

Press Release

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FSA's Proposals on Listing Rules Could Expose Private Investors to Unacceptable Risk

The UK Shareholders Association (UKSA) believes that the FSA's latest proposals on the Listing Rules for investment companies could expose private investors to dangers that had only recently been stamped out.

The Financial Services Authority (FSA) is conducting a consultation exercise on its latest redrafting of the UK Listing Rules. This process has been going on for about a year and is generally welcomed by UKSA but a seemingly minor amendment, which was introduced only recently, we find very troubling.

Many investors will shudder at the memory of the collapse of many "split capital" investment trusts a few years ago and the damage that did to investor confidence in the investment trust sector. But the investment trust industry has cleaned up its act, spurred on by 120 pages of regulation that controls such details as what an investment company can invest in, what it discloses to its shareholders and the degree to which investment companies can buy shares in each other (it was the cross holdings in many split capital companies that accelerated their demise). In one sweep the FSA is proposing to negate all of this by allowing investment companies domiciled outside the UK to list in London without being subject to this regulation.

Unsurprisingly UK investment companies are crying foul; why should they have to compete on an uneven playing field? However our concern is for the unsuspecting British investor who will buy these funds unaware of the potential pitfalls, lack of accountability and transparency that may go hand-in-hand with these companies, which will only be subject to basic EU regulation.

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The FSA was created to protect investors; this proposed change to the Listing Rules exposes UK shareholders to greater danger and the FSA should retract its proposal.

More Information

UKSA has made a submission to the FSA's consultation paper CP 06/21 on the Listing Rules (see www.fsa.gov.uk/pages/Library/Policy/CP/2006/06_21.shtml for a copy of CP 06/21). We have opposed the suggestion that overseas investment entities be allowed to continue to list under Chapter 14. Our submission is present on the UKSA web site at: www.uksa.org.uk/Listing_Rules_CP06_21.pdf .

Note that UKSA strongly supports the stance of the Association of Investment Companies (AIC) on this issue and more information on this subject is present on their web site at: www.theaic.co.uk .

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 which is financially supported primarily by its individual members.

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