

Ashley Alder
Chair
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Via email: ashley.alder@fca.org.uk
Cc: *Clerks of the Treasury Committee and Business
and Trade Committee*

Date: 21 June 2024

Dear Mr Alder,

Re: Our concerns regarding CP23/31 listing rules proposals

We, the undersigned, are responsible for investing billions of pounds of assets on behalf of millions of UK pension scheme members. We take our duty to invest in members' best interests extremely seriously and our interests are closely aligned with their needs.

We understand the FCA Board will shortly be deciding the revised UK listings rules. We are therefore writing in support of the letter the International Corporate Governance Network (ICGN) and other associations sent you last week and to express our own concerns that neither the evidence base, nor the views of investors – a necessary ingredient for thriving capital markets – nor the impact on savers have been taken into account in the latest CP23/31 proposals¹.

As UK asset owners, we naturally want to see the UK continue to thrive as a global financial centre. However, we do not think the CP23/31 proposals will lead to the healthy capital markets we all want. Instead, we think they will make the UK less appealing as a destination for capital, exacerbating the current issues by making UK-listed companies less attractive to the kinds of high-quality, long-term investors that both our pre- and post-IPO companies tell us they are looking for. In turn, this could raise the cost of capital for UK-listed companies as investors require a higher return for the increased risk.

We believe that the evidence base – particularly on the kinds of long-term dual-class share structures that CP23/31 would enable – is clear that diluting shareholder rights in this way can be detrimental to firm value even in the near-term². This will in turn lead to worse outcomes for our members.

In light of these potential risks to saver outcomes from proceeding with CP23/31 as currently articulated, and in recognition of the FCA's ultimate accountability to Parliament, we are additionally surprised by media reports that a final decision on these proposals may be announced only a few weeks after the July 4th general election³ given there may be a change in government and the composition of Parliament.

¹ We also note the ICGN's February 2024 [Statement of Corporate Governance](#), which demonstrates the breadth of global investor concern about the proposals.

² A summary of a broad range of academic evidence can be found in [Undermining the Shareholder Voice: The risk and risks of unequal voting rights](#) published by the [Investor Coalition for Equal Votes](#) (ICEV) (November 2023). The academic evidence suggests that dual-class share structures should only be allowed with a mandatory time-based sunset clause of around seven years or less after listing.

³ [UK poised to approve biggest overhaul of listing regime in 40 years \(ft.com\)](#) – accessed 12th June 2024.

Healthy capital markets need to be attractive both to companies and to investors. We therefore strongly encourage the FCA Board to listen to the investor community, take its time – given its Parliamentary accountability – to understand the post-election backdrop and Parliament, and retain the critical shareholder rights that have helped the UK build a reputation as the world’s ‘quality’ market and provided it with one of its few key differentiators.

We would welcome the opportunity to discuss these issues further.

Yours sincerely,

Caroline Escott

Chair, Asset Owner Council UK Corporate Governance Group
Acting Head of Sustainable Ownership, Railpen

Robert Branagh

Chief Executive, London Pensions Fund Authority

Adam Matthews

Chief Responsible Investment Officer, Church of England Pensions Board

Dan Mikulskis

Chief Investment Officer, People’s Partnership

David Murphy

Chief Executive, Northern Ireland Local Government Officers’ Superannuation Committee (NILGOSC)

Cllr Andrew Thornton

Chair, West Yorkshire Pension Fund

Faith Ward

Chief Responsible Investment Officer, Brunel Pension Partnership