

Press release – Wirecard: MEPs call for new audit rules, protection for whistle-blowers and EU supervision



MEPs quizzed Dan McCrum, Financial Times investigative journalist, Katja Langenbacher, Professor at Goethe University Frankfurt, Daniela Bergdolt, spokesperson for the Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DWS) and Matthias Hauer, member of the Deutsche Bundestag (MdB) and member of the Committee of Inquiry on Wirecard.

The Economic and Monetary Affairs (ECON) committee members focused their questions on changes that need to be made to the supervisory and regulatory systems to address innovation and technological changes in the financial sector. They underlined that audit rules have to be revised in order to break the monopoly created by the four major companies, address conflicts of interest, shorten the rotation period for an audit company and introduce co-auditing. Numerous members called for EU supervision to be enforced more effectively and better implementation of the existing laws, in particular those on anti-money laundering and banking supervision.

The Legal Affairs (JURI) committee members addressed the need for a quality system that would allow information on EU companies to be collected, focusing on those with new business models. They stressed that smaller shareholders should be able to initiate joint legal action and asked about collective redress rules at EU level and how companies such as audit firms can held directly liable for gross negligence. MEPs stressed that the whistle-blower directive is being implemented at national level, but they wanted to know whether it should be advanced, and whether the level of protection provided for in the directive goes far enough.

MEPs from both committees asked numerous questions about provisions that

allow shareholders, supervisors and journalists to access information. Referring to the harassment endured by Mr McCrum, MEPs reiterated their commitment to protect journalists and to provide them with the tools to do their job.

Dan McCrum focused on a series of grave errors made by auditors who gave Wirecard a clean bill of health, regulators who ignored whistle-blowers, investment banks that helped Wirecard to raise capital, and finally investors who did not understand or care about a business in which they were investing. Ms Langenbacher underlined major weaknesses in the oversight system, such as lack of enforcement and accountability as well as national bias. She stressed that national supervisory agencies should be kept, but that they should report to one EU hub. Ms Bergdolt spoke for smaller shareholders who suffered damages. They should be able to take collective action and organisations should be held accountable, she said. Finally, Mr Hauer focused on steps to be taken in order to make auditing companies more competitive, the need for increased liability for gross negligence, a new organisational structure for financial supervisors with more protection for consumers and a stronger role for whistle-blowers.

Background

Wirecard AG is a German FinTech company that provided electronic payments processing services and operated internationally. On 25 June 2020, Wirecard filed an application to open insolvency proceedings. The insolvency follows the revelation of a multiyear accounting fraud. The Financial Times (FT) has reported inconsistencies in Wirecard accounting since 2015, and whistleblower allegations of fraud followed in 2019. In June 2020, the company announced that EUR 1.9 billion, supposedly held by an escrow account at Singapore's OCBC Bank, did not exist and the fraud was exposed.