

Brian Schwieger  
Head of Equities  
London Stock Exchange Group  
10 Paternoster Square  
London  
EC4M 7LS

[clients@lseg.com](mailto:clients@lseg.com)

17 April 2014

Dear Mr Schwieger,

**Consultation on the market structure for the introduction of an intra-day auction for SETS Equities and IOB**

***Introduction***

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of European **Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Secondary Markets Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

***Response***

We welcome the opportunity to respond to this consultation. We believe that the London Stock Exchange's proposal to introduce a new intra-day auction applicable to all SETS equity securities, in addition to the current SETS auctions, should be reconsidered. Although we understand that this proposal would have limited effect on liquid stocks, we believe that there could be a significant impact on our small and mid-size quoted company members, whose shares are usually order book traded and less liquid securities.

The introduction of an intra-day auction as currently proposed raises concerns among small and mid-size quoted companies since the measure has not been specifically calibrated for the market in their securities. Therefore, we strongly recommend that the added value of this measure be thoroughly assessed prior to a wide scale roll-out (i.e. by testing it on a sample of companies to prove the concept). We consider that a wholesale implementation as currently configured could be difficult and problematic to reverse.

Finally, we note that the changes proposed in the LSE's consultation on the market structure for the trading of smaller equity securities outside of the FTSE 350 Index, which took place earlier in the year, have yet to be implemented. We believe that it would be preferable to implement those changes initially and then consider whether intra-day auctions are required.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

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If you would like to discuss any of our responses in more detail, we would be happy to attend a meeting.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'TW', with a horizontal line extending to the right.

Tim Ward

Chief Executive

**Quoted Companies Alliance Secondary Markets Expert Group**

Simon Rafferty (Chairman)	Winterflood Securities Ltd
William Lynne/Claire Noyce	Hybridan LLP
Andrew Collins/William Garner/Paul Arathoon	Speechly Bircham LLP
Sunil Dhall/Mitchell Gibb	Peel Hunt plc
Richard Everett	Lawrence Graham LLP
Jon Gerty	Shore Capital Group Ltd
Brian McDonnell	Olswang
Robert Scavera	Numis Securities Limited
James Stapleton	Winterflood Securities Ltd
Peter Swabey	ICSA