

Ladies and Gentlemen

Great to be in Paris,

It's very exciting to be here just ahead of such a closely fought presidential election[1]. In London I left behind not only the London Mayoral elections, but also 400,000 French citizens excited and looking forward to casting their votes in the French elections.

My broad theme today is the profession's globalisation and the challenges that this presents, and I will also give my views on some European regulatory proposals and what ICAEW is doing to support members around the world.

The ICAEW and other CCAB bodies are responding to the challenge of economic recovery in the UK and beyond challenge by getting more globally connected and the ICAEW is increasingly focusing on its role in helping the UK and European economy grow.

We think Accountants should increasingly be seen and supported as enablers of business growth, and our strategy in the UK is centred on this. I'd be happy to tell you more about what ICAEW is doing in this area afterwards.

Of course after our financial crisis. there are a lot of proposals on the table in Europe for regulatory change which could impact growth,. A crisis that was less global than perhaps transatlantic. And those proposals may both affect Europe's future competitiveness, and they may also act as an international standard, too, if we get them right.

If you think of the regulatory cycle as having 5 stages

Stage 1) Naïve acceptance of growing risks.

Stage 2) Crisis with Corporate collapse

Stage 3) Political commitment and blaming

Stage 4) New regulations and regulatory structure with more punishing

Stage 5 Political commitment wanes with new risks emerging.

I think we are at stage 4.

We cannot allow the same risks to grow back, but at the same time, not every aspect of risk is best dealt with by regulation.

I want to get into a bit of detail, looking at the European proposals on Audit. .

The UK profession does not have a single view on this, but I think most of the UK and Irish organisations don't agree with all the Commission's proposals, such as some of the moves on mandatory rotation and the provision of non-audit services, which could have unintended consequences.

From an ICAEW perspective we have been trying to help the views of practice firms be heard, and also those of audit committee chairmen and investors. We do think some of the proposals have merit but we have some concerns: (I think start of paragraph explains)

For instance, the audit process takes place largely behind closed doors and some of it needs to become more transparent. We are keen to explore how useful new information about the audit process might be provided to investors and the public.

At ICAEW we do think there needs to be better dialogue between auditors and prudential regulators through initiatives like that of the UK Bank of England working group whose recommendations, many drawn from our thought piece, 'Audit of Banks: Lessons from the Crisis', are now being implemented.

And we feel that the role of audit committees should be strengthened in relation to the appointment of auditors, negotiation of audit fees, evaluation of audit quality, re-tendering and non-audit services provided by auditors.

We support a consistent approach to high quality audit regulation across the EU. Such regulation needs to enable co-ordination and co-operation by national regulators to support a stronger single market, a single EU passport and adoption of International Standards on Auditing as well as contingency planning to address the risk of audit firm failure.

Increasing market choice is an important objective. Ending restrictive bank covenants, ensuring a transparent and objective auditor selection process and relaxing audit firm funding rules will help. Audit regulators should also consider the potential impact of their activities on choice, while recognising, as in the case of the UK Competition Commission's current audit market investigation, that competition authorities have responsibility for market structure issues.

We need to reflect carefully on how ESMA's role may evolve in the future.

However, we think that any reforms should not be at the expense of diminishing the role of accountants in assisting business growth .

I'd be very interested to hear about what practices and businesses in France feel about the proposals.

It is not all about audit in Brussels. The 4th and 7th Accounting Directives are also under review. This should be good news for business. ICAEW has been calling for an overhaul of the Directives in a 'think small first' ethos for a long time. These two pieces of legislation are around 30 years old and it is high time to check if they are still fit for purpose. Accounting rules have not kept pace with international developments in financial reporting. However we do have growing concerns about how these issues are evolving at EU level.

Corporate Governance is also under the EU spotlight. Responding to the Commission's Green Paper on Corporate Governance published last year, the European Parliament recently adopted a non-legislative resolution calling for.

- a stronger role for board committees
- A move towards mandatory gender quotas to ensure greater board diversity
- A limit on number of board directorships
- Support for 'Comply or Explain' approach to corporate governance which ICAEW supports.

Although much of the media and political attention has focused on board diversity there are clearly a number of important points that are being considered we will be closely waiting for eventual legislative proposals from the European Commission later this year. Again, I would be interested in hearing the perspectives of the French bodies.

