liability that each partner is subjected to within the audit firm;	AS COM		deleted
(b) the extent to which legal liability can spread to other audit firms belonging to the same network, both at national, Union and international level.	AS COM		deleted
3. Without prejudice to the applicable national insolvency laws, competent authorities may specifically require that the contingency plans identify measures to prepare an orderly failure of the firm concerned.	AS COM		deleted
4. The audit firms concerned shall submit their respective contingency plans to the competent authorities within a timeframe set by the competent authorities. The contingency plans shall be updated as appropriate.	AS COM		deleted
The competent authorities shall ***not formally approve or endorse the contingency plans. They may however provide an opinion*** on	The competent authorities shall ***advise ESMA*** on the ***general status of*** contingency plans. **[AM 225]**		deleted

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the ***contingency plans or on draft*** contingency plans***, should the audit firms consult them in advance***.			
Article 44 *Transparency of Competent Authorities*		*Article 44* *Transparency of Competent Authorities*	*Article 44* *Transparency of Competent Authorities*
Competent authorities shall be transparent and shall at least publish:	AS COM	AS COM	Competent authorities shall be transparent and shall at least publish:
(a) annual activity reports regarding the tasks provided in this Regulation;	AS COM	(a) annual activity reports regarding the tasks the competent authorities are required to carry out under this Regulation;	(a) annual activity reports regarding the tasks the competent authorities are required to carry out under this Regulation;
(b) annual work programmes regarding the tasks provided in this Regulation;	AS COM	(b) annual work programmes regarding the tasks the competent authorities are required to carry out under this Regulation;	(b) annual work programmes regarding the tasks the competent authorities are required to carry out under this Regulation;
(c) a report on the overall results of the quality assurance system on an annual basis. This report shall include information on recommendations issued, follow-up on the recommendations, supervisory measures taken and penalties imposed. It shall also include quantitative information and other key performance information on financial	AS COM	AS COM	(c) a report on the overall results of the quality assurance system on an annual basis. This report shall include information on recommendations issued, follow-up on the recommendations, supervisory measures taken and penalties imposed. It shall also include quantitative information and other key performance information on financial

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resources and staffing, and the efficiency and effectiveness of the quality assurance system;			resources and staffing, and the efficiency and effectiveness of the quality assurance system;
(d) the ***inspections findings and conclusions*** referred to in ***Article 40(6).***	(d) the ***report*** referred to in ***Article 40(7)***. **[AM 226]**	(d) the aggregated information on the inspections findings and conclusions referred to in Article 40(6).	(d) the aggregated information on the inspections findings and conclusions referred to in Article 40(6). The Member States may require the publication of those findings and conclusions on the level of individual inspections.
CHAPTER III COOPERATION BETWEEN COMPETENT AUTHORITIES AND RELATIONS WITH THE EUROPEAN SUPERVISORY AUTHORITIES		*CHAPTER III* ***COOPERATION BETWEEN COMPETENT AUTHORITIES AND RELATIONS WITH THE EUROPEAN SUPERVISORY AUTHORITIES***	*CHAPTER III* *COOPERATION BETWEEN COMPETENT AUTHORITIES AND RELATIONS WITH THE EUROPEAN SUPERVISORY AUTHORITIES*
Article 45 *Obligation to cooperate*		*Article 45* *Obligation to cooperate*	*Article 45* *Obligation to cooperate*
The competent authorities of the Member States shall cooperate with each other where it is necessary for the purposes of this Regulation, including in cases where the conduct under investigation does not constitute an infringement of any legislative or regulatory provision in force in the Member State concerned.	AS COM	AS COM	The competent authorities of the Member States shall cooperate with each other where it is necessary for the purposes of this Regulation, including in cases where the conduct under investigation does not constitute an infringement of any legislative or regulatory provision in force in the Member State concerned

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Article 46 *ESMA*		*Article 46* *Establishment of CEAOB*	**Political**
1. The cooperation between competent authorities shall be organised within the framework of ESMA.	AS COM	1. Without prejudice to the organisation of national auditing oversight, the cooperation between competent authorities shall be organised within the framework of a Committee of European Auditing Oversight Bodies, hereinafter referred to as 'CEAOB'.	
ESMA shall create a permanent internal committee pursuant to Article 41 of Regulation (EU) No 1095/2010 for this purpose. Such internal committee shall be at least composed of the competent authorities referred to in Article 35(1) of this Regulation***. The*** competent authorities referred to in Article 32 of Directive 2006/43/EC ***shall be invited to attend the meetings of such internal committee concerning matters related to approval and registration of statutory auditors and audit firms and relations with third countries in so far as relevant to the statutory audit of***	ESMA shall create a permanent internal committee pursuant to Article 41 of Regulation (EU) No 1095/2010 for this purpose. Such internal committee shall be at least composed of the competent authorities referred to in Article 35(1) of this Regulation ***and the*** competent authorities referred to in Article 32 of Directive 2006/43/EC ***which heretofore constitute the European Group of Audit Oversight Bodies (EGAOB) created by Decision 2005/909/EC.*** **[AM 227]**	deleted	

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public-interest entities.			
ESMA shall cooperate with EBA and EIOPA within the framework of the Joint Committee of the European Supervisory Authorities established in Article 54 of Regulation (EU) No 1095/2010.	AS COM	deleted	
ESMA shall take over, as appropriate, all existing and ongoing tasks from the European Group of Audit Oversight Bodies (EGAOB) created by Decision 2005/909/EC.	AS COM	deleted	
	ESMA shall cooperate with the international bodies involved in developing the international standards and practices related to the carrying-out of statutory audits. [AM 228]		
2. ESMA shall provide advice to the competent authorities in the cases provided for in this Regulation. The *Competent* authorities shall consider that advice before taking any final decision under this Regulation.	2. ESMA shall provide advice to the competent authorities in the cases provided for in this Regulation. The *competent* authorities shall consider that advice before taking any final decision under this Regulation ***(auditing standing committee). The internal committee may***	2. The CEAOB shall be composed of one Member from each Member State who shall be high level representatives from the competent authorities referred to in Article 32(1) of Directive 2006/43/EC, and one Member appointed by the European Securities and Market	

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	create specific colleges of competent authorities to facilitate quality assurance, investigations, cooperation in inspections, contingency planning and administrative sanctions. **[AM 229]**	Authority, hereinafter referred to as 'Members'.	
		2aa. The European Banking Authority and European Insurance and Occupational Pensions Authority shall be invited to attend the meetings of CEAOB as observers.	
	2a. ESMA shall be adequately staffed, in terms of capacity and expertise, and shall have the resources needed in order for it to be able to fulfil its tasks as provided for in this Regulation. [AM 230]	2a. The CEAOB shall meet at regular intervals and, where necessary, at the request of the Commission or a Member State.	
3. In order to facilitate the exercise of the tasks provided for in this Regulation, ESMA shall issue guidelines, in accordance with Article 16 of Regulation (EU) No 1095/2010, as appropriate, on:	AS COM	3. Each member of the CEAOB shall have one vote, except a member appointed by ESMA, who shall not have voting rights. Unless otherwise stated, CEAOB decisions shall be taken by simple majority of its Members.	
(a) common standards on the content and presentation of the	(a) common standards on the content and presentation of the		

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report referred to in Article 22;	report referred to in Article 22***, within the framework of the international auditing standards referred to in Article 26 of Directive 2006/43/EC***; **[AM 231]**		
(b) common standards on the content and presentation of the report referred to in Article 23;	(b) common standards on the content and presentation of the report referred to in Article 23***, respecting reporting obligations resulting from national requirements***; **[AM 232]**		
(c) common standards on the oversight activity of the audit committee referred to in Article 24;	***deleted [AM 233]***		
(d) common standards and best practices on the content and presentation of the report referred to in Article 27, **including the statement referred to in Article 28**;	(d) common standards and best practices on the content and presentation of the report referred to in Article 27; **[AM 234]**		
(e) common standards and best practices on the gradual rotation mechanism referred to in Article 33;	***deleted [AM 235]***		
(f) common standards and best practices ***regarding*** the dismissal of auditors, ***in particular on the existence of proper grounds for***	(f) common standards and best practices ***on the existence of proper grounds for*** the dismissal of auditors, as referred to in		

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it, as referred to in Article 34;	Article 34; **[AM 236]**		
(g) ***enforcement practices and activities to be conducted by competent authorities under this Regulation***;	(g) ***common standards and best practices in the auditing area facilitating the consistent enforcement of applicable accounting standards, especially impairment rules***; ***[AM 237]***		
(h) common standards and best practices for conducting quality assurance reviews provided for in Article 40, taking into consideration, in particular:	(h) common standards and best practices ***within the framework of the international auditing standards referred to in Article 26 of Directive 2006/43/EC*** for conducting quality assurance reviews provided for in Article 40, taking into consideration, in particular: **[AM 238]**		
(i) the different scale and dimension of activity of statutory auditors and audit firms and policies;	AS COM		
(ii) the commonality of quality standards, policies and procedures to which members of networks of statutory auditors and audit firms adhere;	AS COM		

