

By e-mail: cp09_04@fsa.gov.uk

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Dear Mr Rees,

**Consultation Paper 09/4
Rights Issue Subscription Periods**

The United Kingdom Shareholders Association welcomes the Rights Issue Review Group Report, because it will help corporate fund raising in a difficult financial environment. We note the desire of the authors to protect the pre-emption rights of existing investors, but we do have reservations about the way in which fund raising is currently being undertaken in the market. We are concerned that the rights issue approach is being supplanted by the placings method on grounds of cost, often to the detriment of existing smaller shareholders, who suffer the loss of pre-emption rights. This applies with particular force to smaller listed companies; we intend to raise this matter when the FSA consults on the second of the Review Group's recommendations.

In Annex 1 of CP09/4 you ask for feedback concerning the disadvantages of a shorter rights issue acceptance period. In the case of private shareholders with directly registered stock or shareholders with non discretionary investment management agreements, there could be problems, if the decision taker is not immediately contactable; many holidays last longer than ten business days and not all private shareholders are web enabled or have access to broadband internet services. There is a concern amongst our members that capital market solutions should meet the requirements of both institutional and private investors, and not be tailored merely to the needs of the former.

It follows that we can give only a qualified welcome to the proposed shorter period. Nevertheless we accept that the inconvenience to private shareholders is outweighed by the benefits accruing to companies and shareholders in general from a shorter acceptance period. We also agree with the FSA on the reasons for preferring a period of 10 business days to 14 days.

Accordingly our answers to the two questions in the CP are:

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Q1 Do you agree that rule 9.5.6 of the Listing Rules should be amended to allow rights issue acceptance of at least 14 calendar days?

No. See below

Q2 Do you agree that rule 9.5.6 of the Listing Rules should be amended to allow rights issue acceptance of at least 10 business days?

Yes. We agree that the rights issue process has to be shortened and that there are advantages to 10 business days over 14 calendar days.

Yours sincerely

Roy B. Colbran
Chairman UKSA Government Policy Group

About the UK Shareholders Association (UKSA)

UKSA is the leading independent organisation which represents the interests of private shareholders in the United Kingdom. We campaign to protect the rights of shareholders in public companies, and to promote improved standards of corporate governance. Our educational activities, regular regional meetings, company "analyst" meetings and the resources of our web site, help to inform the public on investment management. UKSA is a "not for profit" organisation reliant for finance on its individual members.