

Acquisition of UK Investment Management Businesses

Controllers regime

HM Treasury Consultation

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London

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Section 178 et seq FSMA

FSA approval to changes of control
including additional levels of control

fit and proper test

Up to 3 month process

10%, 20%, 33%, 50% control thresholds

HM Treasury consultation paper Reducing
reporting requirements March 2006

Deadline for responses was 14 June 2006

Many of the requirements stem from EC
Directives:

ISD

MiFID

UCITS

Banking Consolidation

Simplified regime for insurance intermediaries: single 20% threshold

Industry concerns

Super-equivalence

Disproportionate

Benefits not clearly made out

Costs on regulated and unregulated communities

Not conducive to takeover activity

Industry concerns

Depositories/custodians/nominees might not know if they have a controlling holding

Data feeds make it difficult for fund managers to determine the extent to which firms they invest in are controllers of FSA firms

Parents are required to aggregate interests of subsidiaries

Where company s constitution includes pre-emption rights on transfer every shareholder is treated as a controller

Proposed solutions

Simplified regime eg 20% only for sectors not covered by EC Directives eg some investment advisers who do not hold client money

Or no regime at all?

Proposed solutions

EC Directives do not explicitly require FSA pre-approval

Require pre-notification and FSA ability to prevent control being exercised

Proposal to scrap pre-approval at 10% and 20% thresholds

Proposed solutions

Exclude people with significant influence over parent firm

Remove pre-approval for existing controller moving up through 33% and 50%

New exemption for custodians proposed