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(i) common standards and best practices for conducting investigations provided for in Article 41;	AS COM		
(j) procedures for the exchange of information provided for in Article 48;	AS COM		
(k) procedures and modalities for cooperation with regard to quality assurance reviews provided for in Article 49;	AS COM		
(l) procedures and modalities for joint investigations and inspections provided for in Article 51;	AS COM		
(m) the operational functioning of the colleges provided for in Article 53, including on the modalities for determining the membership to the colleges, the selection of facilitators, the written arrangements for the operation of the colleges and the coordination arrangements between colleges.	AS COM		
ESMA shall consult EBA and EIOPA before issuing the guidelines referred to in the first subparagraph.	AS COM		

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4. By X X 20XX [four years after the entry into force of the Regulation], and at least at on a two-year basis thereafter, ESMA shall prepare a report on the application of this Regulation.	AS COM	4. The Chair of the CEAOB shall be elected or removed by the 2/3 majority of Members from a list of applicants representing the competent authorities referred to in Article 32(1) of Directive 2006/43/EC. The Chair shall be elected for a four-year term. The Chair may not serve consecutive terms in the same position, but may be re-elected after a cooling-off period of four years.	
		The Vice Chair shall be appointed or removed by the European Commission.	
		The Chair and the Vice Chair shall not have voting rights.	
		In case the Chair resigns or is removed before the end of the term , the Vice Chair shall act as a Chair until the next meeting of the CEAOB which shall elect a Chair for the remainder of the term.	
ESMA shall consult EBA and EIOPA before making public its report.	AS COM		
In a report to be prepared by X X 20XX [two years after the entry	In a report to be prepared by X X 20XX [two years after the entry		

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into force of the Regulation], ESMA shall undertake an evaluation of the structure of the audit market.	into force of the Regulation], ESMA***, following the advice of the European Competition Network,*** shall undertake an evaluation of the structure of the audit market. **[AM 239]**		
For the purpose of this report, ESMA shall examine the influence of Member States' civil liability systems for statutory auditors on the audit market structure.	AS COM		
In a report to be prepared by ESMA by X X 20XX [four years after the entry into force of the Regulation], shall examine whether the competent authorities referred to in Article 35(1) are sufficiently empowered and have adequate resources to carry out their tasks.	In a report to be prepared by ESMA by X X 20XX [four years after the entry into force of the Regulation], ***it*** shall examine whether the competent authorities referred to in Article 35(1) are sufficiently empowered and have adequate resources to carry out their tasks. **[AM 240]**		
In a report to be prepared by ESMA by X X 20XX [six years after the end of the transitional period], shall examine the following issues:	In a report to be prepared by ESMA by X X 20XX [six years after the end of the transitional period], ***it*** shall examine the following issues: **[AM 241]**		

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(a) the changes in the audit market structure;	AS COM		
(b) the changes in the patterns of cross-border activity, including as a result of the changes introduced to Chapter II of Directive 2006/43/EC by Directive xxxx/xx/EU;	AS COM		
(c) an interim assessment on the improvement of audit quality and the impact of this Regulation on small and medium-sized enterprises which are public-interest entities.	AS COM		
In a report, to be prepared by X X 20XX [*twelve years after the entry into force of the Regulation*], ESMA shall undertake an evaluation of the impact of this Regulation.	AS COM		
		5a. The CEAOB shall:	
		(a) facilitate the exchange of information, expertise and best practices for the implementation of this Regulation and Directive 2006/43/EC.	

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		(b) provide expert advice to the Commission as well as to the Cometent authorites, at their request, on issues related to the implementation of this Regulation and Directive 2006/43/EC;	
		(c) contribute to the technical assessment of public oversight systems of third countries and to the international cooperation between Member States and third countries in this area;	
		(d) contribute to the technical examination of international auditing standards, including the processes for their elaboration, with a view to their adoption at the Union level;	
		(e) *[deleted]*	
		(f) contribute to the improvement of the cooperation mechanisms regarding oversight of public interest entities' audit firms or the networks they belong to;	
		(g) carry out other coordinating tasks in cases provided for in this Regulation or Directive 2006/43/EC.;	

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		5b. For the purpose of carrying out tasks, referred in paragraph 5a (c), the CEAOB may shall request the assistance from the ESMA, EBA or EIOPA insofar as this request is related to the international cooperation between Member States and third countries in the field of statutory audit of public interest entities supervised by these European Supervisory Authorities. In case such assistance is requested, the ESMA, EBA or EIOPA shall assist the CEAOB in this task.	

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5. Before X X 20XX [*three years after the entry into force of the Regulation*] the Commission shall present a report, on the basis of the ESMA reports and other appropriate evidence, on the impact of the national liability rules for statutory auditors on the audit market structure. In the light of that report, the Commission shall take the steps it considers appropriate as a result of its findings.	AS COM	5. For the purposes of carrying out its tasks, the CEAOB may adopt non-binding guidelines or opinions.	
		The Commission shall publish the guidelines and opinions adopted by the CEAOB.	
	5a. Following the expiry of a transitional period of three years after the entry into force of the Regulation, the Commission shall submit to the European Parliament and the Council a report on the performance of ESMA with regard to audit and the functioning of the internal audit committee. That report shall also consider any enhanced future role for ESMA. The Commission shall assess whether		

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	ESMA has enough resources to fulfil its tasks laid down in this Regulation, and shall propose any budget adjustments that it considers necessary. ***[AM 242]***		
		7. The CEAOB shall assume all existing and on-going tasks […], as appropriate, of the European Group of Audit Oversight Bodies (EGAOB) created by Commission Decision 2005/909/EC.	
		8. The CEAOB may establish sub-groups on a permanent or ad hoc basis to examine specific issues under the terms of reference established by the CEAOB. Participation in the sub-group discussions may be extended to competent authorities from the countries of the European Economic Area (hereinafter referred to as EEA) in the field of audit oversight or by invitation, on a case-by-case basis, to competent authorities from non-EU/EEA countries, subject to the approval of the CEAOB members. The	

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		participation of the non-EU/EEA member may be subject to a limited time period.	
		9. At the request of at least three Members, or on its own initiative, where this is considered useful and/or necessary, the Chair of the CEAOB may invite experts, including practitioners, with specific competence on a subject on the agenda to participate in the CEAOB's or its sub-group's deliberations as observers. The CEAOB may invite representatives of competent authorities from third countries which are competent in the field of audit oversight to participate in the CEAOB's or its sub-group's deliberations as observers.	
		10. The Secretariat of the CEAOB shall be provided by the Commission. The expenses of the CEAOB shall be included in the estimates of the Commission.	
		11. The Chair shall prepare the provisional agenda of each CEAOB meeting with due regard to Members written contributions.	

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		13. The Chair or, in his or her absence, the Vice Chair shall communicate CEAOB views or positions only with the approval of the Members.	
		14. The CEAOB's discussions shall not be public.	
		15. The CEAOB shall adopt its rules of procedure.	
Article 47 *Home Member State principle*		*Article 47* *Home Member State principle* identical to Article 34 of Directive, therefore deleted	deleted
1. Member States shall respect the principle of Home Member State regulation and oversight by the Member State in which the statutory auditor or audit firm is approved and the audited entity has its registered office.	AS COM		
2. In the case of a statutory audit of consolidated financial statements, the Member State requiring the statutory audit of the consolidated financial statements may not impose additional requirements in relation to the statutory audit concerning	AS COM		

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registration, quality assurance review, auditing standards, professional ethics and independence on a statutory auditor or audit firm carrying out a statutory audit of a subsidiary established in another Member State.			
3. In the case of a undertaking whose securities are traded on a regulated market in a Member State other than that in which that undertaking has its registered office, the Member State in which the securities are traded may not impose any additional requirements in relation to the statutory audit concerning registration, quality assurance review, auditing standards, professional ethics and independence on a statutory auditor or audit firm carrying out the statutory audit of the annual or consolidated financial statements of that undertaking.	AS COM		

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Article 48 *Exchange of information*		*Article 48* ***Exchange of information*** Transferred to Directive as Article 49	deleted
1. The competent authorities referred to in Article 35 shall, without undue delay, supply each other and the relevant European Supervisory Authorities with the information required for the purposes of carrying out their tasks under this Regulation.	AS COM		
2. When receiving a request for information from another competent authority or a European Supervisory Authority, the competent authority receiving such request shall, without undue delay, take the necessary measures to gather the required information. If the requested competent authority is not able to supply the required information without undue delay, it shall notify the requesting competent authority of the reasons thereof.	AS COM		

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3. The competent authorities may refuse to act on a request for information under any of the following circumstances:	AS COM		
(a) supplying information might adversely affect the sovereignty, security or public order of the requested Member States or breach national securities rules;	AS COM		
(b) judicial proceedings have already been initiated in respect of the same actions and against the same statutory auditors or audit firms before the authorities of the requested Member State;	AS COM		
(c) a final judgment has already been passed in respect of the same actions and on the same statutory auditors or audit firms by the competent authorities of the requested Member State.	AS COM		
Without prejudice to the obligations to which they are subject in judicial proceedings, competent authorities or the European Supervisory Authorities which receive information pursuant to paragraph 1 may use that information only for the	AS COM		

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exercise of their tasks within the scope of this Regulation and in the context of administrative or judicial proceedings specifically related to the exercise of those tasks.			
4. The competent authorities may transmit to the competent authorities responsible for supervising public-interest entities, central banks, the European System of Central Banks and the European Central Bank, in their capacity as monetary authorities, and the European Systemic Risk Board confidential information intended for the performance of their tasks. Such authorities or bodies shall not be prevented from communicating to the competent authorities information that the competent authorities may need in order to carry out their duties under this Regulation.	AS COM		

