Financial Services Consumer Panel
AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Our ref:DP08/1

Dear Adetutu

DP 08/1: A review of the Structure of the Listing Regime

This is the Financial Services Consumer Panel's response to DP08/1: A review of the Structure of the Listing Regime. The Panel has responded to the questions posed in the discussion paper from the perspective of retail investors.

Q1: Do you consider that the UK super-equivalent Listing standards should be retained?
The Panel believes that the UK super-equivalent listing standards should be retained. The high standard of investor protection and corporate governance associated by retail investors with companies which obtain a full London listing would not be available if the listing rules were relaxed to the directive minimum level. For example some mining companies incorporated in non-EEA jurisdictions with less well developed corporate laws have chosen to list in London. Investors are reliant on the super-equivalent listing rules for protection. We are concerned that the sheer size of these mining companies means that they are finding their way into retail portfolios through tracker funds.

Q2: Do you consider that the super-equivalent Listing standards should continue to be set by the FSA or should they be determined by the market (exchanges, trade associations or other independent body)?
The Panel believes that the standards should be set by the FSA which has the statutory power to regulate the market and not by an Exchange. An Exchange is a commercial company with its own business agenda and as a result subject to conflicts of interests, perceived or actual. We are particularly concerned at the potential for an Exchange to be overly influenced by issuer led considerations to increase the attractiveness of offerings over protecting shareholders rights. We are also concerned at the possibility of inconsistencies in standards set by different exchanges.

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The Panel believes that the FSA is the only body which would set and/or enforce standards in excess of the directive minimum. We also believe that a 'comply or explain' approach would be ineffective without the force of FSA rules sitting behind them.

Q3: Should we allow equity securities to be admitted to the Official List if they are only to be admitted to trading on a MTF operated by an RIE or an investment firm and not on a Regulated Market of an RIE? If so, on what basis?
The Panel is not is a position to respond to this question.

Q4: Which of the options described above do you consider to be optimal? Please provide the reasons for your chosen option.
We prefer option 1 as it gives greater clarity. Under this option investors could be confident that any company listing in London met the super-equivalent rules.

Q5: What are your views about opening up Secondary Listing for UK incorporated companies?
The Panel is not in favour of opening up Secondary Listing to UK companies.
If the intention is to create a level playing field for UK and non UK companies, we would prefer standards to be levelled up rather than reduced to 'directive minimum'.

As the option of AIM already exists for UK companies, we do not see why another intermediate step is necessary or would be attractive to issuers, other than being cheaper. It is relatively easy for an investor to ascertain whether a company is listed or traded on AIM but not to differentiate between types of listing. We believe that retail investors would assume that all companies with a full London listing met the same standards.

Q6: What are your views on how the provisions we have described above under core requirements should apply to overseas Primary Listed companies?
The Panel would welcome any measures which increased the effectiveness of overseas companies' compliance with the Combined/Takeover Codes.

Q7: Should we require the appointment of a sponsor for a transaction involving the issuance of GDRs? If not, are there any other responses to the significant growth in GDRs that are necessary?
We have no views on this as GDRs are not currently generally available to retail investors.

Q8: Do you have views on the labelling options?
The Panel is concerned that the FSA is trying to place the onus on investors to familiarise themselves with the Listing Regime rather than having clear labelling obvious to all market participants. We would expect some sort of ticker symbol or other flagging method to be used to differentiate the listing tiers. As noted above in our response to Q5, it is not easy for an investor to find out if a company has a primary or secondary listing which is particularly relevant if Option 2 is retained. We are concerned that if investors did establish the listing status, they would assume that a company with a secondary listing in London has a primary listing in its home

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state as used to be the case. Replacing the term secondary listing with Tier 2 directive minimum might help to address this issue.

Yours sincerely,

Adam Phillips
Vice Chairman

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