QUOTED COMPANIES ALLIANCE

Quoted Companies Alliance

6 Kinghorn Street
London EC1A 7HW

T +44 (0)20 7600 3745
mail@theqca.com

www.theqca.com

CP24-2 Part 2
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Monday 17 February 2025

Dear FCA colleagues,

<u>CP24/2, Part 2: Greater transparency of our enforcement investigations</u>

We welcome the opportunity to respond to your consultation on CP24/2, Part 2: Greater transparency of our enforcement investigations.

The Quoted Companies Alliance *Primary Markets and Secondary Markets Expert Groups* have examined the proposals and advised on this response from the viewpoint of small and mid-sized quoted companies. A list of Expert Group members can be found in Appendix A.

In our response, we provide general comments on the consultation paper, instead of answering each question.

We do not consider the FCA's revised proposals to be adequate. In our view, it is still unclear as to why the departure from an 'exceptional circumstances' framework to a 'public interest test' is necessary and the case studies provided do not offer clarity on this matter.

As currently formulated, these proposals are at odds with the FCA's secondary competitiveness and growth objective. While this consultation paper makes reference to the secondary objective, it does not include any detailed information on how these changes will interact with it. Given the potentially harmful impact these proposals could have on the UK financial sector's international competitiveness, we consider this to be a significant oversight.

While the increase in notice period to 10 business days for firms to make representations is an improvement on the FCA's original proposal of 24 hours, we believe that the changes will still have detrimental consequences for firms, particularly smaller quoted companies. For example, paragraph 6.1-6.12 of this consultation paper highlights that the FCA will take into account whether publicly disclosing an enforcement investigation will negatively impact a firm's share price, this measure is too narrow for gauging the potential impact on listed/quoted companies. This is likely to be even more damaging for smaller entities who do not have the resources to absorb such an event, and whose reputation could be damaged permanently as a result of the investigation. We raised this point in our response to the FCA's consultation in April 2024, and do not feel it has been adequately addressed in the reformed proposals contained in this consultation paper.

Overall, we concur with the House of Lords Financial Services Regulation Committee conclusion that:

> The revised proposals, however, do not resolve the fundamental issue that by broadening the justification for proactively announcing investigations, it could increase the risk that investigations could be announced, reputational damage to firms could occur, media speculation could arise, but no regulatory action is ultimately taken. We remain unconvinced that the proposed public interest framework will allow for proportionate and consistent decision making over whether to announce an enforcement investigation early.[1]

We recommend that the FCA reconsiders moving away from an 'exceptional circumstances' approach for publicising enforcement and engages with all relevant stakeholders on the issues raised by these proposals.

If you would like to discuss our response in more detail, please do not hesitate to contact us.

Yours sincerely,

James Ashton.

James Ashton
Chief Executive

[1] House of Lords Financial Services Regulation Committee. *Naming and Shaming: How not to regulate.* (2025). p.37

Appendix A

The Quoted Companies Alliance *Primary Markets Expert Group*

Samantha Harrison (Chair)	**Grant Thornton UK LLP**
Colin Aaronson	Grant Thornton UK LLP
Mark Brady	Spark Advisory Partners Limited
Giles Balleny	Cavendish
Andrew Buchanan	Peel Hunt LLP
David Coffman	Novum Securities Limited
Dru Danford	Panmure Liberum Limited
David Foreman	Zeus Capital
Bobbie Hilliam	Canaccord Genuity
Nick McCarthy	Shoosmiths LLP
Katy Mitchell	Zeus Capital
Nick Naylor	Allenby Capital
Jeremy Osler	Cavendish
Niall Pearson	Hybridan LLP
Mark Percy	Shore Capital Group Ltd
Oliver Pilkington	Shoosmiths LLP
George Sellar	Peel Hunt LLP
James Spinney	Strand Hanson
Fred Walsh	Stifel

The Quoted Companies Alliance *Secondary Markets Expert Group*

Amber Wood (Chair)	**Panmure Liberum**
Jasper Berry	Cavendish
Andrew Collins	Charles Russell Speechlys LLP
Richard Crowley	KPMG LLP
Fraser Elms	Herald Investment Management Ltd
Richard Fenner	Euroclear UK & International
William Garner	Charles Russell Speechlys LLP
Jon Gerty	Peel Hunt LLP
Alex Giacopazzi	Winterflood Securities Ltd
Mitchell Gibb	Stifel
Keith Hiscock	Hardman & Co
Niall Pearson	Hybridan LLP
Jeremy Phillips	CMS Cameron McKenna Nabarro Olswang LLP
Katie Potts	Herald Investment Management Ltd
Chris Robinson	Panmure Liberum

Stephen Streater	Blackbird Plc
Peter Swabey	C/o The Chartered Governance Institute