

FSA Update

6 June 2011

At the FSA last week:

- **Censure for failings as a sponsor**

The FSA has censured BDO LLP (BDO) for failings while acting as a sponsor during Shore Capital Group PLC's takeover of Puma Brandenburg Limited. This is the first public censure of a sponsor, by the FSA, in relation to the Listing Rules. The FSA found that in May 2009 BDO was approached by Shore Capital to provide advice as a sponsor on its proposed merger with Puma. BDO was made aware that the transaction might constitute a reverse takeover due to the significant size of the target company. Shore Capital's shares were listed on the Official List and traded on the London Stock Exchange. The Listing Rules state that a suspension of the listed company's shares will often be appropriate upon the announcement of a reverse takeover, unless the UK Listing Authority (UKLA) is satisfied that there is sufficient information already in the market about the proposed transaction. These requirements are in place to ensure the smooth operation of the market and in the interests of investor protection and market confidence. The UKLA relies on sponsors to ensure that issuers meet their obligations under the Listing Rules and it is therefore crucial that sponsors deal with the FSA in an open and co-operative manner, and perform sponsor services with due care and skill. The FSA found that, despite these requirements, BDO failed to liaise with the UKLA in advance of the announcement of the transaction to ascertain whether Shore Capital's shares should be suspended. Instead BDO: (1) agreed with Shore Capital from the outset that it would delay contacting the UKLA until after the announcement; and (2) attempted to avoid classifying the transaction as a reverse, despite recognising at the time that this strategy was highly unlikely to succeed. The FSA concluded that BDO's conduct did not satisfy the requirements for a sponsor under the Listing Rules.

<http://www.fsa.gov.uk/pubs/final/bdo.pdf>

- **Handbook Notice 110 issued**

The FSA has issued Handbook Notice 110, which introduces the Handbook and other material made by the Board under its legislative powers on 26 May 2011. It also contains information about other publications relating to the Handbook and, if appropriate, lists minor corrections made to previous instruments made by the Board. The FSA Board made changes to the Handbook in six instruments which, amongst other things:

- set the fees and levies for the FSA, Money Advice Service and the Financial Ombudsman Service for 2011/12 (FSA 2011/28 and FSA 2011/29);
- remove the requirement to include a statement about stakeholder pensions in the key features document for an automatic enrolment scheme and to permit providers to opt-out of the process under the legislation for those schemes (FSA 2011/30);

Key Issues

Censure for failings as a sponsor

Handbook Notice 110 issued

Retail Distribution Review newsletter published

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- enact measures to implement the Client and Money Asset Return (CMAR) through the existing GABRIEL system and defer the CMAR reporting requirements by four months (FSA 2011/31);
- make minor amendments to the Listing Rules to update references to external guidance, correct previous drafting errors and clarify relevant provisions (FSA 2011/32); and
- substantially amend the obligation on firms to provide customers with information, free of charge, regarding internal complaints procedures and either provide adequate mechanisms of redress or facilitate the process for customers seeking redress (FSA 2011/33).

http://www.fsa.gov.uk/pubs/handbook/hb_notice110.pdf

- **Retail Distribution Review newsletter published**

The FSA has published issue 2 of its Retail Distribution Review (RDR) newsletter, which contains information about:

- Reporting requirements – proposed changes to the Retail Mediation Activities Return and complaints;
- "Myth busting" in respect of the RDR; and
- A timetable for the RDR.
<http://www.fsa.gov.uk/pubs/newsletters/rdr2.pdf>

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