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#### REFORM OF THE FINANCIAL REPORTING COUNCIL

As you know, last year I was asked to undertake a root-and-branch review of the FRC, given the critical importance of its work on audit, reporting and governance across corporate Britain.

The review's conclusions were very widely supported, including by your Committee and generally across the audit, corporate and investor communities.

Since the review was published, significant progress has been made, both by the regulator and by the Government. The new Secretary of State has personally assured me of her full support for the reforms. A new chair and chief executive of the FRC have now been appointed; both are, in my view, very strong. There has been good progress in implementing quite a number of the review's detailed non-legislative recommendations.

The final, crucial piece of the jigsaw, however, is legislation to put the new regulator onto a proper statutory base - and to give it the powers it needs to do its job. It is therefore disappointing that this legislation was not included in Monday's Queen's Speech. I clearly recognise that the Government has many competing priorities. But given the unequivocal consensus around the need for change, I am concerned about the risks of letting the FRC drift on, half-reformed and lacking the teeth that only legislation can give it.

Yours sincerely,