

## RESPONSE FROM HENRY POUND

I am a Business Angel and belong to One London Business Angels Network. I also am an investment committee member of the London Seed Fund.

- Q1 I believe that very few, if any, of my contacts are registering.
- Q2 I suspect that most early stage companies do not understand the risks they run. Most small companies start with a friends and family round. The investors at this stage are not exempt from the act and are unlikely to fulfill the HNWI requirements. Should there be publicity about conflicts at this area, it could have a major impact on startup Capital, resulting in greater difficulty for companies prior to starting to trade and them being “investment ready”.
- Q3 This provides a let out clause for unscrupulous promoters, as well as the genuine. There is a case for some fund raising to drop below the “radar”. Drafting would be difficult. Certain rules could be identified, such as limit to the number of attempts to raise funds and the size of the funds raised. I was recently approached by a company that was proposing to raise 20 “Investment Club” funds each limited to 20 subscribers investing £1,000. The suggestion was that people subscribed to several.
- Q4a This potentially provides a let out clause.
- Q5 The criteria set on fixed parameters has by definition to be broad brush. The requirement will in practice depend on factors such as; percentage of wealth invested; stage in life and family commitments; a combination of income and capital, as well as the security of that income. A £10,000 investment from a single man earning £50,000 a year, with £20,000 capital is very different to a married man with young children earning £100,000 a year nearing retirement age without a pension and a large outstanding mortgage. The family income and commitments is more important than the individual circumstances.
- I think it impossible to set a limit without a holistic view of the financial position and the level of investment. It would be preferable to obtain outside opinion, as a spouse is required to obtain independent financial advice should the family home be required as security. Ideal providers would be “registered” Angel Networks, Business Link or an accountant. The complication is the cost and potential conflict of interest, if they were assisting in the fund raising. If an accountant stated that the investor had an understanding of the risks, this would be better than a bland statement of assets or income.
- Q6 I believe there is a case for “knowledge angels”, where their knowledge of the industry, market or their specific skill set provides them with sophisticated investor status in that area. However unscrupulous fund raisers could encourage self-certification.

- Q12 The FSA puts great onus on giving advice. Syndicates of members of an investment club, such as One London Business Angels, may share due diligence and other investigation. The individual investors need some reassurance that they do not incur any liability by their involvement in the syndicate.
- Q14 A major reason for the under-provision is very few intermediaries can provide a good service and show a return for themselves. This encourages a fairly aggressive approach to the market. Networks such as One London Business Angels should be given access to grants and funds. The London Seed Capital fund has a major benefit for the network in that it demonstrates to both the fund raising company and the Angels that there is more than just an introduction.
- Q15 I understand it is very difficult to get an opinion from the FSA. A help line along the lines of the Inland Revenue, which could answer specific questions, would be helpful. If these answers could be recorded and used a defensive against breaches of the Act provided all the relevant facts were declared at the time. I am involved with a Virgin Angels program sponsored by the London Development Agency. I am very willing to give the benefit of any experience I have to other Angels but am reluctant to do too much as I am unclear when this might be deemed to be investment advice.