

15 August 2014

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The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014

Dear Sir,

ICAP plc ('ICAP' or 'we') is providing comments, as invited by the Competition & Markets Authority ('you' or 'your') in your proposed Order on mandatory use of competitive tender processes and Audit Committee ('AC') responsibilities.

We support your decision to reconsider the Competition Commission's ('CC') "package of remedies", so that they are aligned to the measures adopted by the European Parliament and Council in Directive 2014/56/EU and Regulation (EU) No 537/2014 ('the European Regulation').

While we share your view that shareholders and FTSE 350 companies will be better served by a more competitive market for statutory audit, we remain unconvinced that mandatory use of the tender process, or worse still, a mandatory use of auditor rotation as imposed by the European Regulation, are the most effective solution to achieve that. Having said that, the requirement to put the external audit engagement out to tender at least every 10 years is less detrimental to the shareholders than CC's initial suggestion of tendering every 5 years.

We also believe that in the context of the European Regulation your proposed transitional provisions in Part 6 of the Order are fair and helpful.

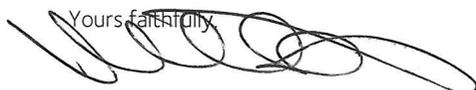
In regards to the additional responsibilities for the AC, we agree with the majority of the proposals in Part 5 of the Order, and indeed follow them in practice. However, we do not believe that the AC is the right body to negotiate and agree audit fees, but the AC is the appropriate body to challenge and approve audit fees. Additionally, ICAP considers it appropriate that management also have influence over the decision to appoint or reappoint the auditor. External auditors must be able to work constructively and effectively with senior financial managers in the course of auditing the company. It would therefore be difficult, if not impossible, to appropriately assess auditor performance without input from senior management to the AC.

We also strongly disagree with the proposed requirements in Part 4 of the Order. We believe that the requirement to disclose a targeted financial year for the next tender in the AC report in the fifth year of an Auditor's appointment is inconsistent, and at worst, undermines your proposal for companies to put their audit engagement out to tender at least every 10 years. We fail to understand what this requirement achieves or how this adds value to the shareholders.

It would also be helpful if clarification were provided as to what impact this Order will have on the Financial Reporting Council's Corporate Governance Code.

If you wish to discuss ICAP's views contained within this letter, please do not hesitate to contact me.

Yours faithfully,



John Sievwright  
Audit Committee Chairman  
ICAP plc

