Treasury's

September 2021
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UK Prospectus Regime Review : response to HMT CP

This note, which parallels our brief response to the Treasury's wholesale markets review, provides our high-level response to the Treasury's consultation document (CP) in the few areas that relate to our members.

General

The BSA **supports the broad objectives** outlined in the Economic Secretary's foreword and chapter 2 of the CP, and we applaud the preparatory work undertaken by Lord Hill. We have an interest in making capital issues work better, and to reduce the incentives against wider issuance and consequently towards private placement with a privileged circle of expert investors. This is of relevance to us since two member societies have recently completed issues of Core Capital Deferred Shares (CCDS) – a risk-bearing mutual capital security – and others may wish to do so in the near future.

We support the simple but effective statement of purpose at paragraph 3.7 of the CP:

A document of record, available to the public free of charge, that provides potential investors with the information they need and that they can rely on to make an investment decision in a security.

Mutual and cooperative enterprise

Our main concern is that in the development of these proposals, share issues by mutual or cooperative enterprises should benefit from the same facilitation as share issues by proprietary companies. And they should be subject to the same proportionate safeguards for investor protection - but not treated as an unfamiliar or riskier instrument *sui generis*. Mutual and cooperative enterprise is entitled to **parity of esteem** and consideration in the formulation of these policies, not to appear merely as an afterthought, or be neglected altogether through oversight. We would be happy to work further with the Treasury on this matter.

Junior markets

We note the comments in paragraphs 6.4 of the CP onwards regarding issues on junior markets including MTFs, and we agree that smaller issues should be facilitated. The value of likely CCDS issues by medium or smaller building societies probably falls within the range £5 million to £ 15 million, so any improvements here could be of direct benefit. We do not argue for any special treatment, merely the benefit of the same facilitation to mutual and cooperative issues, including for any SME trading venue type as floated in the Wholesale Markets Review.

Scope and practicalities

We also support the proposal at **Q13** –to exempt from the public offer rules offers directed at existing holders of a company's (or mutual's) securities.

Regarding crowdfunding, we have (in responses to the FCA) previously commented on regulatory inconsistencies, and we noted at the time that FCA's original approach in 2013/14 treated sound capital issues by mutuals as *ipso facto* riskier to consumers than fashionable equity crowdfunding by start-ups. So we think it is important for policy makers to consider the substance of the crowdfunding activity and not be seduced by its superficial trendiness.

We agree that all thresholds should of course be translated into sterling but with a suitable uplift.

We support in broad terms the more detailed and technical points made in their response by Allia C&C (who arranged the most recent issue of building society CCDS in 2020).

Finally, we generally support all sensible delegation of rule-making to the FCA rather than attempting under the EU model to set out too much in inflexible primary legislation. The BSA has strongly supported this principle – of post-Brexit reversion to the established FSMA model – since 2016.

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