

Informal Capital-Raising Consultation Responses
Enterprise Team (4/N2)
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

16 April 2004

Dear Sir/Madam

Informal Capital-Raising Consultation Responses – Call for Submissions

Overall

- We welcome this review, as clarification of the investor certification process is much needed.
- We would like to congratulate the authors of the *Informal Capital Raising* report (January 2004). From our perspective, it has been well researched and is clearly presented, identifying the key issues facing practitioners in this area.

Summary

- In summary, we prefer the proposals made in **Model 2**.
- Primarily, we at Envestors are dealing with HNWI and see them, rather than sophisticated investors, as the primary source of private investment in the future. For this reason, we see the self-certification of HNWIs as paramount, as this will help us significantly in widening our investor base.
- Currently, we have approximately 60 completed Investor Registration Forms (see attached) and only 3 have ticked the Certified Investor box ("1 Certification").

Responses to questions

Q1: No

Q2: Concur with feedback made in paragraphs 3.7 and 3.8 in the report.

Q3: Yes

Q4a: Yes

Q4b: No response

Q4c: No firm view either way

Q5: The level of £250k is fine, especially as it excludes equity in primary residence.

Q6: Yes, although our views on this are not particularly strong as we are primarily dealing with HNWI.

Q7: Yes, they are adequate. Again, our views on certification of sophisticated investors are not particularly strong.

Q8: No.

Q9: Model 2.

Q10: No response

Q11: None in particular

Q12: Lead investor providing 'investment advice' to others in the syndicate, although this issue is surmountable.

Q13: No response

Q14: Yes, because the returns are low, which lead to low quality levels of service from practitioners helping companies raise finance. The only way we can operate at Investors is by using pockets of funding e.g. BL4London's "Access to Finance" programme, to subsidise our investment readiness services.

About us

- *Investors Private Investor Network Ltd*, is a London-based business angels network with 40 investor members. Deals tend to be £50k to £500k. It is a not-for-profit company limited by guarantee. *Investors Advisory Services LLP* provides investment readiness services to help businesses raise finance of up to £1m. There are three partners.

Quote from Investors Press Release, March 2004:

"We welcome the Government's review of the FSMA regulations. Although investor certification is, in principle, a useful means of protecting individuals from being marketed investments which are unsuitable for them, the rules as they currently stand are having an adverse impact on the market. They are burdensome, difficult to interpret and simply ignored by many practitioners who operate business angel networks. What would help is a process of 'self-certification', whereby investors would themselves certify that they were qualified to invest, as either a 'high net worth individual' or a 'sophisticated investor'."

We look forward to hearing of the findings from this report.

Yours faithfully,

Oliver Woolley MBA
Partner
Investors Advisory Services LLP