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Article 49 *Cooperation with regard to quality assurance reviews*	AS COM	*Article 49* *Cooperation with regard to quality assurance reviews and investigations or on-site inspections*	*Article 49* *Cooperation with regard to quality assurance reviews and investigations or on-site inspections*
1. Competent authorities shall take measures to ensure effective cooperation at Union level in respect of quality assurance reviews.	AS COM	AS COM	1. Competent authorities shall take measures to ensure effective cooperation at Union level in respect of quality assurance reviews.
2. The competent authority of one Member State may request the assistance of the competent authority of another Member State with regard to the quality assurance reviews of statutory auditors or audit firms belonging to a network <u>exercicing</u> significant activities in that Member State.	AS COM	2. The competent authority of one Member State may request the assistance of the competent authority of another Member State with regard to the quality assurance reviews of statutory auditors or audit firms belonging to a network <u>carrying out</u> significant activities in that Member State.	2. The competent authority of one Member State may request the assistance of the competent authority of another Member State with regard to the quality assurance reviews of statutory auditors or audit firms belonging to a network carrying out significant activities in that Member State.
The competent authority making any such request shall inform ESMA thereof. In the event of an investigation or inspection with cross-border effect, the competent authorities may request ESMA to coordinate the investigation or inspection.	AS COM	<u>deleted</u>	deleted

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3. Where a competent authority receives a request from a competent authority of another Member State to participate in the quality assurance review of a statutory auditors or audit firm belonging to a network exercicing significant activities in that Member State, it shall allow the requesting competent authority to participate in such quality assurance review.	AS COM	3. Where a competent authority receives a request from a competent authority of another Member State to assist in the quality assurance review of a statutory auditors or audit firm belonging to a network carrying out significant activities in that Member State, it shall allow the requesting competent authority to assist in such quality assurance review.	3. Where a competent authority receives a request from a competent authority of another Member State to assist in the quality assurance review of a statutory auditors or audit firm belonging to a network carrying out significant activities in that Member State, it shall allow the requesting competent authority to assist in such quality assurance review.
The requesting competent authority shall not have the right to access information which might adversely affect the sovereignty, security or public order of the requested Member State or breach national securities rules.	AS COM	The requesting competent authority shall not have the right to access information which might adversely affect the sovereignty, security or public order of the requested Member State or breach national security rules.	The requesting competent authority shall not have the right to access information which might adversely affect the sovereignty, security or public order of the requested Member State or breach national security rules.
		4. Where a competent authority concludes that activities contrary to the provisions of this Regulation are being carried out or have been carried out on the territory of another Member State, it shall notify the competent authority of the other Member State of that conclusion in as	4. Where a competent authority concludes that activities contrary to the provisions of this Regulation are being carried out or have been carried out on the territory of another Member State, it shall notify the competent authority of the other Member State of that conclusion

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		specific a manner as possible. The competent authority of the other Member State shall take appropriate action. It shall inform the notifying competent authority of the outcome and, to the extent possible, of significant interim developments.	in as specific a manner as possible. The competent authority of the other Member State shall take appropriate action. It shall inform the notifying competent authority of the outcome and, to the extent possible, of significant interim developments.
		5. A competent authority of one Member State may request that an investigation is carried out by the competent authority of another Member State on the latter's territory.	5. A competent authority of one Member State may request that an investigation is carried out by the competent authority of another Member State on the latter's territory.
		It may also request that some of its own personnel be allowed to accompany the personnel of the competent authority of that Member State in the course of the investigation, including with regard to on-site inspections.	It may also request that some of its own personnel be allowed to accompany the personnel of the competent authority of that Member State in the course of the investigation, including with regard to on-site inspections.
		The investigation or inspection shall be subject throughout to the overall control of the Member State on whose territory it is conducted.	The investigation or inspection shall be subject throughout to the overall control of the Member State on whose territory it is conducted.
		6. The requested competent authority may refuse to act on a request for an investigation to be	6. The requested competent authority may refuse to act on a request for an investigation to be

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		carried out as provided for in paragraph 2 or in the first subparagraph of paragraph 5, or on a request for its personnel to be accompanied by personnel of a competent authority of another Member State as provided for in the first subparagraph of paragraph 3 or in the second subparagraph of paragraph 5, in the following cases:	carried out as provided for in paragraph 2 or in the first subparagraph of paragraph 5, or on a request for its personnel to be accompanied by personnel of a competent authority of another Member State as provided for in the first subparagraph of paragraph 3 or in the second subparagraph of paragraph 5, in the following cases:
		(a) such an investigation or on-site inspection might breach national security rules or adversely affect the sovereignty, security or public order of the requested Member State;	(a) such an investigation or on-site inspection might breach national security rules or adversely affect the sovereignty, security or public order of the requested Member State;
		(b) judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested Member State;	(b) judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested Member State;

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		(c) a final judgment has already been passed in respect of the same actions and the same persons by the competent authorities of the requested Member State.	(c) a final judgment has already been passed in respect of the same actions and the same persons by the competent authorities of the requested Member State.
		7. In the event of a quality assurance review, investigation or inspection with cross-border effects, the competent authorities of the Member States concerned may address a joint request to CEAOB to coordinate the investigation or inspection.	7. In the event of a quality assurance review, investigation or inspection with cross-border effects, the competent authorities of the Member States concerned may address a joint request to CEAOB to coordinate the investigation or inspection.
Article 50 ***European Quality Certificate***	***deleted [AM 243]***	*Article 50* *European Quality Certificate* deleted	deleted
1. ESMA shall establish a European quality certificate for statutory auditors and audit firms carrying out statutory audits of public-interest entities.	***deleted [AM 243]***		
The European quality certificate shall meet the following conditions:	***deleted [AM 243]***		
(a) the European quality certificate shall be delivered by ESMA and shall be valid across	***deleted [AM 243]***		

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the Union;			
(b) Union auditors and audit firms meeting the relevant requirements shall be entitled to apply for the European quality certificate;	***deleted [AM 243]***		
(c) ESMA shall publish the requirements for obtaining the European quality certificate. Such requirements shall be based on audit quality and the experience of the quality assurance systems referred to in Article 30 of Directive 2006/43/EC and Article 40 of this Regulation;	***deleted [AM 243]***		
(d) ESMA shall charge fees to the applicant statutory auditors and audit firms for delivering the European quality certificate in accordance with the delegated act referred to in paragraph 4 of this Article. Those fees shall fully cover ESMA's necessary expenditure relating to the delivering of the certificate and the reimboursement of any costs that the competent authorities	***deleted [AM 243]***		

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may incur carrying out work pursuant to this Article;			
(e) ESMA shall state the reasons for delivering the certificate or for rejecting the application;	***deleted [AM 243]***		
(f) a statutory auditor or audit firm shall comply at all times with the conditions for the initial granting of the certificate;	***deleted [AM 243]***		
(g) ESMA shall be entitled to re-examine any certificate granted to any statutory auditor or audit firm, either at the request of a competent authority or on its own initiative. The results of the quality assurance reviews shall be taken into account;	***deleted [AM 243]***		
(h) ESMA shall be entitled to withdraw the European quality certificate where the statutory auditor or audit firm does not longer meet the conditions for obtaining it;	***deleted [AM 243]***		
(i) ESMA shall keep a registry of statutory auditors and firms which obtained the certificate;	***deleted [AM 243]***		
(j) the European quality certificate shall have a voluntary character and shall not be a	***deleted [AM 243]***		

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condition for statutory auditors or audit firms to be able to carry out statutory audits of public-interest entities, to be approved in another Member in accordance with Article 14 of Directive 2006/43/EC or to be recognised in another Member in accordance with Article 3a of that Directive.			
2. ESMA shall develop draft regulatory technical standards to specify the procedure for obtaining a European quality certificate for statutory auditors and audit firms carrying out statutory audits of public-interest entities. Those technical standards shall comply with the following principles:	***deleted [AM 243]***		
(a) applications shall be submitted to ESMA in either a language accepted in the Member State where the statutory auditor or audit firm is approved or in a language customary in the sphere of international finance.	***deleted [AM 243]***		

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Where a group of audit firms applies for the European quality certificate, the members of the group may mandate one of their members to submit all the applications on behalf of the group;	***deleted [AM 243]***		
(b) ESMA shall transmit a copy of the application to the competent authorities of the Member States concerned by the application;	***deleted [AM 243]***		
(c) the competent authorities of the Member States concerned by the application shall jointly examine the application for the certificate within a college of competent authorities referred to in Article 53. Such examination shall cover whether the application is complete and whether it meets the conditions for delivering the certificate. Information obtained in quality assurance reviews on a particular applicant shall be used in this examination;	***deleted [AM 243]***		

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(d) the competent authorities of the Member States concerned by the application shall provide an advice to ESMA as to whether the applicant shall be entitled to obtain the certificate;	***deleted [AM 243]***		
(e) ESMA shall take a decision on the application;	***deleted [AM 243]***		
(f) ESMA shall establish the detailed procedural steps and time limits;	***deleted [AM 243]***		
For the purposes of point (ii), those Member States shall be at least:	***deleted [AM 243]***		
- if the applicant is a statutory auditor, the Member State(s) where the statutory auditor is approved in accordance with Article 3 of Directive 2006/43/EC and, if applicable, the Member State(s) where the statutory auditor is approved in accordance with Article 14 of that Directive and/or the Member State(s) where statutory auditor is undertaking an adaptation period pursuant to Article 14 of Directive 2006/43/EC;	***deleted [AM 243]***		

