

Policy and Planning Manager  
Financial Reporting Council  
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10 March 2010

Dear Sir

**FRC consultation on Draft Plan and Levy Proposals 2010/11**

The CBI is pleased to respond to your consultation.

Our overall response is to give support your various proposals in the Draft Plan for the next financial year, including the four Priority areas identified in the Overview.

We also use this opportunity to express gratitude for the way that a number of major projects and consultations in the current financial year have been conducted – in particular the updated Guidance on Going Concern and the review of the Combined Code.

We are very grateful for the open door policy and generally in the ability to keep in close contact and communication at staff level on the many fronts and issues embraced by the activities of the FRC and its operating bodies.

We welcome the simplified, shortened and generally more readable format of the Draft Plan & Budget for 2010/11 compared to previous years.

Our main message is that, having regard to all the activity that has taken place in the work of the FRC and its operating bodies, along with all the various initiatives and regulatory developments by other regulatory bodies in the wake of the financial crisis and economic downturn, CBI members now look for a significant period of stability from further major reform and new regulation.

This equally applies to the new UK Corporate Governance Code once in place, following completion of the major review that has been carried out. On corporate governance, the focus should now be on delivering an appropriate Stewardship Code for institutional investors, and in promoting a culture of improved engagement between companies and their shareholders. The Stewardship Code and improved engagement between companies and investors, if achieved, should make a major contribution towards reinforcement and re-establishing a culture of long term and profitable investment by companies and shareholders, for the benefit of the UK economy, employment and the Exchequer through tax revenues.

Hopefully these developments will also encourage further investment in the UK from overseas, and improved engagement by foreign investors in UK companies.



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We welcome most of the FRC's proposals for the updated UK Corporate Governance Code, and the CBI has recently submitted its response to the FRC consultation.

Our two main areas of concern on the suggested revisions to the Code are, first, that CBI members strongly support retention of the existing Code provisions on rotation and re-election of Directors, and secondly, imposing a requirement on all listed companies to conduct external board evaluations is premature.

Regarding other matters, on Non-Audit services, CBI members would be very concerned if the current review resulted in any significant new restrictions on the services companies wish to procure from their audit firm. As we said in our response to the APB consultation, what is needed is a clearer exposition of the disclosure requirements in the existing Regulations to help companies better explain to shareholders the nature of the various non-audit services procured, and the cost of those various services. As provided in the Corporate Governance Code, audit committees have a key role in setting and overseeing company policy on procurement of non-audit services.

On accounting and reporting issues, we welcome the contributions of the FRC and ASB to the work of the IASB and their support that the focus of the IASB should be on developing quality IFRS rather than convergence with US GAAP. This focus on quality IFRS now seems to be better recognised by the IASCF Trustees, when recently announcing their proposals following their Constitution review.

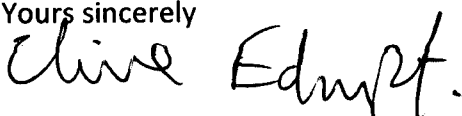
We also look forward to continuing engagement with the ASB on the future of UK GAAP following its recent consultation and the CBI response. CBI members are particularly interested in simplifying the accounting requirements for wholly-owned subsidiaries, and we are in the course of setting up a meeting with FRC / ASB representatives to discuss this further.

We note that the ASB plans a wide-ranging debate designed to stimulate improvements in narrative reporting, and it will be important to co-ordinate this with any plans by the Government and / or the FRC to develop guidance on the Business Review and / or the regime of market disclosures generally. The FRC's Reducing Complexity project will also be a relevant contributor, and we support co-ordination amongst the FRC, the Government and other regulatory bodies in taking this project forward. The CBI and CBI members will of course be very pleased to participate in these initiatives, and to test and provide input on any proposals or issues arising.

We support continuation of Government funding towards the costs of the FRC as a major stakeholder. We note Government funding for 2010/11 is shown at the reduced sum of £1.2 million compared to £2.3 million in the current year. We are not clear of future likely Government policy towards FRC funding, but no doubt this now has to await the outcome of the Election.

We support an FRC contribution towards the costs of the IASB and EFRAG. For the IASB, this is shown as rising from the current £800k to £900k next year. However currently no figure is given for the FRC funding contribution to EFRAG. We understand this is likely to be Euros 350k in the next financial year, and we suggest that this figure is also publicly disclosed in the final Plan.

Yours sincerely



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