



**The Quoted
Companies Alliance**

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Dear Sirs,

CP 12/5: Quarterly consultation; Section 7 – Changes in Listing Rules and the Supervision manual for the UKLA provision of individual guidance

INTRODUCTION

The Quoted Companies Alliance is a not-for-profit membership organisation working for small and mid-cap 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 Corporate Finance Advisory Group has examined your proposals and advised on this response. A list of committee members is at Appendix A.

RESPONSE

We welcome the opportunity to respond to this consultation.

Q7.2: Do you agree with our proposed changes to SUP 9.2.4G, SUP 9.2.1G and SUP 9.2.4AG? Do you agree with our proposed new rules at LR 1.2.6G, DTR 1.2.5G and DTR 1A 2.5G?

One of the greatest selling points of the UK market is that parties are able to call the UKLA Helpdesk, even on a no-name basis, and make enquiries and receive a fast, even immediate, response. Whilst we understand the rationale by the FSA regarding the proposals, we feel that this step is going against the best interests of companies and advisors. We strongly disagree with the proposal to remove the ability to obtain “no-names” technical guidance and to obtain oral guidance, as a result, closing some of the UKLA Helpdesk.

The proposals outlined in the consultation paper are effectively two-fold, firstly the removal of ‘no-names’ requests for guidance and, secondly, the removal of verbal requests for guidance together with associated verbal responses. The removal of verbal requests and responses will be most detrimental to the UKLA.

We accept that the UKLA does not wish to be the first port of advice. The prospect of not having a situation where verbal queries are allowed means there is greater risk of Official List companies potentially embarking on courses of action which they are later, through written submissions found to be incompatible with the rules. This could lead to companies incurring unnecessary additional costs. Such eventuality would be avoided if companies and advisors were able to communicate with the

UKLA at an early stage on an open basis, when it may not be feasible to make a written submission with all the specific facts. Companies and commentators have always understood that the no-names and verbal guidance is not binding and that a written request for binding guidance has always been advised before committing a listed company to any action.

For small and mid-cap quoted companies, should the UKLA Helpdesk be amended as in the proposals, the alternative forums to put forward their concerns and also to receive direct briefings, such as the LLAC and CLLS, are not readily accessible. This could therefore be seen as a further concentration of specialism in certain sponsors/lawyers, which would not be beneficial for the small and mid-cap community in terms of the fee threshold which companies will have to pay for advice and therefore the costs of being listed. The UKLA Helpdesk is a valuable tool for everyday hands-on users who have issues with the Listing Rules, Disclosure and Transparency Rules and Prospectus Rules. It should remain as is.

It is important to highlight the value of the oral consultation that is currently provided by the UKLA Helpdesk. For example, it is particularly helpful when there is an initial planning of transactions and how they are conducted, or where advisers use the initial input of the UKLA Helpdesk to produce higher quality written submissions in due course. The UKLA Helpdesk can facilitate an interactive and iterative process between advisers and the UKLA, which helps issues to be resolved more quickly. The speed of the response from oral submissions allows advisers to act quicker and can use the information instantaneously; however written submissions do not offer this chance. The UKLA Helpdesk's oral consultation makes the process more efficient and transparent.

In addition, it should be noted that many clients are extremely reluctant to permit advisers to contact the UKLA on a named basis until the latest stages of a transaction, if at all. Removing the no-name guidance facility is likely to result in more mistakes being made in the integration or compliance with the regulatory regime in such circumstances. This is not in the interests of the shareholder or the market generally.

The March 2012 Primary Markets Bulletin reports that the UKLA's survey on the UKLA Helpdesk tried to distinguish those calls where the UKLA believes that there have not been acceptable requests for guidance (e.g. non-technical queries or those which could be easily answered by reference to the rules or technical content of the UKLA website). The issue the UKLA wishes to address is the efficient use of its staff in manning the Helpdesk. Rather than eliminating the Helpdesk, we would suggest that the UKLA could undertake an education campaign to explain the purpose of the Helpdesk and the types of enquiries it handles.