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- if the applicant is an audit firm, the Member State(s) where the audit firm is approved in accordance with Article 3 of Directive 2006/43/EC and, if applicable, the Member State(s) where the audit firm is recognised in accordance with Article 3a of that Directive and/or the Member State(s) where the audit firm has controlled firms, affiliate firms or a parent firm.	***deleted [AM 243]***		
3. ESMA shall submit the draft regulatory technical standards referred to in paragraph 2 to the Commission by [3 years after the entry into force of this Regulation].	***deleted [AM 243]***		
Powers are delegated to the Commission to adopt the regulatory technical standards referred to in paragraph 2 in accordance with Article 10 of Regulation (EU) No 1095/2010.	***deleted [AM 243]***		
4. The Commission shall be empowered to adopt delegated acts in accordance with Article 68 for the purpose of	***deleted [AM 243]***		

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determining the fees referred to in point (d) of paragraph 1.			
The delegated acts shall determine in particular the types of fees and the matters for which fees are due, the amount of the fees, they way in which they are to be paid and the way in which ESMA is to reimburse competent authorities in respect of any costs that they may incur carrying out work pursuant to this Article.	***deleted [AM 243]***		
The amount of a fee charged to a statutory auditor or an audit firm shall cover all administrative costs.	***deleted [AM 243]***		
Article 51 *Cooperation with regard to investigations or on-site inspections*		*Article 51* *Cooperation with regard to investigations or on-site inspections* *This article has now been combined with Article 49*	deleted
1. Where a competent authority concludes that activities contrary to the provisions of this Regulation are being carried out or have been carried out on the	AS COM		

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territory of another Member State, it shall notify the competent authority of the other Member State of that conclusion in as specific a manner as possible. The competent authority of the other Member State shall take appropriate action. It shall inform the notifying competent authority of the outcome and, to the extent possible, of significant interim developments.			
2. A competent authority of one Member State may request that an investigation is carried out by the competent of another Member State on the latter's territory.	AS COM		
It may also request that some of its own personnel be allowed to accompany the personnel of the competent authority of that Member State in the course of the investigation, including with regard to on-site inspections.	AS COM		
The competent authority making any such request shall inform ***ESMA*** of any request referred to in the first and second subparagraphs.	The competent authority making any such request shall inform ***the Commission*** of any request referred to in the first and second subparagraphs. **[AM 244]**		

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The investigation or inspection shall be subject throughout to the overall control of the Member State on whose territory it is conducted. However, in the event of an investigation or inspection with cross-border effect, the competent authorities may request ESMA to coordinate the investigation or inspection.	AS COM		
3. The requested competent authority may refuse to act on a request for an investigation to be carried out as provided for in the first subparagraph of paragraph 2, or on a request for its personnel to be accompanied by personnel of a competent authority of another Member State as provided for in the second subparagraph of paragraph 2, in the following cases:	AS COM		
(a) such an investigation or on-site inspection might adversely affect the sovereignty, security or public order of the requested Member State;	AS COM		
(b) judicial proceedings have already been initiated in respect	AS COM		

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of the same actions and against the same persons before the authorities of the requested Member State;			
(c) a final judgment has already been passed in respect of the same actions on such persons by the competent authorities of the requested Member State.	AS COM		
Article 52 *Cooperation with regard to contingency planning*		*Article 52* *Cooperation with regard to contingency planning* deleted	deleted
Where the audit firms concerned by the requirement in Article 43 belong to networks of at least Union dimension, competent authorities shall cooperate within ESMA with a view to ensuring that the different national requirements take account of the network dimension.	AS COM		
The competent authorities shall make available to ESMA and the other competent authorities the contingency plans received pursuant to Article 43(4).	AS COM		

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ESMA shall not formally approve or endorse the contingency plans, but may provide an opinion on them.	AS COM		
Article 53 Colleges of competent authorities		*Article 53* *Colleges of competent authorities*	*Article 53* *Colleges of competent authorities*
1. Colleges of competent authorities may be established in order to facilitate the exercise of the tasks referred to in Articles 40, 41, 50, 51, 52 and 61 with regard to specific statutory auditors, audit firms or their networks.	AS COM	1. […] In order to facilitate the exercise of the tasks referred to in Articles 40, 49(4)-(6) and Article 30 of the Directive with regard to specific statutory auditors, audit firms or their networks, colleges may be established with the participation of the competent authority of the home Member State and any other competent authority, provided that:	1. In order to facilitate the exercise of the tasks referred to in Articles 40, 49(4)-(6) and Article 30 of the Directive with regard to specific statutory auditors, audit firms or their networks, colleges may be established with the participation of the competent authority of the home Member State and any other competent authority, provided that:
		(a) the statutory auditor or audit firm is providing statutory audit services to public interest entities within its jurisdiciton; or	(a) the statutory auditor or audit firm is providing statutory audit services to public interest entities within its jurisdiciton; or
		(b) a branch which is a part of the audit firm is established within its jurisdiction.	(b) a branch which is a part of the audit firm is established within its jurisdiction.
2. With regard to specific statutory auditors or audit firms,	AS COM	deleted (see paragraph 1)	deleted

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colleges of competent authorities shall be established by the competent authority of the home Member State.			
The college shall comprise the competent authority of the home Member State and any other competent authority of other Member States provided that:	AS COM		deleted
(a) the statutory auditor or audit firm is providing statutory audit services to public-interest entities within its jurisdiction; or	AS COM		deleted
(b) a branch which is a part of the audit firm is established within its jurisdiction.	AS COM		deleted
The competent authority of the home Member State shall act as facilitator.	AS COM	2. In the case of specific statutory auditors or audit firms, the competent authority of the home Member State shall act as facilitator.	2. In the case of specific statutory auditors or audit firms, the competent authority of the home Member State shall act as facilitator.
3. With regard to specific networks, colleges of competent authorities shall be established by ESMA upon request of one or more competent authorities.	AS COM	3. With regard to specific networks, competent authorities of the Member States where the network carries out significant activities may request CEAOB to establish a college with the participation of the requesting competent authorities.	[3. With regard to specific networks, competent authorities of the Member States where the network carries out significant activities may request CEAOB to establish a college with the participation of the requesting competent authorities.]

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The college shall comprise the competent authorities of the Member States where the network exercises significant activities.	AS COM	deleted	deleted
4. Within 15 working days of the establishment of the college of competent authorities with regard to a specific network, its members shall select a facilitator. In the absence of agreement, ESMA shall appoint a facilitator.	AS COM	4. Within 15 working days of the establishment of the college of competent authorities with regard to a specific network, its members shall select a facilitator. In the absence of agreement, CEAOB shall appoint a facilitator among the members of the college.	[4. Within 15 working days of the establishment of the college of competent authorities with regard to a specific network, its members shall select a facilitator. In the absence of agreement, CEAOB shall appoint a facilitator among the members of the college.]
Members of the college shall review the selection of the facilitator at least every five years to ensure the selected facilitator remains the most appropriate.	AS COM	AS COM	Members of the college shall review the selection of the facilitator at least every five years to ensure the selected facilitator remains the most appropriate.
5. The facilitator shall chair the meetings of the college, coordinate the actions of the college and ensure efficient exchange of information among members of the college.	AS COM	AS COM	5. The facilitator shall chair the meetings of the college, coordinate the actions of the college and ensure efficient exchange of information among members of the college.
6. The facilitator shall, within 10 working days of his or her selection, establish written coordination arrangements within the framework of the college	AS COM	AS COM	6. The facilitator shall, within 10 working days of his or her selection, establish written coordination arrangements within the framework of the college

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regarding the following matters:			regarding the following matters:
(a) information to be exchanged between competent authorities;	AS COM	AS COM	(a) information to be exchanged between competent authorities;
(b) cases in which the competent authorities must consult each other;	AS COM	AS COM	(b) cases in which the competent authorities must consult each other;
(c) cases in which the competent authorities may delegate supervisory tasks in accordance with Article 54.	AS COM	AS COM	(c) cases in which the competent authorities may delegate supervisory tasks in accordance with Article 54.
7. In the absence of agreement concerning the written coordination arrangements under paragraph 6, any member of the college may refer the matter to ESMA. The facilitator shall give due consideration to any advice provided by ESMA concerning the written coordination arrangements before agreeing their final text. The written coordination arrangements shall be set out in a single document containing full reasons for any significant deviation from the advice of ESMA. The facilitator shall transmit the written coordination arrangements to the	AS COM	**7.** In the absence of agreement concerning the written coordination arrangements under paragraph 6, any member of the college may refer the matter to CEAOB. The facilitator shall give due consideration to any advice provided by CEAOB concerning the written coordination arrangements before agreeing their final text. The written coordination arrangements shall be set out in a single document containing full reasons for any significant deviation from the advice of CEAOB. The facilitator shall transmit the written coordination arrangements to the	**7.** In the absence of agreement concerning the written coordination arrangements under paragraph 6, any member of the college may refer the matter to [CEAOB]. The facilitator shall give due consideration to any advice provided by [CEAOB] concerning the written coordination arrangements before agreeing their final text. The written coordination arrangements shall be set out in a single document containing full reasons for any significant deviation from the advice of [CEAOB]. The facilitator shall transmit the written coordination

