

Victoria Richardson
Markets Division
Financial Conduct Authority
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Cp14-21@fca.org.uk

10 November 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 Proposed Technical Notes

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 noted in our response to CP14/2 (1 May 2014) that the proposed requirements would make it harder and more onerous for new or small firms to become and remain sponsors. We welcome the changes introduced by the FCA, which have addressed most of our concerns.

In particular, we appreciate that the FCA has taken a flexible approach in the assessment of the competency framework. We welcome that the competency sets a sponsor must demonstrate in order to be competent are established at a high standard, while allowing firms to assess and comply with the requirements in a way that best reflects their business model. We also welcome the ‘look through’ approach in the cases of firms with low activity or new entrants.

We had argued that clearer and more comprehensive research and analysis data should have been presented by the FCA in its cost benefit analysis. We consider it helpful that the FCA has provided more detail regarding the three-year threshold condition and its impact on sponsor firms (p. 11 of the consultation paper).

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

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We would like to highlight the concern that we had voiced in our response to CP14/02 on smaller firms and their limited resources with regard to retaining competency frameworks. While we believe that the FCA has considered these concerns in adjusting its policy measures and providing more flexibility, we continue to ask the FCA to continue to take into consideration the limitations of smaller firms and potential new entrants.

Responses to specific questions

Q1 Do you have any comments on the Technical Note ‘Sponsors: Guidance on competence requirements set out under LR 8.6.7R (2)’?

We welcome that the areas of knowledge defined as competency sets are “not intended to be exhaustive” and allow sponsors to consider other matters under each competency set when considering their own business and clients, as well as take into account experience obtained on sponsor services or other corporate finance experience. We welcome that the proposed concept of competence framework was removed and that instead a description of each competency set was provided. It would be extremely helpful to smaller sponsors if the FCA could set out, alongside its knowledge base, a list of ESMA publications and their location, especially given the difficulty of navigating the ESMA website.

We believe that it should be recognised in the technical note that sponsors may seek external advice on areas where their knowledge may need refreshing or to ensure their understanding of rules / guidance remains correct, rather than setting what may appear to be an FCA expectation that sponsors will need to know all things at all times.

As set out in our response to CP14/02, we agreed with the proposal that sponsors can be approved solely for premium investment companies. We welcome the understanding that the work carried out by sponsors can differ significantly between those firms advising premium listed commercial companies and premium listed investment companies.

Q2 Do you agree that the Technical Note ‘Sponsors: Practical implications of competence requirements for sponsors and applicants’, as set out in Annex 1, provides sufficient guidance to support the amendments made to LR 8.6R?

We generally agree that the Technical Note provides sufficient guidance to support the amendments made to LR 8.6R. We support that the criteria for the approval as sponsor and detailed components of the competence requirements allows sponsors to explain, using free text, how they believe that they are able to meet the requirements. We welcome the understanding by the FCA that the level of detail and evidence relied on is likely to differ from sponsor to sponsor.

We support flexibility in assessing competence and appropriate staffing arrangements, as we are concerned with possible additional burdens and costs for smaller firms that could arise from being required to have effective systems and controls and record keeping in place.

We had noted some concerns regarding the key contact role in our response to CP14/02 and we, therefore, welcome that the criteria has been clarified in the Technical Note. It is also clear that the FCA considers the sponsor regime to be an “expert” one, which helps appropriately set the context for the contents of the rules, guidance and technical notes.

FCA
CP14/21 – Comments on the proposed Technical Notes
10 November 2014
Page 3

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 'TW', is positioned above the typed name.

Tim Ward
Chief Executive

Quoted Companies Alliance Corporate Finance Expert Group

Samantha Harrison (Chairman)	RFC Ambrian Limited
Richard Evans (Deputy Chairman)	Strand Hanson Limited
Frederico Gago	Accola Capital LLP
Nick Naylor	Allenby Capital Ltd
Chris Hardie	Arden Partners PLC
Chris Searle	BDO LLP
Amerjit Kalirai	Cantor Fitzgerald Europe
David Foreman	
Mark Percy	
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
Laurence Sacker	UHY Hacker Young
Maegen Morrison	Hogan Lovells International LLP
Robert Darwin	
James Green	K&L Gates LLP
Richard Crawley	Liberum Capital Ltd
David Bennett	Marriott Harrison
Simon Charles	
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
Daniel Harris	Peel Hunt LLP
Leighton Thomas	PricewaterhouseCoopers LLP
Charles Simpson	Saffery Champness
Azhic Basirov	Smith & Williamson LLP
Mark Brady	SPARK Advisory Partners
Neil Baldwin	
Tim Metcalfe	Zeus Capital Limited