

European Securities and Market Authority (ESMA)  
CS 60747  
103 Rue de Grenelle  
75345 Paris Cedex 07  
France

[info@esma.europa.eu](mailto:info@esma.europa.eu)

15 March 2013

Dear Sirs,

**Call for evidence - On the evaluation of the Regulation (EU) 236/2012 of the European Parliament and of the Council on short selling and certain aspects of credit default swaps**

***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 Markets & Regulations 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 Short Selling Regulation potentially harms liquidity in small and mid-size quoted company shares. The regulation focuses on the business models of large wholesale market participants and order book driven, liquid markets. It has failed to consider the needs of growth markets for small and mid-size companies, which tend to be less liquid, and in the case of United Kingdom, based on a market making model.

The unintended consequence is that punitive action is taken against those parties that are unable to settle centrally cleared securities due to short positions generated from market making activity. Thus market makers are disincentivised from helping to stimulate liquidity in less liquid securities, which in turn can directly impact the ability of small and mid-size quoted companies to raise capital, grow and create employment.

We support the position and evidence provided by Winterflood Securities on this.

If you have any further questions, we would be happy to attend a meeting.

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

A company limited by guarantee registered in England  
Registration Number: 4025281

**ESMA**

**Call for Evidence on Short Selling Regulation (236/2012)**

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Yours faithfully,

A handwritten signature in blue ink, appearing to be 'TW', written in a cursive style.

Tim Ward

Chief Executive

**Quoted Companies Alliance Markets and Regulations Expert Group**

Stuart Andrews (Chairman)	FinnCap
Martin Finnegan (Deputy Chairman)	Causeway Law
Umerah Akram	London Stock Exchange plc
Andrew Collins	Speechly Bircham LLP
Sunil Dhall	Peel Hunt plc
Richard Everett	Lawrence Graham LLP
William Garner	Speechly Bircham LLP
Jon Gerty	Shore Capital Group Ltd
Paul Haddock	ICAP Securities & Derivatives Exchange
Michelle Holt	Capita Registrars Ltd
Amerjit Kalirai	Field Fisher Waterhouse
Linda Main	KPMG LLP
Brian McDonnell	Olswang
Richard Metcalfe	Mazars LLP
Claire Noyce/Deepak Reddy/William Lynne	Hybridan LLP
Robin O'Donnell	Numis Securities Limited
Philip Quigley	Smith & Williamson Limited
Simon Rafferty/James Stapleton	Winterflood Securities Ltd
Laurence Sacker	UHY Hacker Young
Chris Searle	BDO LLP
Peter Swabey	Equiniti