

Victoria Richardson
Primary Markets Policy
Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

26 April 2012

Dear Ms Richardson,

CP12/2 Amendments to the Listing Rules, Prospectus Rules, Disclosure Rules and Transparency Rules

Thank-you for the opportunity to respond to your consultation. By way of background, Prism Cosec is a company secretarial practice and corporate governance consultancy that seeks to promote integrity and effectiveness within the boardroom. Our principle activity is in assisting companies with quoted securities on the Main Market of the London Stock Exchange and the Alternative Investment Market on company secretarial and governance matters.

We detail our responses to your questions in the attached appendix. Where we have not provided a specific answer, please take it that we have no particular view to express. However, we would like to reinforce below our response to question 1, which we feel merits further attention by the FSA.

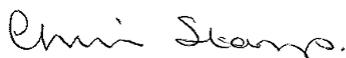
Q.1 What, if any, changes to the Listing Rules do you believe may be necessary to provide additional protection to investors?

Although there have been some high profile instances where issuers with majority shareholders are considered to have behaved in a manner which is prejudicial to the interests of minority shareholders, we are not convinced that the actions set out in paragraph 1.23 of your consultation are particularly elegant. Philosophically if the FSA believe that it is beneficial for issuers to be able to list less than 50% of their issued shares, then it seems rather contradictory to be providing minority rights to protect their interests. In our view the following should be considered by the FSA:

- Require all companies with a free float of less than 50% to have a relationship agreement in place which sets out the basis upon which the issuer and the major shareholder(s) will conduct relations between themselves. Where relationship agreements are put in place, there should be a description in the Corporate Governance Report as to how the relationship works in practice and an explanation of how it balances the interests of the major shareholders with those of the minority shareholders.
- Review the requirements of chapter 11 of the Listing Rules to be better aligned to the requirements of section 175 Companies Act and the accounting requirements of IAS24. A conformed disclosure requirement which embraces each of these obligations would be helpful.

I hope our comments prove helpful.

Yours sincerely,



Chris Stamp FCIS
Managing Director
Prism Cosec

Appendix – Prism Cossec responses

Question	Prism Cossec response
Premium Listing: Wider Issues	
Q1: What, if any, changes to the Listing Rules do you believe may be necessary to provide additional protection to investors?	See introductory comments.
Sponsors	
Q9: Do you support the proposal to amend the Listing Rules (LR8.2.1R(6)) so that for smaller related party transactions a premium listed company is required to appoint a sponsor for the purpose of providing the FSA with confirmation that the terms of the proposed transaction are 'fair and reasonable' as far as shareholders are concerned?	If the purpose of the proposal is to reduce the cost and time taken to obtain a fair and reasonableness opinion by appointing a firm familiar with the issuer for this purpose, then we would support the proposal.
Q10: Do you support the proposal to amend the Listing Rules (LR 8.2.1R(7)) so that for Related Party Circulars a Premium listed company is required to appoint a sponsor for the purpose of providing the FSA with confirmation that the terms of the proposed transaction are 'fair and reasonable' as far as shareholders are concerned?	See answer to Q9.
Q20: Do you support the proposal to amend the Listing Rules (LR 8.3.5BR) to introduce a Principle of Integrity for sponsors?	Yes.
Q21: Do you support the proposal to amend the Listing Rules (LR8.3) to clarify that a sponsor must, as part of its ongoing conflicts checking procedures, take all reasonable steps to identify conflicts that could adversely affect its ability to perform its functions under LR8?	Yes.
Transactions	
Q29: Do you support the proposal to remove reference to 'revenue nature' from LR 10.1.3R (3) and LR 11.1.5R of the Listing Rules?	In our experience the differentiation between capital and revenue has been pretty straightforward. However we do not see any reason to keep the term if it is clearly understood what is meant by "in the ordinary course of business".
Q30: Do you support the proposal to amend the Listing Rules to dispense with the notification requirements for class 3 transactions by deleting LR 10.3 from the Listing rules?	Yes.
Q33: Do you support the proposal to remove the reference to 'revenue nature' from LR 11.1.5R of the Listing Rules?	See answer to Q29.
Q34: Do you support our proposals in relation to directors' indemnities and similar arrangements (LR10 and LR11)?	It seems sensible to align the Listing Rules with sections 204-206 of the Companies Act which do not qualify the exemption for directors' loans where they relate to defence costs.
Q35: Do you agree with the proposed amendments to the Listing Rules (LR12.2, LR12.4 and LR13.7) in relation to the purchase of own equity shares?	Yes.

Question		Prism Cosec response
Q36:	Do you agree with the 0.5% threshold proposal (LR12.6.4R) requiring companies to announce any issue, sale or cancellation of treasury shares under an employee share scheme over 0.5% of a company's issued share capital (excluding treasury shares)?	The 0.5% figure seems a rather arbitrary figure which we think may be too low.
Financial Information		
Q41:	Do you support the proposal to amend the Listing Rules (LR6.1.3R (1)(b)) to limit the date of admission of the securities to listing to a date not more than 3 months after the date of the prospectus?	We consider a three month stipulation to be too short.
Q42:	Do you agree with the proposal to amend the Listing Rules (LR6.1.3R (2)) to remove the reference to auditors and focus on the independence of the person providing the opinion?	Technically this seems sensible however whenever auditors provide services as the Reporting Accountant on a transaction it is regarded by some shareholders as compromising independence. There is a case for using auditors to undertake Reporting Accountant activities on the basis of cost efficiency and the change to the wording of the Listing Rules should not imply that such synergies are discouraged.

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