

The Components of EuroSox

The European Union's equivalent to The Investor Protection Act (USA) or SOX are the following regulatory vehicles with the aim to restoring investor confidence in the EU.

1. The European Union's Financial Services Action Plan (FSAP)
2. The 4th directive Annual Accounts of specific type of companies (78/660/EEC)
3. The 7th directive Consolidated accounts (83/349/EEC)
4. The 8th directive of Company Law 1984 (84/253/EEC) and 2006 (2006/43/EC)
5. The Consolidated Admissions and Reporting directive (CARD) (2001/34/EC)
6. The Transparency directive (2004/109/EC)
7. The Insider Dealing directive (1989/592/EEC) & The Market Abuse directive (2003/6/EC)
8. The interaction between EU directives and other regulatory initiatives

1. The European Union's Financial Services Action Plan

- There are 42 original measures in the FSAP. Some are non-legislative, a few are regulations, and there are almost 30 directives. Over 20 of the original measures are likely to affect the financial sector. (Please refer to separate paper on FSAP).

2. The 4th directive Annual Accounts of specific type of companies

- Safeguard shareholders' investments
- Effective Corporate and IT Governance, internal controls and risk management
- Increase in disclosure requirements

3. The 7th directive Consolidated Accounts

- Principle elements of the risk management system
- Principle elements in implementing internal controls initiatives
- Exemptions related to national regulations
- Description of the Corporate Governance codex

4a. The 8th Company Law Directive on Statutory Audit

- Approval, continuing education and mutual recognition of statutory auditors and audit firms
- Registration of statutory auditors and audit firms
- Professional ethics, independence and objectivity
- Auditing standards
- Audit reporting
- Auditors' liability

4b. The 8th Company Law Directive and Corporate Governance

- The impact of MiFID on corporate governance
- The role of the board of directors and executive management
- Internal controls and external auditors

4c. The 8th Company Law Directive: Committees and Interpretations

- The European Group of Auditors' Oversight Bodies (EGAOB)
- The Audit Regulatory Committee (AuRC)
- The European Forum on Auditors' Liability

5. The Consolidated Admissions and Reporting directive

- CARD deals with the admission of securities to official listing on a stock exchange and the information to be published on those securities.

6. The Transparency Directive

- The harmonisation of transparency requirements
- Annual financial reports
- Half-Yearly financial reports
- Transparency and information for holders of securities

7. The Insider Dealing and Market Abuse Directive

The Market Abuse Directive is also a part of the Financial Services Action Plan because the Insider Dealing Directive was out of date and incomplete (market manipulation missing) and the member states approach to tackling market abuse were too diverse with different systems and powers existing across the EU.

- Insider dealing
- Market manipulation
- Competent authorities with "investigatory powers"
- How the directive is implemented under the Lamfalussy process

8. Interaction between EU directives and other regulatory initiatives

- The three major Compliance directives and the Financial Services Action Plan
- How to comply with both the 8th Company Law Directive and the Sarbanes Oxley Act
- The 8th Company Law Directive and the Financial Conglomerates Directive
- The 8th Company Law Directive and the Savings Tax Directive
- International Compliance 'Best Practices' in the post-Parmalat EU and the post- Enron USA.
- There is limited mention of IT Compliance and Governance in SOX. This issue is dealt with in a separate paper on IT issues in EuroSox.

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