

# LIBA

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21 January 2009

Dear Jonathan

**Re: FSA Consultation Paper – CP 09/4: Rights Issue Subscription Periods**

This is a response on behalf of the London Investment Banking Association (LIBA) and the Securities Industry and Financial Markets Association (SIFMA) to the referred consultation paper. **LIBA** is the principal trade association in the United Kingdom for firms which are active in the investment banking and securities industry. The Association represents its members on both domestic and international aspects of this business, and promotes their views to the authorities in the United Kingdom, the European Union, and elsewhere. More information about LIBA is available at [www.liba.org.uk](http://www.liba.org.uk). **SIFMA** brings together the shared interests of more than 650 securities firms, banks, investors, and asset managers. SIFMA's mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services, and create efficiencies for member firms, while preserving and enhancing the public's trust and confidence in the markets and the industry. SIFMA works to represent its members' interests locally and globally. It has offices in London, New York, Washington DC, and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong. More information about SIFMA is available at [www.sifma.org](http://www.sifma.org).

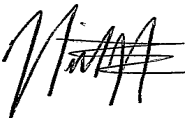
Our members appreciate the opportunity to comment on the FSA proposal that the current 21-day rights issue acceptance period be reduced to either 14 calendar or 10 business days. Of the two proposed alternatives for a reduction in the current 21 day minimum rights issue period, our members favour the 14 calendar day alternative. Our members believe two weeks allows sufficient time for shareholders, issuers, brokers and advisors to consider and deal effectively with a rights offer. A longer period of rights trading may affect the capital raising itself, either positively or negatively. In a turbulent market, the potential exists that heavy short trading of rights could thwart a capital raising. Holding the right itself could act as a stop-loss in the hands of a short seller, thereby encouraging short trading which can result in serious price declines. By reducing the time window for such trading, the risk of such an adverse outcome will be reduced. A shorter period of market risk should result in better outcomes for issuers by reducing the perceived taint associated with a transaction that might otherwise end up with the underwriters holding a stick and by increasing market confidence that the capital raising will be successful.

We also note our agreement with the FSA suggestion that issuers will want to be able to deliver prospectuses to shareholders on-line and will support such handling of rights prospectuses and circulars by issuers.

Our members look forward to consulting with the FSA in the coming months on other recommendations in the Rights Issues Review Group ('RIRG') report. Our members support the pre-emption rights of shareholders and the role of shareholder approval of new issues over authorised limits. Our members are also acutely sensitive to the risks posed by the rights trading period during a capital raising, especially one which takes place during turbulent economic times. We believe the work of the RIRG has already made a significant contribution to the debate about how to strike an appropriate balance and we welcome further dialogue with the FSA as the process continues.

Thank you for this opportunity to respond to CP 09/4.

Yours very truly



**W J Ferrari**  
**LIBA**



**L Charlton**  
**SIFMA**