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Financial Conduct Authority
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By email: cp14-02@fca.org.uk

Dear Sirs,

GC100 response to FCA consultation paper CP14/02

I am writing on behalf of the GC100 in response to the above consultation paper. As you may be aware, GC100 is the association for the general counsel and company secretaries of companies in the FTSE 100. There are currently 128 members of the group, representing more than 82 companies.

Although the consultation covers a number of issues relating to the sponsor regime, we have focused on the aspects which are of most relevance to the GC100 group, being the joint sponsor regime and the consultation question regarding circulars. We anticipate that other market participants may be better placed to comment on how best sponsor approval and ongoing eligibility should be assessed. However, individual members of the GC100 may have views on the questions we do not cover and may contact you separately with those views. Please also note, as a matter of formality, that the views expressed in this response do not necessarily reflect those of all individual members or their employing companies.

1. General

Overall, we would like the sponsor regime to continue to be as flexible as possible. This includes allowing issuers to retain the ability to appoint joint sponsors where they feel it to be appropriate to do so (see below).

The sponsor regime already adds an extra layer of costs for issuers when undertaking transactions (or other matters where the Listing Rules require a sponsor to be mandated). It is not always clear what additional value this compulsory mandate delivers to the issuer above that provided by traditional corporate broking and legal advice. Given the purely regulatory nature of the sponsor's role, from an issuer perspective, it would therefore be highly undesirable for any changes to the sponsor regime to result in any additional costs to companies and, ultimately, their investors.

2. Joint sponsor regime (Chapter 5)

On balance, we are in favour of retaining the joint sponsor regime, for two principal reasons. First, some issuers may find that being able to appoint more than one sponsor helps them to select the appropriate advisory team for a particular transaction, as different sponsors may have complementary skills, for example, providing additional sectoral or geographical knowledge and expertise. From the regulatory perspective, as any sponsor will be equally

responsible and liable under Chapter 8 of the Listing Rules, having more than one sponsor could also be perceived as providing additional scrutiny and oversight to a transaction or process. Of course, we recognise that the converse of this position is that there may be concern among joint sponsors as to whether there is parity of information, given their equal regulatory responsibilities, although we believe that this is manageable and is not a reason for not permitting joint sponsors.

Secondly, many companies retain more than one broker. Due to the associated fees (which are often significant) and the desire for league table credit, incumbent brokers are typically very keen to be mandated as an issuer's sponsor. In order to keep their existing brokers incentivised and for on-going good commercial relations, companies therefore find it helpful to have the flexibility to appoint both or all of their existing brokers as joint sponsors, albeit inevitably one of the banks can effectively end up taking the role of "lead sponsor" and discharging the majority of the work in practice.

Given the influence of league tables noted above, we appreciate that there can be a desire for a sponsor (particularly a larger investment bank) to be the 'lead' sponsor. From the issuer's perspective, so long as the advisory team is cooperating and sharing information then this is not of particular concern but it can lead to the position where one bank is effectively receiving a fee for undertaking a significantly smaller percentage of the day to day work.

If Chapter 9 of the Listing Rules were to be amended to remove the ability for an issuer to appoint more than one sponsor, this may reduce firms' ability to obtain the requisite sponsor experience. This could have the unfortunate consequence of concentrating the market for sponsor services further, potentially resulting in less choice for issuers and driving up costs.

3. **"28 day" circulars (Q. 28)**

We welcome the FCA's proposal to delete the requirement for a premium listed company to publish a "28 day circular" in LR 13.4.3R.

We would be very happy to discuss the above points further with you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Hilary Owens', written in a cursive style.

Hilary Owens
Editor, Practical Law Corporate and GC100 support
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