

**Sir Winfried Bischoff, Chairman, Financial Reporting Council**

**Financial Services BREXIT summit, 11<sup>th</sup> October, Guildhall**

**Panel session *'The challenge to legislators and regulators'***

The decision of the British people in June for the UK to leave the EU was to many of us, though obviously not all, a shock, in some ways dwarfing stock market crashes and Big Bang. While its full effect has yet to be felt, what deals look most likely and how the politics of the situation play out, will cause markets and sectors to react in differing ways.

When she announced that Article 50 will be triggered by the end of March 2017 the Prime Minister also commented that there will be no running commentary on the negotiations, meaning there will be a continuing knowledge vacuum in which markets will make assumptions and react accordingly. As regulators we mustn't be complacent but tread carefully. No knee-jerk decisions! We will carefully consider what is best for the sectors and professionals we regulate and right for the long term health of the stakeholders we serve.

The Financial Reporting Council is the UK's competent regulatory authority for audit, and its standard setter. We also regulate accountants and actuaries. And we maintain the UK's Corporate Governance and Stewardship Codes.

For us it is vital that the UK remains a global centre of excellence for accountancy, audit and actuarial work, with standards of practice and behaviour that are second to none. We must also retain the talent we have in these professions. For the benefit of the economy we need to be recognised as a global leader in their regulation and for the high standards of governance observed by our listed companies. In short the attraction of the UK as a destination and home for investors must be maintained.

The Prime Minister has a vision of an economy that works for everyone. That needs UK businesses to thrive if all stakeholder including workers, customers, suppliers and society itself are to benefit through jobs growth and prosperity. That in turn requires a continued strong flow of investment, much of it from abroad, into UK companies.

The justifiable reputation across the globe for the trustworthiness of corporate reports and for audit quality in the UK are factors significant to investors.

As the UK moves towards Brexit we are discussing with our stakeholders – those we regulate and those who benefit from our activities, including broader society and of course the government – the key issues that we believe will need to be tackled in order to retain this reputation.

We have taken some first steps in corporate governance. The government's interest in making business work for everyone, means we are considering how our governance principles best meet the wider demands of all stakeholders or need to be amended.

On accounting standards we will need to apply and enforce international standards that at present come to us from the EU. Investors have told us they want comparability between the accounts of UK listed companies and those listed in other countries.

On audit the UK has only recently – in June 2016 - introduced new standards and rules based on the European Audit Directive. There is no mood to reverse this – the UK has a proud record for high quality in audit work, but we may tweak the standards to ensure UK based auditors continue to lead the world in quality.

To do this though we will need to agree arrangements for equivalence of audit qualifications and the portability of staff. After Brexit it is likely that UK auditors will want to access important markets outside Europe including the USA, China and other fast growing countries of Asia. Consequently some of the focus must be to ensure access to these markets.

The goal for the FRC is that the UK remains a global centre of excellence for accounting and audit, and a magnet for global investors' capital. In this there are a number of factors that play in our favour:

- The International Accounting Standards Board, which sets the standards used by the majority of companies across the globe, is based here in London.
- The FRC is admired internationally for its high standards of regulation.

- We have developed over the last 25 years strong corporate governance principles.
- The professional bodies that we oversee have significant global reach and an excellent 'product'.

It is right, even for us as regulator, to point out that the profession in the UK is strong. It is entirely appropriate therefore to promote continuing access to it for the benefit of UK Plc.

Services, we need to remind ourselves, is not just financial services, but also professional and personal services of all kinds, and they together play the most important role in the prosperity of this country.

Thank you for listening.