



CarolAnne Macdonald
Policy, Risk and Research Division
Financial Services Authority
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Canary Wharf
London E14 5HS

19th April 2013

Dear CarolAnne

Re: Discussion paper DP13/1 on transparency

I have pleasure in enclosing The Investor Relations Society's contribution to the above discussion paper.

The Investor Relations Society's mission is to promote best practice in investor relations; to support the professional development of its members; to represent their views to regulatory bodies, the investment community and government; and to act as a forum for issuers and the investment community. The Investor Relations Society represents members working for public companies and consultancies to assist them in the development of effective two way communication with the markets and to create a level playing field for all investors. It has over 650 members drawn both from the UK and overseas, including the majority of the FTSE 100 and much of the FTSE 250.

Thank you for giving us the opportunity to participate in this discussion on transparency. Transparency is at the heart of best practice investor relations. The Society wholeheartedly supports the current disclosure and transparency regime and is a rigorous upholder of the principles of universal, proactive and prompt dissemination of information to shareholders. We believe that a company's Board should provide the lead in engendering a culture of transparency within the organisation with the IR team supporting this in acting as a conduit and not as a gatekeeper.

In our contribution we respond to the red box-outs to varying degrees depending on which areas we consider to be of greater importance for our members. You will find our thoughts on the following pages.

Kind regards

A handwritten signature in black ink, appearing to read 'E Burdett', with a horizontal line underneath.

Emma Burdett

Chair of The Investor Relations Society's Policy Committee

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Whistleblowing, enforcement, supervisory committees

Potential whistle blowers are more likely to act if they have faith in the system. Anything that can serve to promote this is therefore in the interests of transparency and financial markets as a whole. We think regulators' demonstrating what constructive action they have taken in previous cases goes a long way to doing this. Details on enforcement activities are part of this process.

It is important that names or detailed descriptions of individuals or companies accused of misconduct should be treated with care by the FCA following whistle blowing activities. As with other aspects of regulation, a prescriptive approach is less than ideal and each whistle blowing case should be treated on a specific basis.

Information on what is – and what is not – possible, explained clearly both following particular cases, but also generally as a matter of policy would, in our view, be advantageous.

We believe that shareholders have the right to trade their shares with the knowledge that the markets are operating efficiently and that the price they pay or receive for their shares will not have been distorted by the actions of third parties. We have therefore strongly supported the robust enforcement stance taken by the FSA to prosecute market abusers in recent years such as insider traders. We noted the proactive and public stance taken by director of enforcement Tracey McDermott (for example prosecutions brought by the FSA on Richard Joseph and Christian and Angie Littlewood) and consider statements such as this: "Insider dealers are motivated by greed and a belief that they can make easy money at the expense of others...sentences imposed should make it clear that insider dealing does not pay", to be both accurate and helpful in combating market abuse. We are pleased to see that Ms McDermott will be continuing in her enforcement role at the FCA in addition to sitting on the Board.

More reports on supervisory activities and outcomes would certainly be helpful, particularly on the delineation of the two new regulatory bodies. Further explanation to companies on the FCA's dual role as the UKLA and the level to which its remit has altered in the migration from FSA is welcome as well as consistent detail on what the FCA scrutinises and the processes followed. We also think the FCA handbooks could be more easily searchable and user-friendly.

Authorising firms, contextualisation

We think point 4.10 which references plans to publish in an anonymous, aggregated form the average length of time it takes to authorise firms and the broad reasons why firms both withdraw from an authorisation and why their applications are refused is a positive move and will assist other firms in the future as well as giving a useful overview to current market participants. We also think that contextualisation of complaints data is sensible as this would help link transparency to wider discussions and demonstrate the importance of corporate transparency to all stakeholders. As previously stated we consider that the culture of the company starts with the Board and we support it where regulators can demonstrate the tangible advantages to companies of transparency of process – as well as to investors and consumers.

Summary

As supporters of transparency and best practice corporate governance we are pleased to see the FCA begin its tenure with this discussion paper. Looking ahead, we are expecting to see a continuation of the tougher stance taken on market abuse by the FSA in recent years. Our members require the confidence of knowing that capital markets operate fairly and in good conduct in order for them to present a true and fair portrayal of their company's performance and strategy to investors, and we consider that the steps proposed in this paper will assist in ensuring that this is the case.