



Financial Reporting Council

# **FRC Conflict of Interest Policy**

**September  
2023**

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## Document Responsibilities

Document Control		
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Reviewer	Board (31 March 2022)	

Version	Date Published	Review Due	Change Description
2.0	September 2023	September 2023	Second Version

## Purpose

This policy exists to ensure that our work is carried out free from unmanaged conflict or improper influence, to uphold effective regulation in the public interest. This policy is intended to protect our staff and members and the reputation of the organisation.

The principal purpose of this policy is to ensure public confidence in the FRC is maintained by avoiding a perception that:

- An individual's decision-making on behalf of the FRC may have been compromised by their own interests.
- A firm which Staff or Members are connected to may have an unfair competitive advantage by reason of assumed access to information or policy thinking.

## Introduction

This document provides guidance for staff and members of the FRC governance structure on managing potential conflicts between their works with the FRC and their external interests.

The terms 'staff and/or employees' includes all permanent and temporary staff members and executives, including staff of the UKEB and FRC secondees.

This Policy applies to 'Members' of the governance structure in the conduct and context of their appointment to or by the FRC. Members include members of the Board of the Financial Reporting Council Limited, members of Board Committees, Senior Advisors, members of the Advisory Panel and members of the Enforcement Committee Panel and Tribunal Panel.

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## Key Principles

- At all times follow the spirit, rather than just the letter, of this policy.
- Be open and act with honesty and integrity.
- Be transparent about interests and relationships which could influence judgement.
- Be objective in all decision-making, never let your personal interests influence the decisions you make for the FRC.
- Be alert to actual or perceived improper influence through the receipt of gifts, hospitality or favours.
- Be aware of the importance of information which is not publicly available and how it could be beneficial to others.
- Be responsible and actively Identify, Monitor and Manage any actual or potential conflicts of interest.

The potential for conflict will depend on a number of circumstances, for example, the precise nature of the interest and your role, and individual circumstances. Where in any doubt, consult with your line manager or Board/Committee Chair or the Governance Team in the first instance.

**TIP: Always ask yourself, 'is there a chance that this potential conflict may reasonably be perceived as a negative to the FRC and/or my reputation?'. If so, disclose it.**

## Our Remit

We mainly regulate:

- Publicly listed companies (e.g. accounts, corporate reporting and UK Corporate Governance Code)
- Institutional investors (Stewardship Code)
- Auditors, actuaries and accountants (e.g. professional standards, UK GAAP)
- Relevant professional bodies (e.g. ICAEW, ACCA, IFOA, CGMA).

Acting in the public interest means considering how this impacts on retail shareholders, suppliers, employees, customers, communities, pensioners and savers, and financial institutions, all of whom have an interest in the health of companies.

## What is conflict of interest?

A conflict of interest may arise when your work could be affected by your personal financial matters, close personal relationships or other associations with individuals or organisations, including previous employment at companies or firms.

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It becomes significant if any person, internally or externally, might reasonably believe there is a risk of your actions, or those of a personal associate, being inappropriately influenced.

Conflicts of interest can be both direct and indirect and may arise in different ways. Examples are as follows:

- A financial interest held by you or by a commercial undertaking with which you have connections.
- A personal association or relationship with those affected, or likely to be affected, by information or issues you may become aware of.
- A previous association or employment with an entity affected by the information or issue in question.
- External roles, either paid or voluntary, at entities outside of the FRC.
- Service agreements with firms within the FRC's regulatory remit, i.e. tax advice

## Financial Interests

The staff and members are asked to disclose their financial interests (shares and/or investments) and those of individuals they have close personal relationships with (to the extent that they are or should reasonably be aware of them) in any organisation that could be subject to our regulatory work. Where staff or Members stand to benefit in any way from the information gained as part of the role at the FRC they should not take part in the project or decision.

Employees with a direct financial interest in an entity should not be involved in a project related to that entity. Nor should they be involved if a family member or someone they have close personal relationships has a financial interest. All such matters should be disclosed.

## Personal Relationships

Conflicts of interest can arise from many different personal relationships. The most obvious ones are spouse or partner, children or other dependent family member, close friends, or business associates. This is not a definitive list, and you should consider how any relationship might be perceived both within the organisation and externally. If there is any suggestion that any relationship could challenge your impartiality, then you should discuss with your line manager or Board/Committee Chair or the Governance Team as a matter of urgency.