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members of the college and to ESMA.		members of the college and to CEAOB.	arrangements to the members of the college and to [CEAOB].
Article 54 Delegation of tasks		*Article 54* *Delegation of tasks*	*Article 54* *Delegation of tasks*
The competent authority of the home Member State may delegate any of its tasks to the competent authority of another Member State subject to the agreement of that authority. Delegation of tasks shall not affect the responsibility of the delegating competent authority.	AS COM	AS COM	The competent authority of the home Member State may delegate any of its tasks to the competent authority of another Member State subject to the agreement of that authority. Delegation of tasks shall not affect the responsibility of the delegating competent authority.
Article 55 *Confidentiality and professional secrecy in relation to ESMA*		*Article 55* *Confidentiality and professional secrecy in relation to cooperation among competent authorities*	*Article 55* *Confidentiality and professional secrecy in relation to cooperation among competent authorities*
1. The obligation of professional secrecy shall apply to all persons who work or who have worked for ESMA, or for any other person to whom ESMA has delegated tasks, including experts contracted by ESMA. Information covered by professional secrecy shall not be disclosed to another person or authority except where such disclosure is necessary for legal proceedings.	AS COM	1. The obligation of professional secrecy shall apply to all persons who work or who have worked for bodies involved in cooperation framework between competent authorities, referred to in Articles 46. Information covered by professional secrecy shall not be disclosed to another person or authority except where such disclosure is necessary for legal proceedings or required as a	[1. The obligation of professional secrecy shall apply to all persons who work or who have worked for bodies involved in cooperation framework between competent authorities, referred to in Articles 46. Information covered by professional secrecy shall not be disclosed to another person or authority except where such disclosure is necessary for legal proceedings [or required as

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		matter of law.	a matter of law].
2. Paragraph 1 of this Article and Article 37 shall not prevent ESMA and the competent authorities from exchanging confidential information. Information thus exchanged shall be covered by the obligation of professional secrecy, to which persons employed or formerly employed by competent authorities are subject.	AS COM	2. […] Article 37 shall not prevent bodies involved in a cooperation framework between competent authorities, referred to in Articles 46 and the competent authorities from exchanging confidential information. Information thus exchanged shall be covered by the obligation of professional secrecy, to which persons employed or formerly employed by competent authorities are subject.	2. Article 37 shall not prevent bodies involved in a cooperation framework between competent authorities, referred to in Articles 46 and the competent authorities from exchanging confidential information. Information thus exchanged shall be covered by the obligation of professional secrecy, to which persons employed or formerly employed by competent authorities are subject.
3. All the information exchanged under this Regulation between ESMA, the competent authorities and other authorities and bodies shall be considered confidential, except where ESMA or the competent authority or other authority or body concerned states at the time of communication that such information may be disclosed or where such disclosure is necessary for legal proceedings.	AS COM	3. All the information exchanged under this Regulation between bodies involved in a cooperation framework between competent authorities, referred to in Articles 46, and the competent authorities and other authorities and bodies shall be treated as confidential, except where such disclosure is required as a matter of law.	3. All the information exchanged under this Regulation between bodies involved in a cooperation framework between competent authorities, referred to in Articles 46, and the competent authorities and other authorities and bodies shall be treated as confidential, except where such disclosure is required as a matter of law.

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Article 56 *Protection of personal data*		*Article 56* *Protection of personal data*	*Article 56* *Protection of personal data*
1. Member States shall apply Directive 95/46/EC to the processing of personal data carried out in the Member States pursuant to this Regulation.	AS COM	AS COM	1. Member States shall apply Directive 95/46/EC to the processing of personal data carried out in the Member States pursuant to this Regulation.
2. Regulation (EC) No 45/2001 shall apply to the processing of personal data carried out by ESMA, EBA and EIOPA in the context of this Regulation.	AS COM	2. Regulation (EC) No 45/2001 shall apply to the processing of personal data carried out by CEAOB in the context of this Regulation and Directive 2006/43/EC.	2. Regulation (EC) No 45/2001 shall apply to the processing of personal data carried out by [CEAOB/ ESMA, EBA and EIOPA] in the context of this Regulation and Directive 2006/43/EC.
CHAPTER IV COOPERATION WITH THIRD COUNTRY AUTHORITIES AND WITH INTERNATIONAL ORGANISATION AND BODIES		CHAPTER IV COOPERATION WITH THIRD COUNTRY AUTHORITIES AND WITH INTERNATIONAL ORGANISATION AND BODIES	CHAPTER IV COOPERATION WITH THIRD COUNTRY AUTHORITIES AND WITH INTERNATIONAL ORGANISATION AND BODIES
Article 57 *Agreement on exhange of information*		*Article 57* *Agreement on exchange of information*	**On hold**
1. The competent authorities and ESMA may conclude cooperation agreements on exchange of information with the competent authorities of third countries only if the information disclosed is	AS COM	1. The competent authorities […] may conclude cooperation agreements on exchange of information with the competent authorities of third countries only if the information disclosed is	[1. The competent authorities may conclude cooperation agreements on exchange of information with the competent authorities of third countries only if the information disclosed is

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subject, in the third countries concerned, to guarantees of professional secrecy which are at least equivalent to those set out in Articles 37 and 55.		subject, in the third countries concerned, to guarantees of professional secrecy which are at least equivalent to those set out in Articles 37 and 55. The competent authorities shall immediately communicate to CEAOB and notify the Commission of such agreements.	subject, in the third countries concerned, to guarantees of professional secrecy which are at least equivalent to those set out in Articles 37 and 55. The competent authorities shall immediately communicate to CEAOB and notify the Commission of such agreements.]
Such exchange of information shall be intended for the performance of the tasks of those competent authorities.	AS COM	Information shall only be exchanged under this Article where such exchange of information is necessary for the performance of the tasks of those competent authorities under this Regulation.	Information shall only be exchanged under this Article where such exchange of information is necessary for the performance of the tasks of those competent authorities under this Regulation.
Where such exchange of information involves the transfer of personal data to a third country, Member States shall comply with Directive 95/46/EC and ESMA shall comply with Regulation (EC) No 45/2001.	AS COM	Where such exchange of information involves the transfer of personal data to a third country, Member States shall comply with Directive 95/46/EC and CEAOB shall comply with Regulation (EC) No 45/2001.	Where such exchange of information involves the transfer of personal data to a third country, Member States shall comply with Directive 95/46/EC and [CEAOB] shall comply with Regulation (EC) No 45/2001.
2. The competent authorities shall cooperate with the competent authorities or other relevant bodies of third countries regarding the quality assurance reviews and investigations of	AS COM	2. The competent authorities shall cooperate with the competent authorities or other relevant bodies of third countries regarding the quality assurance reviews and investigations of auditors and	2. The competent authorities shall cooperate with the competent authorities or other relevant bodies of third countries regarding the quality assurance reviews and investigations of

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auditors and audit firms. ESMA shall contribute to this cooperation.		audit firms. Upon request by a competent authority, CEAOB shall contribute to this cooperation and to the establishment of supervisory convergence with third countries.	auditors and audit firms. Upon request by a competent authority, [CEAOB] shall contribute to this cooperation and to the establishment of supervisory convergence with third countries.
ESMA shall contribute to the establishment of supervisory convergence with third countries.	AS COM	deleted	**On hold**
3. Where the cooperation or exchange of information is related to audit working papers or other documents held by statutory auditors or audit firms, Article 47 of Directive 2006/43/EC shall apply.	AS COM	AS COM	3. Where the cooperation or exchange of information is related to audit working papers or other documents held by statutory auditors or audit firms, Article 47 of Directive 2006/43/EC shall apply.
		4. The CEAOB shall prepare guidelines on the content of cooperation agreement and exchange of information referred to in this Article.	**On hold**
Article 58 *Disclosure of information received from third countries*		*Article 58* *Disclosure of information received from third countries*	*Article 58* *Disclosure of information received from third countries*
The competent authority of a Member State or ESMA may disclose the information received from competent authorities of	AS COM	The competent authority of a Member State may disclose the confidential information received from competent authorities of	The competent authority of a Member State may disclose the confidential information received from competent authorities of

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third countries only if it has obtained the express agreement of the competent authority that has transmitted the information and, where applicable, the information is disclosed only for the purposes for which that competent authority gave its agreement, or where such disclosure is necessary for legal proceedings.		third countries where <u>provided for in a co-operation agreement</u>, only if it has obtained the express agreement of the competent authority that has transmitted the information and, where applicable, the information is disclosed only for the purposes for which that competent authority gave its agreement, or where such disclosure is <u>required by national or EU legislation.</u>	third countries where provided for in a co-operation agreement, only if it has obtained the express agreement of the competent authority that has transmitted the information and, where applicable, the information is disclosed only for the purposes for which that competent authority gave its agreement, or where such disclosure is required by national or EU legislation.
Article 59 Disclosure of information transferred to third countries		*Article 59* *Disclosure of information transferred to third countries*	*Article 59* *Disclosure of information transferred to third countries*
The competent authority of a Member State <u>or ESMA</u> shall require that information communicated by them to a competent authority of a third country may be disclosed by that competent authority to third parties or authorities only with the prior express agreement of the competent authority which has transmitted the information, in accordance with its national law and provided that the information is disclosed only for the purposes	AS COM	The competent authority of a Member State shall require that <u>confidential</u> information communicated by them to a competent authority of a third country may be disclosed by that competent authority to third parties or authorities only with the prior express agreement of the competent authority which has transmitted the information, in accordance with its national law and provided that the information is disclosed only for the purposes	The competent authority of a Member State ***[or ESMA]*** shall require that confidential information communicated by them to a competent authority of a third country may be disclosed by that competent authority to third parties or authorities only with the prior express agreement of the competent authority which has transmitted the information, in accordance with its national law and provided that the information is disclosed only for

