

4 January 2012

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By e-mail to: [d.andrews@frc.org.uk](mailto:d.andrews@frc.org.uk)

Dear Mr Andrews

### **Proposals to reform the Financial Reporting Council**

I am writing on behalf of AFME to respond to the BIS/FRC October 2011 Consultation Paper on the above topic. AFME is, as you probably know, the principal European trade association for firms active in investment banking and securities trading; it was established in November 2009 as a result of the merger of LIBA (the London Investment Banking Association) and the European branch of SIFMA (the US-based Securities Industry and Financial Markets Association), and thus represents the shared interests of a broad range of participants in the wholesale financial markets.

The majority of AFME members are organisations (or subsidiaries of organisations) which are based outside the UK. Although some of these members have subsidiaries or associates with UK listings, it follows that much of the detail of the proposed reform of the FRC is of only limited interest to our members. While we understand the thinking behind the reform proposals, and support the general direction of travel, we have, accordingly, not studied the proposals in any detail and we are not responding to the specific consultation questions set out in the Consultation Paper.

There is however one area of the FRC's current responsibilities which is of significant interest to our members, and which is scarcely touched on in the Consultation Paper: the role of the Accounting Standards Board. Many of our members have subsidiaries which report under UK GAAP, and there is some concern amongst this group that the current ASB proposals for the reform of UK GAAP could unintentionally result in unnecessarily burdensome reporting requirements for such entities.

At his 27 October meeting with the AFME Accounting Committee, Roger Marshall reassured us that the intention is to maintain the ASB in very much its present form, with it effectively becoming an advisory sub-committee to the FRC's proposed Codes and Standards Committee. While this provided some comfort to our members, we believe it is important that the FRC should set out in some detail the proposed governance arrangements for the ASB successor body within the reconstituted FRC. More specifically:

- The ASB is currently engaged in a major project on the future of UK GAAP. Reconciling the different requirements of the different groups of stakeholders with the existing and prospective requirements of both UK and EU legislation is self-evidently far from straightforward.
- The ASB had over 390 responses to its October 2010 FRED on The Future of Financial Reporting, and we understand that a further FRED, reflecting the ASB's deliberations on these responses, is to be published shortly.
- While the general direction of the proposed reforms appears sensible, our members do have concerns that, as indicated above, some elements could inadvertently prove unnecessarily burdensome for UK subsidiaries of foreign owned companies. We raised some of these issues informally with Roger Marshall at our recent meeting, and this was followed on 16 November by a more detailed discussion with ASB staff on one specific aspect of the proposals.
- While we have every confidence in the staff of the ASB to carry forward these reforms in a sensible way, we feel this is too important an area to be left to informal assurance. We would therefore strongly request that the precise mandate, membership, and governance arrangements for the Accounting Standards Board be published in the form of a proposal for comment within the near future.

I hope the above comments are helpful, but please do not hesitate to get in touch if there are any points on which you would like us to elaborate.

Yours sincerely



**Ian Harrison**  
**Managing Director**