## Previous Employment

The FRC is able to take action against audit firms, auditors, accountants, listed companies and Public Interest Entities (PIE). The nature of our work means that you may previously have undertaken roles in some entities. Therefore, we must ensure that past roles do not cloud any future judgements and you are asked to declare your past employment on XCD.

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If firms or companies are mentioned in relation to potential misconduct or a breach of relevant requirements, you should disclose any affiliation with them to your line manager or the Governance Team.

## **External roles / directorships during employment or appointment**

Staff should carefully consider whether any proposed external appointments/directorships/trusteeships could give rise to a conflict of interest or reputational damage to the FRC, perceived or real. All appointments outside of your FRC role, paid or not, should be approved and staff must consult their line manager and the Company Secretary before accepting an external appointment/directorship/trusteeships and are expected to report any potential conflict of interest.

Given the nature of the FRC's regulatory work, staff will not be able to take on any non-executive or other appointments at Public Interest Entities (PIE), AIM companies, Lloyds Syndicates, Registered Audit firms, Recognised Supervisory Bodies (RSBs) or Recognised Qualifying Bodies (RQBs).

## **Other commercial arrangements**

The financial interests that do not need to be declared:

- Interests of a value less than £5,000 unless the reasonable onlooker would consider the financial interest to be a conflict in all the circumstances.
- Assets comprising goods and/or services e.g. banking or insurance services such as mortgages and loans, savings accounts, telephone services, travel and tangible assets bought on the open market on normal commercial terms available to other buyers.

## **Future Employment**

The FRC is able to take action against audit firms, auditors, accountants, listed companies and Public Interest Entities. If an employee is successful in securing new employment in an entity within this scope consideration should be given to the potential risk of a conflict of interest and risk of damage to the FRC's reputation. The employee should discuss these risks with their line manager as soon as is practically possible and, if considered appropriate, active steps should be taken to exclude the departing employee from any activities that relate to, or which may impact, the entity during their notice period. In exceptional circumstances, agreed by the line manager and CEO, consideration may be given to paid leave during all, or part, of the notice period.

In such circumstances, line managers should work with the Stakeholder Engagement and Corporate Affairs team to reduce any potential risk of reputational damage.

## **Direct and Indirect Interest**

A direct interest is broadly defined as when you have, or someone you have a close relationship with has, a vested interest in that entity and its future or a continuing connection or exposure to personal consequence or impact, including reputational or financial. This may include current or former employment or directorships, holding of direct financial securities or membership of that

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entity's pension scheme, or a risk of personal exposure to criticism or embarrassment. A direct interest may raise a question as to whether your judgment or decision-making in matters related to that entity can remain unbiased.

An indirect interest is defined as any interest which is not a direct interest. This may include a historical, but now severed association with an entity/individual, or an interest in another entity/individual who then, in turn, has or has had an association/business relationship with the entity in question. You, or someone you have a close relationship with, should be unable to gain personal benefit or preferential outcome from that entity. Your indirect interest should be highly unlikely to play a part or influence your judgment or decision-making in matters relating to that entity.

### **'Cooling-Off' Periods**

If a member of staff has worked for or had a role in an audit firm or a legacy firm, and they are working on regulatory issues/decisions, they should not work on any matter or project/be party to a decision relating to a previous employer until they have completed a 5 year 'cooling-off' period (see below). Exemptions may be granted by the relevant Executive Director for specific reasons. If you or your line managers believe that relationships with individuals within those firms remain close and could result in a perceived conflict, this 'cooling-off' period can be extended for an indefinite period, or any work associated with these firms should be limited.

## **Members**

Board Members are only eligible to serve on the FRC's Regulatory Committees once a period of five years had passed since their employment at any audit or actuarial firm (or legacy firm) or a Recognised Supervisory Body. To safeguard fair and due process, Members and Senior Advisors should not participate in any decisions regarding a person or entity which may give rise to a potential or perceived conflict of interests.

In addition, members of the Conduct Committee may not participate in any decision relating to their former audit firms until a period of ten years has passed since that employment. Information relating to enforcement action against their former firm will be redacted from their meeting papers.

Rules are applied by the governance team to manage Members' declarations, receipt of information and involvement in decisions relating to their external interests and relationships. Separate rules for independence apply to the FRC Tribunal Panel and Enforcement Committee who are independently appointed by the Appointment Committee under the enforcement procedures.

## **Exemptions to the Policy**

There may be limited instances when an exemption to the policy is agreed and disclosed. A decision to exempt an individual should be determined on a case-by-case basis and consider the risk to both the FRC and individual.