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for which that competent authority of the Member State or ESMA has given its agreement, or where such disclosure is necessary for legal proceedings.		for which that competent authority of the Member State […] has given its agreement, or where such disclosure is required by law or where such disclosure is necessary for legal proceedings in that third country.	the purposes for which that competent authority of the Member State has given its agreement, or where such disclosure is required by law or where such disclosure is necessary for legal proceedings in that third country.
Article 60 Cooperation with international organisation and bodies		*Article 60* *Cooperation with international organisation and bodies*	**On hold**
ESMA shall cooperate with the international organisations and bodies elaborating international auditing standards.	AS COM	deleted	
TITLE V Administrative sanctions and measures		**TITLE V** Administrative sanctions and measures	Title V is deleted
Article 61 *Administrative sanctions and measures*		*Article 61* *Administrative sanctions and measures* first part transferred to Directive, Article 30A, other part deleted	
1. Member States shall ***lay down the rules on*** administrative sanctions and measures applicable ***in cases of breaches of***	Member States shall ***ensure, in conformity with their national law, that at least the appropriate*** administrative sanctions and***/or***		

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the provisions of this Regulation identified in the Annex to ***the*** persons responsible for ***those*** breaches ***and shall take all measures necessary to ensure that they are implemented***. ***The*** sanctions ***and measures provided for shall be*** effective, proportionate and dissuassive.	measures applicable to persons responsible for breaches ***of the provisions of this Regulation and of Directive*** 2006***/43/EC may be taken***. ***Member States*** shall ***ensure that those*** sanctions ***are*** effective, proportionate and dissuassive. **[AM 245]**		
2. By [24 months after the entry into force of this Regulation] the Member States shall notify the rules referred to in paragraph 1 to the Commission and ESMA. They shall notify the Commsison and ESMA without delay of any subsequent amendment thereto.	***deleted [AM 245]***		
3. This Article and Articles 62 to 66 are without prejudice to provisions of national criminal law.	***deleted [AM 245]***		
Article 62 ***Sanctioning powers***	***deleted [AM 246]***	*Article 62* *Sanctioning powers* transferred to Directive, Article 30B	
1. This Article shall apply to breaches of the provisions of this Regulation identified in the	***deleted [AM 246]***		

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2. Without prejudice to the supervisory powers of competent authorities in accordance with Article 38, in case of a breach referred to in paragraph 1, competent authorities shall, in conformity with national law, have the power to impose at least the following administrative measures and sanctions:	***deleted [AM 246]***		
(a) an order requiring the person responsible for the breach to cease the conduct and to desist from a repetition of that conduct;	***deleted [AM 246]***		
(b) a public statement which indicates the person responsible and the nature of the breach, published on the website of competent authorities;	***deleted [AM 246]***		
(c) a temporary prohibition for the statutory auditor, the audit firm or the key audit partner to carry out statutory audits of public-interest entities and/or signing audit reports within the	***deleted [AM 246]***		

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meaning of Article 22 with effect throughout the Union, until the breach has been brought to an end;			
(d) declaring that the audit report does not meet the requirements of Article 22, until the breach has been brought to an end;	***deleted [AM 246]***		
(e) a temporary ban against a member of an audit firm or a public-interest entity administrative or management body to exercise functions in audit firms or public-interest entities;	***deleted [AM 246]***		
(f) administrative pecuniary sanctions of up to twice the amount of the profits gained or losses avoided because of the breach where those can be determined;	***deleted [AM 246]***		
(g) in respect of a natural person, administrative pecuniary sanctions of up to EUR 5 000 000 or, in the Member States where the Euro is not the official currency, the corresponding value in the national currency	***deleted [AM 246]***		

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on the date of entry into force of this Regulation;			
(h) in respect of a legal person, administrative pecuniary sanctions of up to 10% of its total annual turnover in the preceding business year; where the legal person is a subsidiary of a parent undertaking as defined in Articles 1 and 2 of Directive 83/349/EEC, the relevant total annual turnover shall be the total annual turnover resulting from the consolidated account of the ultimate parent undertaking in the preceding business year.	***deleted [AM 246]***		
3. Member States may give to competent authorities other sanctioning powers in addition to those referred to in paragraph 2 and may provide for higher levels of administrative pecuniary sanctions that those established in that paragraph.	***deleted [AM 246]***		

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Article 63 **Effective application of sanctions**	***deleted [AM 247]***	*Article 63* *Effective application of sanctions* transferred to Directive, Article 30C	
1. When determining the type of administrative sanctions and measures, competent authorities shall take into account all relevant circumstances, including:	***deleted [AM 247]***		
(a) the gravity and the duration of the violation;	***deleted [AM 247]***		
(b) the degree of responsibility of the responsible person;	***deleted [AM 247]***		
(c) the financial strength of the responsible person, as indicated by the total turnover of the responsible undertaking or the annual income of the responsible natural person;	***deleted [AM 247]***		
(d) the importance of the profits gained or losses avoided by the responsible person, insofar as they can be determined;	***deleted [AM 247]***		
(e) the level of cooperation of the responsible person with the competent authortiy, without prejudice to the need to ensure	***deleted [AM 247]***		

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disgorgements of profits gained or losses avoided by that person;			
(f) previous violations by the responsible person.	***deleted [AM 247]***		
Additional factors may be taken into account by competent authorities, if such factors are specified in national law.	***deleted [AM 247]***		
2. EBA, EIOPA and ESMA shall jointly issue guidelines addressed to competent authorities in accordance with Article 16 of Regulation No (EU) 1093/2010, Regulation No (EU) 1094/2010 and Regulation No (EU) 1095/2010 on types of administrative measures and sanctions and level of administrative pecuniary sanctions to be applied in individual cases within the national legal framework.	***deleted [AM 247]***		
Article 64 Publication of sanctions and measures		*Article 64* *Publication of sanctions and measures* transferred to Directive, Article 30D	

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Every administrative measure or sanction imposed for breach of this Regulation ***shall be published without undue delay, including at least information on the type and nature of the breach and the identity of the persons responsible for it***, unless such publication would seriously jeopardise the stability of financial markets. Where publication would cause disproportionate damage to the parties involved, competent authorities shall publish the measures and sanctions on an anonymous basis.	***Member States shall provide for the publication without undue delay of*** every administrative measure or sanction imposed for breach of this Regulation ***and of Directive*** 2006***/43/EC***, unless such publication would seriously jeopardise the stability of financial markets. Where publication would cause disproportionate damage to the parties involved, competent authorities shall publish the measures and sanctions on an anonymous basis. **[AM 248]**		
Competent authorities shall inform ESMA, without undue delay, of any sanction or measure adopted for breach of this Regulation.	***deleted [AM 248]***		
The publication of sanctions shall respect fundamental rights as laid down in the ***EU*** Charter of Fundamental Rights, in particular the right to respect for private and family life and the right to the protection of personal data.	The publication of sanctions shall respect fundamental rights as laid down in the Charter of Fundamental Rights ***of the European Union***, in particular the right to respect for private and family life and the right to the		

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	protection of personal data. **[AM 248]**		
Article 65 *Appeal*		*Article 65* *Appeal* transferred to Directive, Article 30E	
Member States shall ensure that decisions taken by the competent authority in accordance with this Regulation are subject to the right of appeal.	AS COM		
Article 66 ***Reporting of breaches***	***deleted [AM 249]***	*Article 66* *Reporting of breaches* transferred to Directive, Article 30F	
1. Member States shall establish effective mechanisms to encourage reporting of breaches of this Regulation to the competent authorities.	***deleted [AM 249]***		
2. The mechanisms referred to in paragraph 1 shall include at least:	***deleted [AM 249]***		
(a) specific procedures for the receipt of reports of breaches and their follow-up;	***deleted [AM 249]***		

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(b) appropriate protection for persons who report potential or actual breaches;	***deleted [AM 249]***		
(c) protection of personal data concerning both the person who reports the potential or actual breaches and the accused person in compliance with the principles laid down in Directive 95/46/EC;	***deleted [AM 249]***		
(d) appropriate procedures to ensure the right of the accused person of defence and to be heard before the adoption of a decision concerning him and the right to seek effective remedy before a tribunal against any decision or measure concerning him.	***deleted [AM 249]***		
3. Audit firms and public-interest entities shall establish appropriate procedures for their employees to report potential or actual breaches of this Regulation internally trough a specific channel.	***deleted [AM 249]***		

