



**The Quoted  
Companies Alliance**

The Quoted Companies Alliance  
6 Kinghorn Street  
London EC1A 7HW  
Tel: +44 20 7600 3745  
Fax: +44 20 7600 8288

Web: [www.quotedcompaniesalliance.co.uk](http://www.quotedcompaniesalliance.co.uk)  
Email: [mail@quotedcompaniesalliance.co.uk](mailto:mail@quotedcompaniesalliance.co.uk)

The European Commission  
Directorate-General Internal Market and Services  
B - 1049 Bruxelles/Brussels  
Belgium

[markt-g3@ec.europa.eu](mailto:markt-g3@ec.europa.eu)

19 November 2009

Dear Sirs,

**European Commission – Proposed directive amending Directive 2003/71/EC (the Prospectus Directive)**

***INTRODUCTION***

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

The QCA Legal Committee has examined your proposals and advised on this response. A list of Committee Members is at Appendix A.

Our ID number for the European Commission's register of interest representatives is 45766611524-47.

***RESPONSE***

We are pleased to see that the European Commission in its proposals for amending the Prospectus Directive has recognised the need to decrease administrative burdens for smaller companies raising capital on securities markets. We welcome the move away from the one-size-fits-all approach.

However, we are disappointed with the various references to 'regulated markets' in the most recent Presidency compromise text of the proposals (4 November 2009, doc. 15096/09) and the original proposal (23 September 2009, 2009/0132 (COD)), as it appears that they will:

1. limit the use of the proposed proportionate disclosure regimes for companies with a reduced market capitalisation and rights issues to only those companies listed on a regulated market; and
2. also limit the exemption for employee share schemes to those companies on a regulated market.

The references to 'regulated markets' ignore the fact that there are many smaller companies on other growth markets throughout the European Union, who also should be able to raise capital from the public with less administrative burdens. These markets include: Alternext (Amsterdam, Brussels, Paris and Lisbon), Marché Libre in France, the Alternative Investment Market (AIM) and PLUS-quoted market in the United Kingdom, Marché Libre in Brussels, Entry Standard in Germany, Nasdaq OMX First North in the Baltic and Nordic areas, the Athex Alternative Market in Greece, the Irish Enterprise Exchange (IEX) in Ireland, AIM Italia in Italy, New Connect in Poland, and Mercado Alternativo Bursátil (MAB) in Spain.

These markets have been designed specifically to create an environment for equity finance for growing companies, and are provided and run by Market Operators or Recognised Investment Exchanges, which are regulated by the competent authority in that country.

There appears to us to be no reason in principle for any differential to exist between companies whose securities are traded on regulated markets and those whose securities are traded on these alternatively-regulated markets. They are the same from the perspective of the investor. If the current compromise text were to come into force, it would present an unlevel playing field for companies quoted on these other markets in the European Union.

We urge the Commission and the Swedish Presidency Working Party on Financial Services to remove the references to 'regulated markets' in the compromise text of the amending Directive (including point 11 in the recital, Article 2(1), point(t); Article 4(1), point(e); and Article 7(2), point(g)).

In relation to rights issues, we note that this is restricted to offers securities that are not transferable. We consider that this is not necessary where there is already information widely available in the market and dealings in the market will be possible immediately following closing the offer.

We do not consider that the changes to the Key Information and Summary provisions should be made. These would inevitably lead to the creation of a Summary which would in all respects duplicate the main body of the prospectus.

Representatives from our Legal Committee are meeting with Nathalie De Basaldua, David Wright and Claire Bury of the European Commission on Friday 27 November 2009 to discuss these issues on the Prospectus Directive. It is our current intention to send a more detailed response following these meetings. We would be pleased to attend a meeting with any other relevant representatives to further discuss this.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'TWL', is positioned above the typed name and title.

Tim Ward  
Chief Executive

**QUOTED COMPANIES ALLIANCE LEGAL COMMITTEE**

Nicholas Narraway (Chairman)*	-	Moorhead James LLP
Jai Bal	-	Farrer & Co
Chris Barrett	-	Bird & Bird
Richard Beavan	-	Nabarro LLP
Matt Bonass	-	Denton Wilde Sapte
Andrew Chadwick	-	Bircham Dyson Bell LLP
Jonathan Deverill	-	Stikeman Elliott
Jeanette Gregson	-	Davenport Lyons
Carol Kilgore	-	Curtis, Mallet-Prevost, Colt & Mosle LLP
Philip Lamb	-	Lewis Silkin LLP
Hannu Mikkola	-	Rosenblatt
Ross Bryson	-	Mishcon de Reya
Laura Nuttall	-	McGrigors LLP
Chris Owen	-	Manches LLP
June Paddock	-	Fasken Martineau LLP
Tom Shaw	-	Speechly Bircham LLP
Donald Stewart*	-	Faegre & Benson LLP
Gary Thorpe	-	Clyde & Co
Tim Ward	-	The Quoted Companies Alliance
Kate Jalbert*	-	The Quoted Companies Alliance

\*Main Authors

## THE QUOTED COMPANIES ALLIANCE (QCA)

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

The QCA 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; Financial Services Authority (FSA) consultations
- political liaison – briefing and influencing Westminster and Whitehall, the City and Brussels
- accounting standards proposals from various standard-setters

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

### **QCA's Aims and Objectives**

The QCA 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:

Tim Ward  
The Quoted Companies Alliance  
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020 7600 3745  
[www.quotedcompaniesalliance.co.uk](http://www.quotedcompaniesalliance.co.uk)

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