

Policy & Planning Officer
Financial Reporting Council

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Dear Sir or Madam,

Draft Plan for 2016/17 : Proposed projects and activities

The UK Shareholders' Association (UKSA) continues to support the work of the FRC to improve corporate reporting and governance. We are glad to work with the Financial Reporting Lab as much as we are able to with resources that are necessarily limited by being provided on an unfunded, voluntary basis. We regularly bring the work of the FRC to the notice of our members.

In responding to question 3 of the draft plan, we find it necessary once again to draw attention to the absence of *any* plan to improve the ability of private investors to engage with companies in which they are invested. Individually, they may be considered of no consequence, but collectively they represent a not insignificant element of listed shares and one that may indeed be growing. More importantly, these are almost the only UK based investors whose own money is invested in company shares, which gives them a much more direct interest in their investments than those who simply manage other people's money.

UKSA has put forward several ideas in recent years which we consider to be worthy of FRC attention, but none has yet to feature in its plans. We cannot but be concerned about this and will continue to press for a more positive response. Some of these ideas concern the position of direct investors – ie real shareholders. Others concern those who are currently disenfranchised because the shares purchased with their money are held by nominees. Nominees' regard for the interests of their clients in corporate reporting and governance is variable to say the least; even the supposedly fair-minded Takeover Panel doesn't require them to be given relevant information when their shares are the subject of takeovers by schemes of arrangement.

It was distressing to learn, towards the end of 2015, that despite formally drawing attention a year ago to the apparently unknown fact that the Shareholders Rights Directive, as drafted, would not touch investors in pooled nominee accounts (now believed to be more than half of private investors) and requesting FRC attention to this, the FRC did not take up this point during its work on the SRD. In fact, there was no response on this point at all.

UKSA does not wish to deter the FRC from pursuing better 'stewardship' by institutional investors, but we continue to be highly sceptical that the FRC's objectives will ever be sufficiently achieved by this route alone.

The FRC *should* be concerned by the disenfranchisement of private investors in pooled nominee accounts and *should* use its influence, within government and wider, in order to end this. It might, for example, investigate why the Final Report of the Emerging Markets Committee of the International Organization Of Securities Commissions (IOSCO, a body to which the UK subscribes), into *Regulation of Nominee Accounts in Emerging Markets* (IOSCOPD362), which demands full shareholder rights for pooled nominee account investors in emerging markets, is completely disregarded for nominee accounts users in the fully developed market of the United Kingdom.

In the absence of some clear reference to these matters in the FRC's plan for 2016/17, we cannot give it our full support. We want to see something better.

Yours faithfully,

Eric Chalker

Policy Director