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Article 67 ***Exchange of information with ESMA***	***deleted [AM 250]***	*Article 67* *Exchange of information* transferred to Directive, Article 30G	
1. Competent and judicial authorities shall provide ESMA annually with aggregated information regarding all administrative measures, sanctions and fines imposed in accordance with Articles 61, 62, 63, 64, 65 and 66. ESMA shall publish this information in an annual report.	***deleted [AM 250]***		
2. Where the competent authority has disclosed administrative measures, sanctions and fines to the public, it shall simultaneously report that fact to ESMA.	***deleted [AM 250]***		
TITLE VI Delegated acts, reporting and transitional and final provisions		**TITLE VI** Reporting and transitional and final provisions	
Article 68 Exercise of the delegation		*Article 68* *Exercise of the delegation* deleted	*Article 68* *Exercise of the delegation*
1. The power to adopt delegated acts is conferred on the	AS COM		1. The power to adopt delegated acts is conferred on the

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Commission subject to the conditions laid down in this Article.			Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Articles 10(6) and 50(4) shall be conferred on the Commission for an indeterminate period of time from [*date of entry into force of this Regulation*].	AS COM		**2. The power to adopt delegated acts referred to in Articles 20 shall be conferred on the Commission for a period of 5 years from [date of entry into force of this Directive]. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the 5 year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.**
3. The delegation of power referred to in Articles 10(6) and 50(4) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the	AS COM		**3. The delegation of power referred to in Article 20 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It**

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day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.			**shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.**
4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.	AS COM		4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. A delegated act adopted pursuant to Articles 10(6) and 50(4) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of *[two months]* of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by *[two months]* at the initiative of the European	AS COM		5. A delegated act adopted pursuant to Article 20 shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of *[two months]* of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by *[two months]* at the initiative of the European

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Parliament or of the Council.			Parliament or of the Council.
Article 69 Report		*Article 69* *Review*	**On hold depending on cooperation framework**
*By X X 20XX [*five years after the end of the transitional period*] the Commission shall prepare a report on the application of this Regulation. The report shall take due account of the report prepared by ESMA referred to in the fourth subparagraph of Article 46(4).*	AS COM	**1. The Commission shall review and report on the operations and effectiveness of the system of cooperation between competent authorities within the framework of the CEAOB, referred in the Article 46, in particular as regards the performance of the CEAOB tasks defined in the paragraph 5a.**	
		2. The review shall take into account international developments, in particular with regard to strenghening the cooperation in the field of international cooperation with the competent authorities of the third countries and contributing to the improvement of cooperation mechanisms for the oversight of statutory auditors of public interest entities belonging to the international audit networks. It	

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		shall be completed by XX XXX 201X [5 years after this regulation will come in force].	
		3. The report shall be submitted to the European Parliament and to the Council, together with a legislative proposal, if appropriate. That report shall consider the progress in the field of cooperation between competent authorities within the framework of the CEAOB from the beginning of operation of this framework and propose further steps to enhance the effectiveness of the cooperation between Member States' competent authorities.	
		4. By X X 20XX [*five years after the end of the transitional period*] the Commission shall prepare a report on the application of this Regulation […].	
Article 70 Transitional provision	***deleted [AM 251]***	*Article 70 Transitional provision*	*Article 70 Transitional provision*
1. By derogation from Articles 32 and 33, the following requirements shall apply to contracts for the provision of	***deleted [AM 251]***	1**.** By derogation from Articles 32 and 33, the following requirements shall apply to statutory audit services being	1. By *[five years after the date of entry into force]*, a public-interest entity shall not enter into or renew an audit engagement with

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statutory audit to public-interest entities which are in force at [date of entry into force of this Regulation]:		provided to public-interest entities which are in force at [date of entry into force of this Regulation]:	a given statutory auditor or audit firm if that statutory auditor or audit firm has been providing audit services to that public-interest entity for more than 20 consecutive years.
			2. By *[seven years after the date of entry into force]*, a public-interest entity shall not enter into or renew an audit engagement with a given statutory auditor or audit firm if that statutory auditor or audit firm has been providing audit services to that public-interest entity for more than 15 but less than 20 consecutive years.
(a) any audit contract entered into before XX/XX/XXXX [the date of adoption of the Commission proposal] which is still in force on [the date of entry into force of this Regulation] shall remain applicable for a maximum period of four accounting years after [the date of entry into force of this Regulation];	***deleted [AM 251]***	(a) statutory audit services that were provided before XX/XX/XXXX [*the date of adoption of the Commission proposal*] may continue to be provided for a maximum period of four accounting years after [*the date of entry into force of this Regulation*];	~~(a) statutory audit services that were provided before XX/XX/XXXX [*the date of adoption of the Commission proposal*] may continue to be provided for a maximum period of four accounting years after [*the date of entry into force of this Regulation*];~~

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(b) any audit contract entered into after XX/XX/XXX [the adoption of the Commission proposal] but before XX/XX/XXXX [the date of entry into force of this Regulation] and which is still in force shall remain applicable for a maximum period of five accounting years after XX/XX/XXXX [the date of entry into force of this Regulation];	***deleted [AM 251]***	(b) statutory audit services commenced before XX/XX/XXXX [*the date of entry into force of this Regulation*] may continue to be provided for a maximum period of five accounting years after XX/XX/XXXX [*the date of entry into force of this Regulation*];	~~(b) statutory audit services commenced before XX/XX/XXXX [*the date of entry into force of this Regulation*] may continue to be provided for a maximum period of five accounting years after XX/XX/XXXX [*the date of entry into force of this Regulation*];~~
(c) when an audit contract referred to in points (a) or (b) of this paragraph expires or is terminated, the public-interest entity may renew such contract once with the same audit statutory auditor or audit firm, without the provisions Article 31(3) being applicable. Such renewed contract shall be subject to the following maximum duration:	***deleted [AM 251]***	(c) upon the expiry of the maximum periods referred to in points (a) or (b) of this paragraph, the public-interest entity may engage the same audit statutory auditor or audit firm to provide statutory audit services, without the provisions of Article 32(3) being applicable. Such renewed engagement(s) shall be subject to the following maximum durations:	~~(c) upon the expiry of the maximum periods referred to in points (a) or (b) of this paragraph, the public-interest entity may engage the same audit statutory auditor or audit firm to provide statutory audit services, without the provisions of Article 32(3) being applicable. Such renewed engagement(s) shall be subject to the following maximum durations:~~
(i) 1 year: if the auditor has been providing services to the audited entity for a consecutive period exceeding 100 years;	***deleted [AM 251]***	deleted	deleted

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(ii) 2 years: if the auditor has been providing services to the audited entity for a consecutive period between 51 and 100 years;	***deleted [AM 251]***	deleted	deleted
(iv) 3 years: if the auditor has been providing services to the audited entity for a consecutive period between 21 and 50 years;	***deleted [AM 251]***	(iv) 3 years: if the auditor has been providing statutory audit services to the audited entity for a consecutive period exceeding 20 years;	~~(iv) 3 years: if the auditor has been providing statutory audit services to the audited entity for a consecutive period exceeding 20 years;~~
(v) 4 years: if the auditor has been providing services to the audited entity for a consecutive period between 11 and 20 years;	***deleted [AM 251]***	(v) 4 years: if the auditor has been providing statutory audit services to the audited entity for a consecutive period between 11 and 20 years;	~~(v) 4 years: if the auditor has been providing statutory audit services to the audited entity for a consecutive period between 11 and 20 years;~~
(vi) 5 years: if the auditor has been providing services to the audited entity for a consecutive period not exceeding 10 years.	***deleted [AM 251]***	(vi) 5 years: if the auditor has been providing statutory audit services to the audited entity for a consecutive period not exceeding 10 years.	~~(vi) 5 years: if the auditor has been providing statutory audit services to the audited entity for a consecutive period not exceeding 10 years.~~
By derogation from the criteria set out in point (c), the audit contract may remain applicable until the end of the first accounting year ending after [2 years after the entry into force of this Regulation].	***deleted [AM 251]***	deleted	deleted
By derogation from points (a) to (c), when national rules establish	***deleted [AM 251]***	By derogation from points (a) to (c), when national rules establish	~~By derogation from points (a) to (c), when national rules establish~~

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a maximum duration of the contractual relationship between the statutory auditor or the audit firm and the audited entity which does not exceed 9 years and require the audited entity to select a different statutory auditor or audit firm when such maximum duration is reached, the audit contract may remain applicable until the end of that maximum duration period.		a maximum duration of the contractual relationship between the statutory auditor or the audit firm and the audited entity which does not exceed the maximum audit engagement period referred to in Article 33(3) and as consequence requires the audited entity to select a different statutory auditor or audit firm when such maximum duration is reached, the audit contract may remain applicable until the end of that maximum duration period.	~~a maximum duration of the contractual relationship between the statutory auditor or the audit firm and the audited entity which does not exceed the maximum audit engagement period referred to in Article 33(3) and as consequence requires the audited entity to select a different statutory auditor or audit firm when such maximum duration is reached, the audit contract may remain applicable until the end of that maximum duration period.~~
2. Article 33 shall apply to any audit contract entered into after […] [the date of the entry into force of this Regulation] but before […] [[2 years after the entry into force of this Regulation].	***deleted [AM 251]***	2. Article 33 shall apply to any audit engagement commenced after [*the date of the entry into force of this Regulation*] but before [[*2 years after the entry into force of this Regulation*].	3. Without prejudice of paragraph 2, the audit engagements that were entered into before *[the date of entry into force]* but which are still in force by *[five years after the date of entry into force]*, may remain applicable until the end of the maximum duration referred in the second subparagraph of Article 33(1). Article 33(3) shall apply.
Article 32(3) shall only apply to such contract after the expiration or termination of the first renewal of such contract.	***deleted [AM 251]***	Article 32(3) shall only apply to such engagement after the expiry of the period referred to in Article 33(1) subparagraph 2.	Article 32(3) shall only apply to such engagement after the expiry of the period referred to in Article 33(1) subparagraph 2.

