



Competition and Markets Authority

*(Submitted via email to [statutoryauditmarket@cma.gov.uk](mailto:statutoryauditmarket@cma.gov.uk))*

21 January 2019

Dear Sirs

**Response to UK CMA statutory audit services market study update paper**

The International Capital Market Association (ICMA) is providing comments on one aspect of the [UK Competition and Markets Authority's statutory audit services market study update paper](#) of December 2018, namely which non-audit services should audit practices be permitted to provide under a full structural or operational split.

ICMA is a membership association, headquartered in Switzerland, committed to serving the needs of its wide range of members. These include private and public sector issuers, financial intermediaries, asset managers and other investors, capital market infrastructure providers, central banks, law firms and others worldwide. ICMA currently has 540 members located in over 60 countries. See: [www.icmagroup.org](http://www.icmagroup.org).

This feedback is given by the ICMA primary market constituency comprised of banks that lead-manage syndicated debt securities issues throughout Europe. This constituency deliberates principally through:

- the [ICMA Primary Market Practices Committee](#), which gathers the heads and senior members of the syndicate desks of a number of ICMA member banks active in lead-managing syndicated debt securities issues in Europe; and
- the [ICMA Legal and Documentation Committee](#), which gathers the heads and senior members of the legal transaction management teams of a number of ICMA member banks active in lead-managing syndicated debt securities issues in Europe.

We set out our comments below and would be pleased to discuss it with you at your convenience.

Yours faithfully,

A handwritten signature in black ink that reads 'C. Bellamy'.

**Charlotte Bellamy**

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## COMMENTS

**Q24. Which non-audit services (services other than statutory audits) should the audit practices be permitted to provide under a full structural split and operational split? Please explain your reasoning.**

1. A company's auditors play an important role when a company decides to raise funding in the capital markets by issuing new bonds.
2. For example, underwriters of new bonds will usually require the company's auditors to provide comfort on the accuracy of financial information that the company intends to give prospective investors in the bonds and any changes in the issuer's financial position since the date of its most recently audited accounts. Such comfort is usually given in a "comfort letter". The [ICMA Primary Market Handbook](#) contains an industry-standard form of letter that is typically provided by audit firms on certain types of new bond issues. We would be happy to make this available to the CMA, if that would be of useful. In addition to providing a comfort letter, the company's auditors may answer questions from the bond underwriters on an informal basis.
3. The provision of the services described above is crucial to the ability of companies to raise money in the capital markets. Underwriters of bonds use the information provided by the company's auditors to conduct their due diligence on the viability of the new issue of bonds with a view to protecting the ultimate investors in the bonds, which may include pension funds and insurance companies and, in some cases, individuals.
4. If a split of some kind is to be pursued, it will be crucial that the relevant part of the company's audit firm can continue to provide all necessary services related to capital markets issuance such as the provision of a comfort letter to the company and the underwriters of bonds and answering questions from underwriters, as described above.