

# EUROPEAN PARLIAMENT

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B5-0054 }  
B5-0055 }  
B5-0056 }  
B5-0057 }  
B5-0077 } RC1

## JOINT MOTION FOR A RESOLUTION

pursuant to Rule 37(4) of the Rules of Procedure, by

- Klaus-Heiner Lehne and Francesco Fiori on behalf of the PPE-DE Group
- Robert Goebbels on behalf of the PSE Group
- Karin Riis-Jørgensen on behalf of the ELDR Group
- Pierre Jonckheer, Alain Lipietz, Miquel Mayol i Raynal and Monica Frassoni on behalf of the Verts/ALE Group
- Luigi Vinci on behalf of the GUE/NGL Group
- Cristiana Muscardini on behalf of the UEN Group

replacing the motions by the following groups:

- UEN (B5-0053),
- PPE-DE (B5-0054),
- ELDR (B5-0055),
- Verts/ALE (B5-0056),
- GUE/NGL (B5-0057),
- PSE (B5-0077),

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

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

*The European Parliament,*

- having regard to the action plans to improve auditing and corporate governance in Europe set in motion by the Commission in May 2003 in the light of the recommendations of the Jaap Winter report,
  - having regard to the brief from Commissioner Frits Bolkestein to the last meeting of the Council of Economic and Finance Ministers, held on 20 January 2004, on the potential impact of the Parmalat affair on EU policies, and in particular the announcement that the Commission will present a proposal to revise the 8th Company Law Directive in March this year,
  - having regard to Rule 37(4) of its Rules of Procedure,
- A. whereas Parliament is currently drafting a report on the Action Plan on Corporate Governance (COM (2003) 284),
- B. extremely worried by the events surrounding the unfolding Parmalat case,
- C. concerned about the implications for employees, investors and banks, as well as the impact on confidence in the functioning of the financial system,
- D. whereas Parmalat is active in more than 30 countries and employed tens of thousands of people world-wide, being a major player in the European food business,
- E. whereas the estimate of the gross debt accumulated by Parmalat is 14 billion Euros, including numerous off-balance-sheet private placements,
- F. whereas the Parmalat affair shows the lack of transparency and conflict of interest in the relationship between banks, auditing societies and corporations,
- G. whereas the notorious lack of documentation in Parmalat's headquarters and the intentional destruction of computers and their files before investigators arrived make investigation difficult,
- H. whereas recent corporate scandals give evidence of the need to improve corporate governance and to strengthen Europe's defences against corporate malpractice,
- I. whereas any reform of company law in the European Union with a view to making businesses more efficient and more competitive must at the same time bring about convergence of the rules on financial market integration; whereas the unprecedented degree of financial market volatility clearly demonstrates that all financial market players are facing increasing risks,

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J. aware that the Parmalat case has shown:

- the importance of cooperation between national supervisory bodies in relation to cross-border takeovers, groups and conglomerates,
- 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,

K. whereas good company law and good corporate governance practices, together with financial supervision, are essential to an efficient, competitive European business sector and effective investor protection,

L. whereas the recent financial scandals in Europe and the United States underline the crucial role of auditing companies and of having high-quality audits carried out and implemented,

1. Deplores the number of cases of bankruptcy due to fraud by large publicly held corporations, and the resulting social and economic effects; calls for those responsible to be prosecuted to the full extent of the law;
2. Stresses the need to take the social dimension of the Parmalat case into account; calls for a way of preventing a serious social crisis to be found;
3. Is concerned that neither the supervisors nor the regulatory authority nor the auditors nor the rating agencies had the slightest suspicion, at any stage in the audit process, that funds were being embezzled;
4. 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;
5. Invites all financial institutions involved to reimburse investors in the case of losses for which they bear the responsibility;
6. 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;
7. Reminds both the Council and the Commission that a balance must always be struck between the legitimate need for national authorities, shareholders, other investors, stakeholders and the public to receive relevant and timely information, and, on the other hand, the administrative burdens and amount of red tape imposed on European companies;

8. Calls on the Commission to take the initiative in bringing together at European level the bodies and institutions responsible for overseeing and auditing relations between businesses and banks, in order to protect the interests of savers;
9. Calls on the national regulators to cooperate fully with one another, particularly when dealing with cases having cross-border implications;
10. Is of the opinion that part of the long-term solution must be a single authority for financial prudential supervision in Europe;
11. Underlines the need for the Commission to present an action plan on modernising company law;
12. Insists that the Commission speed up work on the Eighth Company Law Directive on approval of persons responsible for carrying out statutory audits, and in this connection asks that the Commission prepare legislation to force companies to rotate their audit firm or switch the audit partner in charge of their accounts;
13. Dismisses the argument that this will risk damaging continuity and bring about more audit failures; rotation will, on the contrary, ensure peer-review of auditing and bring more focus to this important element of control;
14. 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;
15. Considers that the presence of independent directors on a management board represents an approach which should be taken so as to improve company auditing;
16. Supports the Commission's proposal to enhance the collective responsibility of board members for financial and key non-financial statements, as well as the presentation in the medium term of a further proposal to enhance the individual responsibility of board members and to introduce disclosure with regard to a group's structure and intra-group relations, but urges it to accelerate the work in order to adopt it before the published deadline of 2005;
17. 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;
18. Reminds the Council and Commission that the ongoing discussions on the Transparency Directive must bring real benefits to investors and the public at large in relation to disclosure requirements, with quality information at the right time, and not mandatory quarterly reporting, which, as the present Parmalat case, or indeed the Enron case, show, does not prevent financial scandals; considers that transparency not only means publishing regular financial information, but could also include publishing information on matters such as

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social, environmental and ethical issues;

19. Stresses the importance of ensuring the optimum level of pre- and post-trade transparency for investors in respect of financial instruments;
20. 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;
21. 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;
22. Calls for negotiations to be speeded up in all international fora (G-8 financial stability forum, OECD, FATF, etc.) endeavouring to establish binding supervisory arrangements for off-shore centres and other impenetrable tax havens;
23. Encourages the Commission to submit promptly its third proposal for a directive to combat money laundering;
24. Instructs its President to forward this resolution to the 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.