

RESPONSE FROM NORMAN PRICE

Informal capital raising

1. Very few investors are certificated. I have tried to achieve it and found my accountants reluctant to do so. This is not surprising, as they almost certainly do not know of my liabilities even if they know about my assets. They certainly cannot be sure they know.
 2. This automatically provides a barrier. One of the objectives of the legislation was to enable intermediaries to feel free to introduce without carrying responsibility themselves. The inability to be certified means this has not been achieved; Conversations with my own independent financial adviser confirm that he is still almost completely reluctant to pass requests.
 3. Yes
 - 4 a. Certainly. They are really the only ones that know and the only ones affected.
 - 4b. I think not. There are people who invest regularly in such as investment clubs who may not be wealthy. Indeed recent research done for the Small Business Exchange identifies large share activity in relatively low earners of young age.
 - 4c. Need 2 exemptions. Either or.
 5. £250k seems about right. It should not be any higher. Self-certification should not change the level as actually the rule has not changed just who is applying it. If people are going to be flippant with £250k, which they should not, the same will apply with £500k. I would stick at £250k.
 6. Yes.
 7. No I think the emphasis on frequency and recentness is too strong, There may well be people who are extremely sophisticated who have been dormant for a period for market or personal reasons. 40 transactions per year is very high for a £100k portfolio. And indeed may not represent sophistication anyway. I think I would suggest an absolute number of 40/50 transactions over any period. I think there is also an argument to suggest that an unlisted activity should count as 10 listed investments, as they require much more sophistication.
 8. We could go half way and provide a suggestion list by way of example and then leave it to the individual
 9. I go for 3 but add exemplar list as above
 10. yes
 11. A paper was done for Advantage Business Angels and Investors Champions, which demonstrated any number of constraints where there was uncertainty to the powers. I am afraid cannot recollect the detail but they certainly needed addressing and ABA could be consulted.
 12. The pooled EIS requirement to invest in 6 months is a definite hindrance to pooled and syndicated funding. This should be extended to at least 18 months.
 13. There are certainly gaps on the supply of second round funding as West Midlands research has demonstrated. Whether this is due to regulation or other issues I am not sure.
- One example is the need for VCTs to be quoted vehicle, which is a real constraint on minimum size. I know Lucius sees this as a problem.
- I think that intermediation is still weak because of the fear of suing. The proposals on HNW etc might help this but maybe a specific exclusion for suing on a caveat emptor basis is also required.

Norman Price