

Email

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Proposed Revisions to the UK Corporate Governance Code

I write as a retail investor in a number of listed companies, mostly listed on AIM. I ask you to consider the following comments about the proposed revisions to the Corporate Governance Code.

1. AIM

In my experience, corporate governance within AIM-listed companies is extremely poor – not least because the supposed "compliance officer" is the Nomad who all too frequently has an incentive, in fees and commission, to turn a blind eye not only to this Code but also to the guidelines published by The Quoted Companies Alliance. AIM retail investors, many of whom are inexperienced, are too often treated dismissively and fed misleading information which only benefits insiders. I therefore urge you to extend this Code - or a version of it - to AIM and to make it compulsory.

2. DIRECTORS' QUALIFICATIONS AND EXPERIENCE

On any market, it should not be permissible to appoint a senior company executive such as a CEO or Financial Director who has no previous experience as a director of listing compliance.

3. FOREIGN COMPANIES' DIRECTORS

The Board of all foreign companies listing in the UK should include at least one director who has knowledge and prior experience as a director of the UK listing and compliance regulations.

4. DIRECTORS' SHAREHOLDINGS

On any market, directors who buy or sell (or pledge as security) shares in their company must announce it to the market immediately. For example, it should not be possible for any director to sell shares and buy them back in a subsequent transaction without notifying the market of both the sale and the buy-back.

5. INVESTMENTS IN OVERSEAS PRIVATE COMPANIES

Listed companies often invest in foreign private companies which may be subject to little or no disclosure – with annual financial filings being poorly regulated, often years late, lacking in detail – and frequently difficult to track down. Shareholders in the listed company must be given access to the financial performance of offshore private companies which they are invested in.

6. SOCIAL MEDIA RESTRICTIONS

While, arguably, social media can play a role in shareholder communications, it is too often abused and used by (mostly) small cap directors to over-promote their shares to retail investors without sufficient oversight. On balance, social media communications with shareholders does more harm than good and should be prohibited.

7. REGULATOR TRANSPARENCY

There is much frustration among the retail investing community with the lack of transparency from regulators. All reprimands and penalties imposed upon directors who break the Governance Code should be made public to serve as a deterrent to others. Furthermore, regulators (including Nomads) should be required to report back to informants/whistleblowers what action they have taken as a result of an informant's tip-off – or, why no action was warranted.

Best regards,

Simon Chapman