FREP examination process (1)

Initiation of Examination

- Random-sampling
- With cause
- BaFin request

Clarification

- Notification to BaFin
- Potential reasons for exemption

Preparation

- Communication with the company (is it willing to cooperate?)
- Assignment of a responsible chamber
- Identification of a responsible Panel Member
- Identification of a Quality Review Panel Member
FREP examination process (2)

Examination Process

FREP
First analysis
First analysis of company’s documents
First list of questions to the company

Company
First answers
Review of the questions (with assistance of the auditor, where appropriate)
Responses to FREP

FREP
Further examination
Review of the responses
Further fact-finding measures
Second list of questions to the company

Company
Further answers
Review of additional lists of questions
Clarification with FREP
External expert opinion, if necessary
Response to FREP

FREP
Consultation with company
Review of responses
External expert opinion, if necessary (usually from audit companies with high level of expertise and extensive capital market experience)
Meetings with the company, if necessary (and with its auditor, where appropriate)
Preliminary findings
FREP examination process (3)

Conclusion of Examination

Preparation for the chamber meeting
- Memo to the chamber
- Examination report
- Examination report critique

Conclusions
- Error: yes/no
- Recommendations
- Information to the company

Company’s reaction to conclusions reached

Final information requirements
- Information to BaFin
- Information to the Auditor Oversight Body (APAS), if necessary
- Information to the prosecution authorities, if necessary

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BaFin examination process

Possible outcomes

- Company does not accept FREP's findings
- Company accepts FREP's findings