

From: McKersie, Michael < >
Sent: 31 May 2012 17:58
To: John Grewe
Subject: RE: FRC CONSULTATION ON QUALITY ASSURANCE REVIEWS OF AUDITORS OF ISSUERS FROM THIRD COUNTRIES

John

I am responding with brief comments on your consultation on Monitoring the Work of Third Country Auditors.

Our Members note the obligations of the FRC under the EU statutory audit directive. There is an evident public interest in ensuring that audited financial information of entities that are subject to another country's audit regulatory regime but have their securities admitted to trading on regulated markets in the UK, is of equivalent quality to that of UK-domiciled issuers. We welcome the FRC's consultation on the appropriate specification of the regime. In essence we believe that where companies are UK-listed their regulatory standards including as regards the standards to which their financial reporting is audited, should be as far as possible equivalent to UK standards.

We agree broadly with the FRC's proposals and with the focus on 'Article 45 auditors'. We also agree that the results of external monitoring should be reported to a regulatory committee of the FRC. However, we have two main suggestions to make:

We consider that greater weight should be given to the significance of those examples of companies that have equity securities with a premium listing and which therefore fall to be included in UK market indices. We think the public interest in ensuring equivalence of audit standards is higher than it would be for, say, companies with GDRs.

Where the FRC is unable for reasons such as those outlined on paragraph 2.9 to carry out external monitoring that it would otherwise wish to establish equivalence then it is at best questionable whether issuers from such jurisdictions should be eligible to retain UK listings, particularly premium listings of equity securities. We do not think it is sufficient for the FRC simply to disclose where it is unable to undertake the necessary work. We will also look to ensure that the FSA is aware of our view.

Michael McKersie
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