

EUROPEAN PARLIAMENT

1999



2004

Session document

5 February 2004

B5-0054/2004

MOTION FOR A RESOLUTION

further to the Commission statement

pursuant to Rule 37(2) of the Rules of Procedure

by Francesco Fiori

on behalf of the PPE-DE Group

on corporate governance and supervision of financial services – the Parmalat case

European Parliament resolution on corporate governance and supervision of financial services – the Parmalat case

The European Parliament,

- having regard to Rule 37(2) of its Rules of Procedure,
- A. extremely worried by the events surrounding the unfolding Parmalat case,
- B. concerned about the implications for employees, investors and banks, as well as the impact on confidence in the functioning of the financial system,
- C. recalling the potential detriment associated with unscrupulous board-room behaviour and lax oversight and the imperative necessity to combat fraud and abuse,
- D. whereas the analysts of an investment bank that is being paid by a company for corporate financial services may feel under pressure to advise investment customers to put their money into that company, even if it is in serious difficulties,
- E. aware that the Parmalat case has shown:
 - (a) that even an extensive and effective regulatory framework cannot always prevent fraud from occurring where there is a determination to break the law,
 - (b) the importance of cooperation between national supervisory bodies in relation to cross-border takeovers, groups and conglomerates,
 - (c) that the eighth directive on company law on statutory audits of accounting documents (84/253/EEC) must be reviewed with a view to ensuring that investors and other interested parties can rely fully on the accuracy of audited accounts,
 - (d) that transparency and disclosure are important in overcoming asymmetric information on financial markets, but appropriate and proportionate binding rules are also required to ensure diligent business conduct and efficient corporate governance,
- F. taking into account the work already underway in the context of the Financial Services Action Plan, the Action Plan on a Statutory Audit and the Action Plan on Corporate Governance,
- G. recognising that the overall exposure of European banks to Parmalat does not give rise to systemic concerns,
- 1. Calls on the financial services industry to clean up its act and redouble its efforts to ensure that the small minority of market participants who are dishonest are brought to justice and to demonstrate the commitment of the industry to ethical conduct and diligence in order to protect the savings of millions of people and to recover the full trust of investors in the

financial services industry;

2. Emphasises the importance of learning lessons from the Parmalat case, but urges all parties to respond in a proportionate and sensible way after an objective, proper and full assessment of what happened. Resolves to do everything possible to try to ensure that such a scandal does not happen again but warns against knee-jerk or hasty reactions. Recognises that even the most effective and extensive system of regulation cannot always prevent deliberate and criminal conduct of the type which occurred at Parmalat;
3. Invites all financial institutions involved to reimburse investors in the case of losses for which they bear the responsibility;
4. Recognises that the wrongdoing at Parmalat involved breaking existing rules and regulations and therefore asks the competent financial supervisory authorities of the different EU jurisdictions to cooperate fully with third countries also in order to make sure that they implement and exercise the powers already given to them;
5. Believes that efficient supervision also implies the full cooperation of the European System of Central Banks and of antitrust authorities according to their competencies;
6. Calls the national regulators to cooperate fully with one another, particularly when dealing with cases having cross-border implications;
7. Welcomes the corporate Governance Action Plan as the central plank of an EU policy to restore the confidence of investors and shareholders, but stresses that its political guidelines, based mainly on transparency and disclosure, are not ambitious enough;
8. Asks the Commission to integrate in the Corporate Governance Action Plan measures:
 - (a) to prevent conflicts of interests concerning the investments of banks and other financial institutions in listed companies controlled by their directors,
 - (b) to increase shareholders' empowerment and shareholders' democracy. The real independence of 'non-executive independent directors' must be ensured;
9. Invites the Commission to adopt legislative proposals to avoid potential conflicts of interest on the part of financial analysts in investment banks advising clients on investing in companies for which their bank also provides paid services;
10. Welcomes the Commission's intention to present the proposal modifying the eighth company law directive in order to establish the conditions governing the work of auditors;
11. Invites the Commission, moreover, to consider integrating in the proposal other provisions such as a prohibition on the performance by the same auditors of all non-audit services to audit clients;
12. Supports the Commission's proposal to enhance the collective responsibility of board members for financial and key non-financial statements, as well as the introduction in the medium term of a further proposal to enhance the individual responsibility of board members, but urges it to accelerate the work in order to adopt it before the published

deadline of 2005;

13. Considers that the Market Abuse Directive and the Prospectus Directive already adopted and the forthcoming Transparency Directive and Investment Service Directive, if adopted in a timely fashion and properly implemented, would substantially reduce the danger of a repetition of financial malpractice such as that witnessed in the Parmalat case;
14. Stresses the importance of ensuring the optimum level of pre- and post-trade transparency for investors in respect of financial instruments;
15. Invites Commission and Member States to consider the desirability of revising the OECD rules and principles on corporate governance and liberalisation of capital movements in order to strengthen the protection of investors;
16. Encourages the Commission to check in close cooperation with the competent U.S. authorities if any further action is necessary as far as the role played by the rating agencies is concerned;
17. Asks the Commission to take its decision as soon as possible on the compatibility with EC Law of the measures adopted by the Italian Government concerning the crisis in the Italian dairy sector in relation to the Parmalat case, and to adopt all possible EC measures to support the Italian dairy sector;
18. Instructs its President to forward this resolution to Council, the Accession State Governments, the Commission, the regulatory and supervisory authorities in all Member and Accession States and the European Economic Area, the Government of the United States of America, the International Accounting Standards Board and the International Organisation for Governmental Securities Commission.