

25 January 2010

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Dear Sirs

Consultation on audit firms providing non-audit services

I am writing to you in my capacity as chairman of the audit committee of Icap plc to provide comments on the exposure draft published during October 2009 entitled 'Consultation on audit firms providing non-audit Services to listed companies that they Audit'.

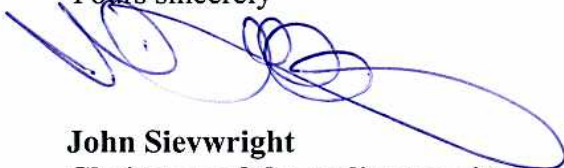
Whilst I acknowledge that the recent turmoil in financial markets highlighted a number of potential concerns around auditor independence leading to a recommendation from the Treasury Select committee that the FRC investigate a prohibition on audit firms conducting non-audit work, I believe that this solution for the reasons set out below is over simplistic and ignores both the controls which already operate within audit firms and their clients to limit conflicts of interest.

- The consolidation of the big six firms into the big four has significantly limited the choice of providers with the necessary breadth of experience and geographical footprint to service the requirements of global multinationals. By restricting the choice to the remaining three firms, we would limit the freedom of the CFO to choose the right team for the engagement which may result in the firm being forced to make choices which are not in the best interests of its wider stakeholders.
- The Select committee response cites scepticism amongst certain investors that audit independence can be maintained when non-audit services are provided. It is, however, unclear whether these are mainstream views and it is worth noting that during none of the meetings held with ICAP's investor base over the last 24 months has the subject of audit independence or audit spend been flagged as an issue.

- The existing requirements set out in ethical standard 1 'integrity, objectivity and independence' and ethical standard 5 'non audit services provided to audit clients' together with the further limitations imposed by SOX 404 for UK listed companies which are either US registrants or for other reasons fall within the purview of the SEC, are well understood, have become engrained in the risk management practices of the big four audit firms and act to limit not only the types of work which the audit firm provide, ensuring teams ringfenced from the audit function are engaged in permitted advisory work, but also to ensure that suitable processes and procedures exist, covering not only UK based staff but also international offices, requiring global engagement team sign-off in advance of any non-audit work commencing. Our experience within ICAP is that these controls function effectively and potential matters of conflict are both identified by the global engagement team and where appropriate brought to the audit committees' attention.
- Whilst it is possible to define audit services as the provision of the statutory audit for the group and its subsidiaries, this may have the unintended consequence of preventing the audit firm from providing other related services eg compliance certificates and transfer pricing reports which may through either the operation of law or a pre-existing contractual arrangement require auditor certification creating issues for UK listed entities to continue to comply. Furthermore, there are also a number of non-audit services where the auditor, through his knowledge of the business and its culture is best placed to provide the advice, eg tax compliance work and regulatory review, and whilst this could be transitioned to another firm it would result in duplication of effort with both direct and indirect cost consequences with limited incremental value to the company's wider stakeholders.
- A key role of the audit committee is to consider whether, or not, it is appropriate for the audit firm to carry out non-audit services and the scope of any such services and to put in place appropriate controls to ensure that any exceptions are considered and if appropriate, approved by the committee in advance. In the case of ICAP, we seek to balance audit and non-audit spend with the auditor, require management to seek audit committee approval for any engagement exceeding £50,000 and both encourage and review progress towards the use of other advisors where they offer appropriate solutions. The Audit Committee also reviews the accumulative total spend of professionals by provider.

Whilst I am not supportive of increased regulation on the role of the auditor in non-audit services, I accept that the level of disclosure as to the types of services categorised as non-audit is often relatively limited and would welcome any guidance which the FRC / APB wished to provide to audit committees in this area.

Yours sincerely



John Sievwright
Chairman of the audit committee