In a world subject to increasing economic and regulatory challenges we believe that we need to support our members on a more global basis partnering with bodies in other countries. And that brings me on to the proposed European professional card, which will allow you to transfer professional qualifications more easily around Europe. This is an idea based on a fundamentally reasonable principle: That you should be able to take your training and use it anywhere in Europe. We think a card might facilitate the current way we evaluate the qualifications of people wanting to work in other member states in Europe but not replace it, - because training and accountancy activities and regulation are very different across member states.

That wraps up my discussion of European legislative changes.

I wanted to end by mentioning a few things ICAEW is doing to support Chartered Accountants around Europe and indeed around the world.

We have rolled out our international offices and representation so that we can provide better services outside the UK. You will know, I hope, that we have a Europe Region based in Brussels which was launched two years ago, as well as regional offices in Dubai, South East Asia, and Greater China.

Our Europe Region team continues to focus on engaging in the public interest which is what our Charter requires with the EU Institutions, building on our presence in Brussels since the mid-1990s. The establishment of the region has also enhanced our ability to offer access to the portfolio of ICAEW qualifications and services and facilitated our work on technical and regulatory issues in partnership with professional institutes across Europe. All our regional teams are starting to offer more continuous professional development, events and networking opportunities as well as rolling out the full strategy, offering ICAEW qualifications and services and promoting ICAEW as a leader in reputation and influence.

We also work closely with professional bodies around the world. Our aim is to work in partnership, and we've held some interesting events in Europe, for example, with other professional bodies and regulators.

At the same time, we're making greater and greater use of online possibilities. You can now find member webinars on a large variety of topics, which you can watch live or after the event. And of course we're trying to put all the useful information for members online. The

library service, which takes information enquiries for members, does so by email or phone as well as in person, and is increasingly digitising information so it's available around the clock.

And our seven professional faculties are rolling out their work internationally too..

They cover

Audit and Assurance

Corporate Finance

Finance and Management

Financial Reporting

Financial Services

IT

and Tax

And they have thousands of members. Non-members can join the faculties too they are for professional Accountants across the disciplines. And our products are international where possible.

We're working on international standards such as financial reporting. For example, through our Financial Reporting faculty's work we're supporting work on IFRS. We have an IFRS qualification which is now in 5 or so languages, and which is launching in Turkey later this month. And we are also taking part in the International Integrated Reporting Committee, which is headed up by the South African Mervin King, and which is working on new more sustainable financial reporting standards.

We also have 12 Special Interest Groups, which cover everything from working in farming to the charities and the entertainment business, and again bring specialists together from around the world. It's worth taking a look at them. For example:

Entertainment and Media Group

Interim Group

NED Group

Valuation Group

And finally, we are reforming our voting system for Council, and are working towards international constituencies, with interim arrangements from 2013, and direct elections from 2015. We expect two representatives elected from our membership in Europe.

That's a short outline of our work. And it's motivated by the fact that globalisation is here. Around a quarter of our new members are from outside the UK, and we expect those numbers to grow. But they will only grow if we have something good to offer them.

Conclusion

Before I conclude, I would like to thank the ABAF committee for inviting me to speak at your AGM this evening. I would also like to thank ABAF President and ICAEW Contact Member for France, Nick Rolt, for the effort he and his team puts in to keeping your association going from strength to strength as well as the direct input he gives to ICAEW on behalf of our members in France. Please keep giving him ideas on how we can better support you so the team can continue to adapt the delivery of ICAEW strategy in Europe.

At the start of this talk, I said I wanted to talk about the profession's globalisation and the challenges that this presents.

Across Europe, it feels as if we need more focus on the competitiveness of business generally, and on creating jobs and economic prosperity.

I hope that the debate over changes to regulations in Europe will help get us back to prosperity.

But to do that, we need to work together. This is not about us competing with one another, but making sure we can compete with the rest of the world.

And so it's useful for me to learn today where we can usefully partner with the French bodies and provide more to help to UK accountants in France.

Thank you.

[1] Sarko and Hollande neck and neck at 30% or so
http://en.wikipedia.org/wiki/Opinion_polling_for_the_French_presidential_election,_2012

Lucia Graves
Corporate Communications Manager