



**The Quoted
Companies Alliance**

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The European Commission
DG Internal Market, Unit G1
- Consultation on Financial Supervision
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Email: markt-g1@ec.europa.eu

10 April 2009

Dear Sirs,

Consultation on the future of financial services supervision in the EU

INTRODUCTION

The Quoted Companies Alliance (QCA) is a not-for-profit membership organisation dedicated to promoting the cause of smaller quoted companies (SQC), which we define as those 2,000+ quoted companies outside the FTSE 350 (including those on AIM and PLUS) representing 85% of the UK quoted companies by number. Their individual market capitalisations tend to be below £250m.

The QCA is a founder member of European**Issuers**, which represents over 9,000 quoted companies in thirteen European countries.

RESPONSE

We welcome the opportunity to comment on this significant issue as our members depend on the free flow of capital and the provision of efficient, transparent and orderly financial markets and services.

In developing the 'proposals on the future of the EU supervisory architecture' we urge the Commission to use that analogy fully – viz, throughout the process of designing the structure, to involve those who will be major users of the 'building'.

The de Larosière report majors on the structure, regulation and operation of the Finance Sector with little or no mention of the two main constituencies it is intended to serve, namely investors and issuers. Any assessment of proposed changes to the Finance Sector should be made against criteria which includes some weighting given to the needs and requirements of these two external constituencies.

The Quoted Companies Alliance's membership structure reflects this division in having two categories of membership:

- companies/issuers;

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- advisers embracing all entities which are involved in the markets providing services directly or indirectly to issuers. Hence this category includes investment funds, investment banks, market makers, stockbrokers, exchanges, registrars, lawyers, accountants and PR companies.

In our view this separation brings clarity and transparency to our approach and work and our recommendations and comments on the markets and regulation reflect this. The advisers provide the technical input while the companies/issuers are able to give the macro level input. Accordingly we consider that any recommendations adopted for the investment segment of the financial sector should reflect the needs of investors and issuers. To achieve this, investors and non-financial issuers should be represented on the various bodies being established to consider and review the proposed changes.

Taking the theme of transparency as a key element of control we would also support proposals where:

- off-balance sheet items are kept to a bare minimum and where allowed they must be explicit and shown;
- a move towards the re-establishment of the separation of roles of "principal" and "agent" so that investors and companies can understand, and regulators can assess, with clarity the role and function which each authorised entity is performing. Where authorised entities were both issuers of investment instruments and traders of them contributed to much of the problem and there is an argument for banning such a combination of roles in any one group.

We will be pleased to expand further on the issue of investor and issuer involvement should you wish to arrange a meeting.

Yours sincerely,



John Pierce
Chief Executive

cc: The Lord Turner of Ecchinswell, Chairman – UK Financial Services Authority
The Rt Hon Ken Clarke QC MP, Shadow Secretary of State for Business, Enterprise & Regulatory Reform
The Lord Myners CBE, Financial Services Secretary - UK HM Treasury
David Wright, Deputy Director-General - DG Internal Market & Services
Charlie McCreevy, Commissioner - DG Internal Market & Services
Rt Hon the Lord Strathclyde, President – The Quoted Companies Alliance/Shadow Leader of the House of Lords
Members of European **Issuers**