

## **Principles for the development of Codes, Standards and Guidance**

Regulation plays an important role in ensuring appropriate standards of conduct and reporting by market participants in the public interest.

There are obvious benefits from codes, standards and guidance but they can also place a burden on market participants and have unintended consequences. The FRC has made a public commitment to good and proportionate regulation. Robust reasons, careful research and consultation must therefore underpin all our interventions.

The following principles will guide FRC decisions about when to introduce, amend or withdraw a code, standard, guidance or other similar material. The FRC will only consider making a change where it is satisfied that:

1. there is a clearly defined issue relevant to the FRC's mission and responsibilities;
2. the change is the most appropriate way to address the issue;
3. one or more of the following conditions is met:
  - a change is necessary to comply or align with a legal requirement; or
  - a change is required in the light of developments in international standards or in UK or European regulation; or
  - the risks to the public interest of not acting are significant, for example, a risk of systemic and/or market failure; or
  - it is possible to eliminate or significantly simplify a current requirement; or
  - it is necessary to clarify a current requirement; or
  - it is possible to create significant additional benefits in the public interest; or
  - a change is necessary to underpin the effectiveness of the FRC's enforcement and disciplinary activities;
4. the anticipated benefits of the change outweigh the costs.

In determining whether to make such changes the FRC will have regard to the strength of the evidence supporting the change, the likely impact of such changes, both intended and unintended, and the cumulative impact of a number of changes or other initiatives which could make the adoption of an otherwise satisfactory proposal inappropriate. The FRC will consult in accordance with the published Codes and Standards procedures. The FRC will consider including sunset clauses.

Codes, standards and guidance will be kept under regular review and re-considered at least once every 5 years.

**Approved by the Board on 29 January 2014**