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Article 71 National provisions		*Article 71* *National provisions*	*Article 71* *National provisions*
The Member States shall make such provision as is appropriate to ensure the effective application of this Regulation.	AS COM	AS COM	The Member States shall make such provision as is appropriate to ensure the effective application of this Regulation.
		Article 71a *Repeal of Commission Decision 2005/909/EC*	*[Article 71a* *Repeal of Commission Decision 2005/909/EC*
		Commission Decision 2005/909/EC is hereby repealed.	Commission Decision 2005/909/EC is hereby repealed.]
Article 72 Entry into force		*Article 72* *Entry into force*	

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This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.	AS COM	AS COM	This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.
*It shall apply from [*2 years after the entry into force*]*.	AS COM	AS COM	*It shall apply from [*2 years after the entry into force*]*.
*However, Article 32(7) shall apply from […] [*the date of the entry into force of the Regulation*]* **and Article 10(5) shall apply from […] [3 years after the entry into force of the Regulation]**.	However, Article 32(7) shall apply from […] [*the date of the entry into force of the Regulation*]. **[AM 252]**	However, Article 32(7) shall apply from [*the date of the entry into force of the Regulation*] shall apply from [*3 years after the entry into force of the Regulation*].	*However, Article 32(7) shall apply from ~~[~~the date of the entry into force of the Regulation~~]~~ ~~shall apply from [~~*3 years after the entry into force of the Regulation*]*.
This Regulation shall be binding in its entirety and directly applicable in all Member States.	AS COM	AS COM	This Regulation shall be binding in its entirety and directly applicable in all Member States.
ANNEX ***I. Breaches by statutory auditors, audit firms or key audit partners***	***deleted [AM 253]***	**ANNEX** Transferred to the Directive	deleted
A. Breaches related to conflicts of interest, organisational or operational requirements	***deleted [AM 253]***		
1. The statutory auditor or audit firm infringes Article 6(1) by not establishing adequate policies and procedures to ensure compliance with the minimum organisational requirements, as	***deleted [AM 253]***		

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set out in paragraph 1(a) to (k).			
2. The statutory auditor or the key audit partner who carries out a statutory audit on behalf of an audit firm infringes Article 8(1)(a) by taking up a key management position in the audited entity before a period of at least two years has elapsed since he or she resigned as a statutory auditor or key audit partner from the audit engagement.	***deleted [AM 253]***		
3. The statutory auditor or the key audit partner who carries out a statutory audit on behalf of an audit firm infringes Article 8(1)(b) by becoming a member of the audit committee of the audited entity or of an equivalent body, before a period of at least two years has elapsed since he or she resigned as a statutory auditor or key audit partner from the audit engagement.	***deleted [AM 253]***		
4. The statutory auditor or the key audit partner who carries out a statutory audit on behalf of an	***deleted [AM 253]***		

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audit firm infringes Article 8(1)(c) by becoming a non-executive member of the administrative body or a member of the supervisory body of the audited entity, before a period of at least two years has elapsed since he or she resigned as a statutory auditor or key audit partner from the audit engagement.			
5. The statutory auditor or audit firm infringes Article 9(2) by not ensuring that related financial audit services provided to the audited entity do not exceed 10% of the fees paid by the audited entity for the statutory audit.	***deleted [AM 253]***		
6. The statutory auditor or audit firm infringes Article 10 by providing services other than statutory audit services or related financial audit services to the audited entity.	***deleted [AM 253]***		
B. Breaches related to the performance of the statutory audit	***deleted [AM 253]***		
7. The statutory auditor or the audit firm infringes Article 16(3)	***deleted [AM 253]***		

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by not keeping records of the cases when his, her or its employees do not respect the provisions contained in this Regulation or by not preparing an annual report of the measures taken in order to ensure compliance with those provisions.			
8. The statutory auditor or the audit firm infringes Article 16(4) by not maintaining a client account record that includes the data referred to in point (a), (b) and (c) of the same paragraph.	***deleted [AM 253]***		
9. The statutory auditor or the audit firm infringes Article 16(5) by not creating an audit file for each statutory audit carried out which contains the information referred to in points (a) to (j) of the same paragraph.	***deleted [AM 253]***		
10. The statutory auditor or the audit firm infringes Article 17(1)(c) by not informing the competent authority referred to in Article 36 of an incident which has or may have serious consequences for the integrity of	***deleted [AM 253]***		

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his, her or its statutory activity.			
11. The statutory auditor or the audit firm infringes Article 17(2) by not informing the competent authority supervising public-interest entities of any fraud committed or attempted with regard to the financial statements of the audited entity.	***deleted [AM 253]***		
12. The statutory auditor or the audit firm infringes Article 19 by not ensuring that an internal quality control review is done according to the requirements set out in paragraphs 2 to 6 of that Article.	***deleted [AM 253]***		
C. Breaches related to audit reporting	***deleted [AM 253]***		
13. The statutory auditor or the audit firm infringes Article 22 by not providing an audit opinion prepared in accordance with the requirements set out in paragraphs 2, 3, 4, 5 and 7 of that Article.	***deleted [AM 253]***		
14. The statutory auditor or the audit firm infringes Article 23 by not submitting an additional	***deleted [AM 253]***		

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report to the audit committee of the audited entity that is prepared in accordance with the requirements set out in paragraphs 2 to 5 of that Article.			
15. The statutory auditor or the audit firm infringes Article 25 by not reporting promptly to the competent authorities supervising public-interest entities any fact or decision concerning that public-interest entity of which he, she or it has become aware while carrying out that statutory audit and which might be linked to any of the breaches mentioned in points (a) to (c) of the first paragraph of Article 25.	***deleted [AM 253]***		
D. Breaches related to disclosure provisions	***deleted [AM 253]***		
16. The audit firm infringes the first subparagraph of Article 26(1) in connection with Article 26(4) by not making public on its website its annual financial report within the meaning of paragraph 2 of Article 4 of Directive 2004/109/EC at the	***deleted [AM 253]***		

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latest four months after the end of each financial year and making it available for at least five years.			
17. The statutory auditor infringes the second subparagraph of Article 28(2) in connection with Article 27(1) by not making public on his or her website his or her annual income statement and making it available for at least five years.	***deleted [AM 253]***		
18. The statutory auditor or the audit firm infringes Article 26(2) by not showing in his or her annual income statement or in its annual financial report the fees received from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of companies whose parent undertaking is a public-interest entities separated from the fees received from the statutory audit of annual and consolidated financial statements of other entities and fees charged for	***deleted [AM 253]***		

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related financial audit services as defined in Article 10.			
19. The statutory auditor or audit firm that belong to a network infringes Article 26(3) by not providing as annex to the income statement or to the annual financial report the information referred to in point (a) to (d) of Article 26(3), unless the derogation of the second subparagraph of that paragraph applies.	***deleted [AM 253]***		
20. The statutory auditor or audit firm infringes Article 27 by not or not timely publishing a transparency report including information set out in paragraph 2 of that Article and, where applicable, the information set out in Article 28.	***deleted [AM 253]***		
21. The statutory auditor or audit firm infringes Article 29 by not providing annually to his, her or its competent authority referred to in Article 35(1) a list of the audited public-interest entities by revenue generated from them.	***deleted [AM 253]***		

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22. The statutory auditor or audit firm infringes Article 30(1) by not keeping the documents and information referred to in Article 30(1).	***deleted [AM 253]***		
E. Breaches related to the appointment of statutory auditors or audit firms by public-interest entities	***deleted [AM 253]***		
23. The statutory auditor or audit firm infringes Article 33(2) by undertaking the statutory audit of the public–interest entity after the expiry of the two consecutive engagements referred to in Article 33(1) before the period of four years has elapsed.	***deleted [AM 253]***		
24. The statutory auditor or audit firm infringes Article 33(6) by not presenting a complete handover file at the end of the audit engagement to the incoming statutory auditor or audit firm.	***deleted [AM 253]***		
F. Breaches related to quality assurance	***deleted [AM 253]***		
25. The statutory auditor or audit firm infringes Article 40(6) by not following up the	***deleted [AM 253]***		

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recommendations of inspections within the period set out by the competent authority.			
II. Breaches by public-interest entities	***deleted [AM 253]***		
A. Breaches related to the appointment of statutory auditors or audit firms	***deleted [AM 253]***		
1. Without prejudice to Article 31(2), (3) and (4), a public-interest entity infringes Article 31(1) by not establishing an audit committee and/or by not appointing the required number of independent members and/or by not appointing the required number of members having specific competence in accounting and/or auditing.	***deleted [AM 253]***		
2. A public-interest entity infringes Article 32(1) by not appointing the statutory auditor(s) or audit firm(s) in accordance with the conditions set out in Article 32(2) to (6).	***deleted [AM 253]***		
3. A public-interest entity infringes Article 33 by employing the same statutory auditor or audit firm for a period longer	***deleted [AM 253]***		

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than the one referred to in Article 33.			
4. A public-interest entity infringes Article 34 by dismissing a statutory auditor or audit firm in the absence of proper grounds.	***deleted [AM 253]***		