The Primary Market Bulletin also showed that there have been plenty of complaints about the UKLA's website, which led to non-technical calls to the Helpdesk. The FSA could improve its website and include better information on it, which could reduce the amount of phone calls being received on the Helpdesk.

As a regulator, the UKLA should be directly and readily accessible. We feel that the UKLA Helpdesk is a crucial tool for all interested parties. The potential impact on the planning and timely execution of the transactions and UKLA's ability to offer flexible user friendly information is crucial for the UK markets. The changed proposals in the consultation would result in the UKLA moving away from being a user-friendly regulator.

If you would like to discuss this in more detail, we would be pleased to attend a meeting.

Yours sincerely,



Tim Ward
Chief Executive

QUOTED COMPANIES ALLIANCE CORPORATE FINANCE ADISORY GROUP

Johanne Arnesen	KPMG LLP
Azhic Basirov	Smith & Williamson Limited
Simon Clements	Merchant Securities Limited
Daniel Conti	RBC Capital Markets
Marc Cramsie	ZAI Corporate Finance Ltd
Richard Crawley	Espirito Santo Investment Bank incorporating Execution Noble
Matthew Doughty	Dorsey & Whitney
Stuart Faulkner	Strand Hanson Limited
James Green	K & L Gates LLP
Lesley Gregory	Memery Crystal LLP
Chris Hardie	Arden Partners PLC
Daniel Harris	Peel Hunt plc
Samantha Harrison	RFC Ambrian Limited
Kate Jalbert	The Quoted Companies Alliance
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Philip Secrett	Grant Thornton UK LLP
Jacques Sultan	The Quoted Companies Alliance
Tim Ward	The Quoted Companies Alliance
David Worlidge	Merchant Securities Limited
Ray Zimmerman	ZAI Corporate Finance Ltd

THE QUOTED COMPANIES ALLIANCE (QCA)

A not-for-profit organisation funded by its membership, the Quoted Companies Alliance represents the interests of small and mid-cap quoted companies, their advisors and investors. It was founded in 1992, originally known as CISCO.

The Quoted Companies Alliance is governed by an elected Executive Committee, and undertakes its work through a number of highly focussed, multi-disciplinary committees and working groups of members who concentrate on specific areas of concern, in particular:

- taxation
- legislation affecting small and mid-cap quoted companies
- corporate governance
- employee share schemes
- trading, settlement and custody of shares
- structure and regulation of stock markets for small and mid-cap quoted companies;
- political liaison – briefing and influencing Westminster and Whitehall, the City and Brussels
- accounting standards proposals from various standard-setters

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

Quoted Companies Alliance's Aims and Objectives

The Quoted Companies Alliance works for small and mid-cap quoted companies in the United Kingdom and Europe to promote and maintain vibrant, healthy and liquid capital markets. Its principal objectives are:

Lobbying the Government, Brussels and other regulators to reduce the costing and time consuming burden of regulation, which falls disproportionately on smaller quoted companies

Promoting the smaller quoted company sector and taking steps to increase investor interest and improve shareholder liquidity for companies in it.

Educating companies in the sector about best practice in areas such as corporate governance and investor relations.

Providing a forum for small and mid-cap quoted company directors to network and discuss solutions to topical issues with their peer group, sector professionals and influential City figures.

Small and mid-cap quoted companies' contribute considerably to the UK economy:

- There are approximately 2,000 small and mid-cap quoted companies
- They represent around 85% of all quoted companies in the UK
- They employ approximately 1 million people, representing around 4% of total private sector employment
- Every 5% growth in the small and mid-cap quoted company sector could reduce UK unemployment by a further 50,000
- They generate:
 - corporation tax payable of £560 million per annum
 - income tax paid of £3 billion per annum
 - social security paid (employers' NIC) of £3 billion per annum
 - employees' national insurance contribution paid of £2 billion per annum

The tax figures exclude business rates, VAT and other indirect taxes.

For more information contact:

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