All exemptions should be approved by the relevant Executive Director and periodically disclosed to the Executive Committee. For Additional Information on Exemptions please refer to the Additional Guidance appendix 2 ([Conflict of Interest Additional Guidance.pdf](#)).

## Breaches of this Policy

This policy must be followed by all staff and members. Any concerns or breaches must be identified and reported as soon as the breach of risk becomes apparent, to your manager, or the Governance Team in the first instance in order to minimise the risk/impact, as the responsibility is both on the individual and all the staff and members to report it.

Breaches of this policy could pose a serious risk to the reputation of the individual involved and the FRC. Failure to comply may result in such action as the FRC considers appropriate in the circumstances, such as, disciplinary action, dismissal, or termination of appointment. If you believe someone may be of breach of this policy and it has not yet been reported, please refer to the following policies:

- [Counter-Fraud Policy](#)
- [Bribery and Anti-Corruption Policy](#)
- [Whistleblowing Policy](#)

## What you should do

### Identify

Staff	Managers	Members
All new joiner staff must complete a Register of Interest form and disclose any conflicts or potential conflicts on the XCD Database. This form must be approved by your line manager, who may wish to discuss parts of it with you.	Must discuss the conflicts of interest policy with all new members of the team and highlight the requirement for everyone to be responsible for disclosing and updating information.	All new Members will be asked to declare any conflicts, or potential conflicts on a two-part Register of Interests Declaration Form.
As soon as any new potential conflict becomes apparent act swiftly, tell your manager and update the database.	Approve changes to employee disclosures on the database.	If you think you may have conflict of interest in relation to a particular agenda item, discuss this immediately with the relevant Chair.
If you think you may be conflicted as the project progresses remove yourself	Ensure team members understand this policy and	

immediately and discuss with your manager.	how it affects them on a daily basis.	
If you have concerns about other staff or you are unsure whether you might be conflicted, discuss with your manager or Governance team in confidence.	Ask HR to run reports as required to consider the make-up of the team for a specific project/ piece of work.	

**Monitor**

<b>Staff</b>	<b>Managers</b>	<b>Members</b>
Confirm annually that you have read the policy and that the information held regarding conflicts is true and accurate and update your details as necessary should your circumstances change, and new potential conflicts are identified.	Ensure all team members annually reaffirm their conflicts of interest and declare no new issues have been identified.	Each Member is responsible for keeping their own entries in the register up to date. Any changes to your interests should be notified to the Board/Committee Chair or the Governance Team so that your declaration can be updated.
Complete a compliance statement which asserts that each individual has complied with the policy for the year.	Assess the make-up of your team to ensure that there is a broad spread of backgrounds to compensate for any individuals that are conflicted or subject to the 5-year 'cooling-off' period.	Review and confirm your declaration form annually.
Consider any changes in your personal circumstances in relation to your role and any internal or external positions you may apply for and whether the application process or working a period of notice could impact on your work.	Be aware when team members reach the end of the 'cooling-off period' and discuss whether it is appropriate to work on projects where they would otherwise have been conflicted.	
	Monitor changes to individual circumstances and make sure they are input into XCD in a	



	timely manner by each individual.	
	Make staff aware of what may constitute 'insider information' and market sensitive information and remind them of their responsibilities in how they use and share information in line with the FRC's Market Sensitivity Information policy.	

## **Manage**

<b>Staff</b>	<b>Managers</b>	<b>Members</b>
When working on cases that will lead to potential enforcement action declare prior to taking on the role that you are not conflicted.	Maintain a general oversight of the interests that exist within your team and keep these in mind whenever assigning work.	Members should remove themselves from discussions, meetings and decision making where they have a conflict of interest or perceived conflict of interest. The Governance Team should ensure that agenda item papers for meetings are not circulated to non-executives with a declared conflict on specific matters.
Do not openly discuss cases with conflicted team members or within ear shot and do not use information you have access to for your own benefit (e.g. investment decisions).	Implement procedures for evaluating and managing conflicts that have been identified in a way that ensures that decisions are not compromised by the conflicted team members.	If you receive a paper in relation to a matter you consider having an interest in, you should not review the paper, disregard any contents and immediately notify the Company Secretary / relevant Secretary so that arrangements can be made to remove you from circulation lists that relate to the matter.
	Ensure that you have signed copies of any declaration forms attached to specific	

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	projects prior to individuals beginning work on the project.	
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