

Victoria Richardson
Markets Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Cp14-21@fca.org.uk

19 December 2014

Dear Ms Richardson,

Financial Conduct Authority (FCA) Consultation Paper (CP14/21) – Feedback and Policy Statement on CP14/02 Consultation on Joint Sponsors and Call for Views on Sponsor Conflicts – Comments on the joint sponsor proposals and call for views on sponsor conflicts

Introduction

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of EuropeanIssuers, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Corporate Finance Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

Response

We welcome the opportunity to respond to this consultation. We welcome that the FCA has decided to retain the joint sponsor regime.

We are in favour of maintaining the joint sponsors regime, which we believe provides more opportunities for smaller sponsor firms to participate in transactions and therefore increases competition in the sector. Notwithstanding that joint sponsors are not used by many small and mid-size quoted companies, we believe that companies should have the flexibility to appoint joint sponsors. We agree with the consultation paper's analysis of the benefits of the joint sponsor regime, also noting that it is a good way to encourage continuing market best practice amongst sponsors and positive knowledge transfer.

Responses to specific questions

Q3 What, if any, changes to our rules and guidance do you believe may be necessary or desirable?

We believe that the rules on sponsor conflicts are clear and, therefore, we do not believe that any rule changes are necessary per se.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

However, we recognise that it would be helpful to add guidance to provide greater detail on the analysis that sponsors should undertake, preceded by further informal consultation with sponsor firms to discuss what this might include.

We also agree that additional guidance should be given on the “perception test”. This is highly subjective and it should be clear that firms will not be regulated with the benefit of hindsight.

We note that sponsor conflicts are not usually as widespread amongst small and mid-size quoted companies and their smaller broker/sponsor firms, as those sponsors tend not to be offering a wide variety of diversified services to the issuer. Smaller brokers/sponsor firms tend to offer non-complex services, and thus, do not present as many conflict situations as one would encounter with a larger bank, which provided a number of services in relation to an issuance.

Q4 Do you agree with our proposal to amend LR 8.5.3R so that the requirement for only one sponsor to take responsibility for contact with the FCA in respect of the sponsor service applies in respect of administrative arrangements only?

Yes, we agree with the proposed amendment.

We welcome that the FCA has addressed the issue of the ‘relationship with the FCA’ and clarified that the responsibility for contact with the FCA in respect of the sponsor service applies in respect of administrative arrangements only. We, therefore, welcome the issuance of guidance in relation to communications between the FCA and joint sponsors and the overall objective of increasing the quality of FCA interactions with sponsors. In particular, the clarification removes the perception of there being a lead and junior sponsor in joint sponsor transactions.

Q5 Do you agree that the proposed Technical Note (as set out in Annex 3) provides sufficient guidance to support the proposed amendments to LR 8.5.3R?

We agree that the Technical Note gives sufficient guidance. The only amendment we would suggest is to confirm that the FCA may give feedback to the issuer or sponsors during a transaction if the arrangements are not working effectively. We also suggest it would be useful if the FCA gave feedback to senior management and their compliance teams promptly after any transaction where it perceived there were issues with joint sponsor arrangements.

It might also be useful to indicate, when the note is published, that the FCA may update the guidance note following the experience gained after the amendment of LR 8.5.3R.

Q6 Do you agree with the proposed new guidance in LR 8.3.15G?

Yes, we agree and welcome the proposed new guidance on the joint sponsors’ co-operation arrangements.

As we had supported in our response to CP14/2 (May 2014), we believe that the potential issues arising from joint sponsorship could be addressed by proper planning and agreement of how sponsors will be working together to ensure the best outcome for the client and to fulfil regulatory requirements.

We welcome that the FCA does not intend to be prescriptive and recognises that each sponsor service and the arrangements among them will be different, thus allowing for flexibility.

FCA

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Q7 Do you agree with the proposed amendments to LR 8.3.14R?

Yes, we agree with the proposed amendments to LR 8.3.14R.

Q8 Do you agree with the CBA?

Yes, we agree with the CBA.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Tim Ward', with a stylized flourish at the end.

Tim Ward

Chief Executive

Quoted Companies Alliance Corporate Finance Expert Group

Richard Evans (Chairman)	Strand Hanson Limited
Frederico Gago	Accola Capital LLP
Nick Naylor	Allenby Capital Ltd
Chris Hardie	Arden Partners PLC
Chris Searle	BDO LLP
David Foreman	Cantor Fitzgerald Europe
Mark Percy	
Amerjit Kalirai	
Martin Finnegan	Causeway Law
Stephen Keys	Cenkos Securities PLC
Sean Geraghty	Dechert
Stuart Andrews	finnCap
Simon McLeod	Goodman Derrick LLP
Colin Aaronson	Grant Thornton UK LLP
Robert Darwin	Hogan Lovells International LLP
Maegen Morrison	
James Green	K&L Gates LLP
Richard Crawley	Liberum Capital Ltd
Simon Charles	Marriott Harrison
David Bennett	
Richard Metcalfe	Mazars LLP
Lesley Gregory	Memery Crystal LLP
Nicholas Narraway	Moorhead James
Kristy Duane	Nabarro LLP
Dalia Joseph	Oriel Securities Limited
Jonathan King	Osborne Clarke
Leighton Thomas	PricewaterhouseCoopers LLP
Samantha Harrison	RFC Ambrian Limited
Azhic Basirov	Smith & Williamson LLP
Neil Baldwin	SPARK Advisory Partners
Mark Brady	
Laurence Sacker	UHY Hacker Young