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Financial Conduct Authority  
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22 November 2013

Dear Sirs,

**Financial Conduct Authority – Primary Market Bulletin No. 7**

***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 Advisors 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 set out below our comments on various areas of the bulletin.

**Consumer protection objective**

We support the principle that prospectuses aimed at retail investors should be easily analysable and comprehensible and that the pre vetting process should pay particular attention to this. However, we would question why this principle should only be articulated in the context of retail non-equity prospectuses (proposed guidance note UKLA/TN/632.1), as we would consider that it is likely to apply more generally.

We support the more streamlined approach to reviewing prospectuses targeted at wholesale investors because we believe that regulatory processes should always be proportionate and take account of risks and the relative compliance impact on participants.

**Market integrity objective**

We note that the FCA views the Listing Rules and European Directives “to be essential to ensuring the integrity of the primary market for securities”. Whilst we acknowledge that the Listing Rules and European

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Directives provide an authoritative framework for delivering market integrity, we would question whether it is appropriate to claim that they are “essential”.

The London Stock Exchange, which is a recognised investment exchange, supervises AIM, which has been and continues to be a principal market for smaller and growing companies both in the UK and overseas. This operates a very successful and secure primary market even though it does not operate under the Listing Rules and European Directives. Whilst its rules are influenced by these sources, they represent a reduced compliance regime that is proportionate to the resources available to small and mid-size quoted companies.

We are concerned that, by making this statement, the FCA is not recognising the direction of travel in recent European Directives to ensure that any measures it introduces are proportionate to the reduced capabilities for compliance of small and mid-size quoted companies, which are contributors to growth and innovation in our economy.

### **Competition objective**

We note with interest the FCA’s view of their competition duty and that this will be an “important area of focus” in the context of the sponsor regime. We will be interested to see how this impacts the forthcoming review of the sponsor regime, particularly in the context of restrictions on who may operate as a sponsor.

### **UKLA/TN/632.1 – Non-equity retail prospectus**

We welcome the guidance given in this note but, as mentioned above, see that some of these principles should probably apply more generally and not just in the context of non-equity products. Whilst we agree that retail prospectuses should not be written in “a legal style”, we believe that it is contradictory to allow terms and conditions to be exempt from this fundamental principle. We would have thought that the FCA would be keen to encourage the use of “plain English” when setting out the terms and conditions under which retail investors can subscribe in order to ensure that such consumers are adequately protected by being able to understand properly all the risks and rights attaching to the subscription process.

### **UKLA/PN/910.1 – Additional powers to supervise sponsors**

Whilst we understand that sponsor supervision has now been incorporated into the wider decision making processes of the FCA, we consider it incongruous that a voluntary request by a sponsor to suspend its approval should be carried out under the FCA’s disciplinary procedures. This infers an essentially adversarial process that, in theory, could result in the rejection of such a request and disciplinary procedures being taken against the sponsor firm, which would not be appropriate or proportionate and which we cannot believe to be the FCA’s intention in this area.

### **UKLA/TN/705.2 –Sponsors: uncertain market conditions**

The note has been amended to add the following sentence to the end of the note:

*The FCA’s powers to suspend a sponsor’s approval or to impose limitations or restrictions on the services a sponsor can provide are discussed in UKLA/TN/712.1 – Additional powers to supervise and discipline sponsors.*

We are concerned that this addition has been made without context, in contrast to its addition in UKLA/TN/709.2 –Sponsors transactions – Adequacy of resourcing where the sentence is put in the context that the UKLA may take an intrusive approach in the circumstances outlined in that note. We believe that it would be helpful to explain why this statement is relevant in the context of the note or delete it.

**Format of the consultation**

We note that it would be helpful in future bulletins to include a blacklined appendix containing the notes consulted on. It would help us and other stakeholders to identify the proposed changes and produce an informed response.

If you would like to discuss this letter in further detail, we would be happy to attend a meeting.

Yours Faithfully,

A handwritten signature in blue ink, appearing to read 'T. Ward', with a stylized flourish at the end.

Tim Ward  
Chief Executive

**Quoted Companies Alliance Corporate Finance Advisors Expert Group**

Samantha Harrison (Chairman)	RFC Ambrian Limited
Richard Evans (Deputy Chairman)	Strand Hanson Limited
Stuart Andrews	FinnCap
Azhic Basirov	Smith & Williamson Limited
David Bennett/Simon Charles	Marriott Harrison
Mark Brady/Neil Baldwin	Spark Advisory Partners
Richard Crawley	Liberum
Martin Finnegan	Causeway Law
Sean Geraghty	Dechert
James Green	K & L Gates LLP
Lesley Gregory	Memery Crystal LLP
Tom Griffiths	Westhouse Securities
Chris Hardie	Arden Partners PLC
Jonathan Hardy	RBC Capital Markets
Daniel Harris	Peel Hunt plc
Dalia Joseph	Oriel Securities Limited
Amerjit Kalirai/Tim Bird	Field Fisher Waterhouse
Jonathan King	Osborne Clarke
Richard Metcalfe	Mazars LLP
Jonathan Morris	Bates Wells & Braithwaite LLP
Maegen Morrison/Robert Darwin	Hogan Lovells International LLP
Nicholas Narraway	Moorhead James
Nick Naylor	Allenby Capital Ltd
Claire Noyce	Hybridan LLP
Mark Percy/David Foreman	Cantor Fitzgerald Europe
Tom Price/Marc Cramsie	ZAI Corporate Finance Ltd
Laurence Sacker	UHY Hacker Young
Chris Searle	BDO LLP
Philip Secrett	Grant Thornton UK LLP
Charles Simpson	Saffery Champness
Leighton Thomas	PwC LLP