



Quoted Companies Alliance

6 Kinghorn Street  
London EC1A 7HW

**T** +44 (0)20 7600 3745

**F** +44 (0)20 7600 8288

[mail@theqca.com](mailto:mail@theqca.com)

David Sorensen  
Financial Conduct Authority  
12 Endeavour Square  
London  
E20 1JN

[dp18-10@fca.org.uk](mailto:dp18-10@fca.org.uk)

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Patient Capital and Authorised Funds – Discussion paper DP18/10

Dear Mr Sorensen,

We are grateful for the opportunity to comment on the FCA discussion paper on Patient Capital and Authorised Funds.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. There are nearly 2,000 small and mid-size quoted companies in the UK, representing 85% of all quoted companies. They employ approximately 1.4 million people, representing 5.5% of private sector employment in the UK. Our goal is to promote an environment where their potential is fulfilled.

Our only comment relates to the definition of Patient Capital in point 1.5: *“Patient capital’ refers to a broad range of alternative investment assets intended to deliver long-term returns; for example, infrastructure, real estate, private equity/debt and venture capital. These assets are typically illiquid and often require a committed investor willing and able to tie up their capital and forgo on-demand liquidity or an immediate return on investment.”*

We believe that the definition of Patient Capital should be expanded to include small and mid-size companies on the grounds that investments in them are both illiquid and long-term.

Investment in SMEs, both quoted and unquoted, is needed on a longer term basis to enable such companies to realise and expand their business plans and create career and employment opportunities. Investors in SMEs are generally prepared to accept a high degree of illiquidity, even where securities are quoted, as they look to earn higher returns over the longer term.

From a policy perspective, we believe that measures aimed at nurturing and fostering the aspirations of SMEs are critical to the recalibration of the UK economy and should be central to certain aspects of UK regional policy. We are acutely aware of the need for the UK economy to find alternatives to its historic and traditional

manufacturing and resource based industries as well as to finding ways of reducing its dependency on the services sector (which itself will flourish as a result of income from other industries).

Capital is desperately required to encourage the emergence of young, vibrant, varied and growing businesses across the UK. Their success is the bedrock of future employment and wealth regeneration opportunities. We do not believe that bank or loan finance and/or private equity will, by themselves, act as a sufficient catalyst, or stimulant, to the economy's needs.

We would therefore recommend that the definition of Patient Capital used is amended to include investment in small and mid-size companies.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'TW', with a stylized flourish extending to the right.

Tim Ward  
Chief Executive  
Quoted Companies Alliance