

Secretariat to the Financial Stability Board
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

fsb@fsb.org

9 September 2016

Dear Sirs,

FSB Peer Review on Corporate Governance

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 Governance 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 comment on this peer review and the Financial Stability Board's (FSB) initiative to review how FSB member jurisdictions are applying the G20/OECD Principles of Corporate Governance to publicly listed, regulated financial institutions. We believe that it is important to identify and share effective practices and areas where good progress has been made, while noting gaps and areas of weakness, given the overall importance and cross-sectoral impact of corporate governance practices.

We will be keen to understand the FSB's views as to how the Principles have been applied to publicly listed financial institutions in FSB member jurisdictions, in particular in our own jurisdiction of the UK.

As a general comment regarding the Principles, and from the point of view of our members, small and mid-size quoted companies, we believe that the approach that should be supported is that different codes are developed for companies which present different characteristics, including those which are at different stages of development. We support the flexibility of the OECD Principles, allowing corporate governance to be introduced or developed in a way that is appropriate for the specificities of each country. Indeed, within the context of the UK, we further emphasise that different codes are appropriate for different types of companies as part of the wider economy. We appreciate the particular need for a single clear structure for systemically significant financial institutions.

In particular, we support the inclusion of the “comply or explain” concept into the OECD’s Principles of Corporate Governance. We believe that companies should explain:

1. what their corporate governance arrangements are;
2. why the chosen arrangements are appropriate; and
3. how such arrangements support the long-term sustainable growth of the business.

Furthermore, we believe that persuading companies to embrace the benefits of good governance within a “comply or explain” framework is more effective in influencing the development of a culture of good corporate governance behaviour than regulation.

We believe that all corporate governance codes should be outcome-oriented and that it is not sufficient for a code to be merely principles-based. The principal focus of corporate governance should be creating and preserving value for shareholders and ensuring growth in sustainable long-term shareholder value. Corporate governance codes must emphasise the importance of having clear objectives and the people in place with the right skills and experience to deliver those objectives. This is essential in setting the tone and the culture of the organisation. A focus on specific corporate governance structures and processes is only of secondary importance.

We believe that our own Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies serves as a practical, outcome-oriented approach to corporate governance for those quoted companies in the UK not obliged to apply the FRC’s UK Corporate Governance Code on a mandatory comply or explain basis. We believe that our code provides a useful example for codes being developed for other types of similar organisations in different countries and, indeed, we have discussed this with the OECD previously.

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

Yours faithfully,



Tim Ward
Chief Executive

Quoted Companies Alliance Corporate Governance Expert Group

Edward Craft (Chairman)	Wedlake Bell LLP
Colin Jones (Deputy Chairman)	UHY Hacker Young
Nathan Leclercq	Aviva Investors
Jonathan Compton	BDO LLP
David Isherwood	
Kalina Lazarova	BMO Global Asset Management (EMEA)
Nick Graves	Burges Salmon
David Hicks	Charles Russell Speechlys LLP
Nicholas Stretch	CMS Cameron McKenna LLP
Louis Cooper	Crowe Clark Whitehill LLP
Nick Gibbon	DAC Beachcroft LLP
Tracy Gordon	Deloitte LLP
Melanie Wadsworth	Faegre Baker Daniels LLP
Rob Burdett	FIT Remuneration Consultants
Richie Clark	Fox Williams LLP
Michael Brown	Henderson Global Investors
Will Pomroy	Hermes Investment Management Limited
Alexandra Hockenhull	Hockenhull Investor Relations
Julie Stanbrook	Hogan Lovells International LLP
Bernard Wall	
Darshan Patel	Hybridan LLP
Niall Pearson	
Peter Swabey	ICSA
Jayne Meacham	Jordans Limited
Carmen Stevens	
Darius Lewington	LexisNexis
Jane Mayfield	
Anthony Carey	Mazars LLP
Peter Fitzwilliam	Mission Marketing Group (The) PLC
Cliff Weight	MM & K Limited
Caroline Newsholme	Nabarro LLP
Julie Keefe	Norton Rose Fulbright LLP
Amanda Cantwell	Practical Law Company Limited
Susan Fadil	PricewaterhouseCoopers LLP
Philip Patterson	
Marc Marrero	Stifel
Kevin Kissane	Vernalis PLC
Edward Beale	Western Selection Plc