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Dear Ms. Richardson,

The Financial Services Authority – Consultation Paper 12/25 – Enhancing the effectiveness of the Listing Regime and Feedback on CP12/2

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 Legal, Corporate Finance Advisors, and Corporate Governance Expert Groups have examined your proposals and advised on this response. A list of members of the Expert Groups is at Appendix A.

Response

We welcome the opportunity to respond to this consultation. We have included comments both on the feedback on CP12/2 and also the consultation questions in CP12/25 below.

Comments on Feedback on CP12/2

Reverse Takeovers

As we previously highlighted in our response to CP12/2, this rule change will extend the application of the reverse takeover regime to standard listed companies. We believe that this a policy change, as many other respondents to CP12/2 noted, and would query how this change may erode the FSA's objective of having a 'standard listing', which represents an EU-minimum directive listing option for London. We note that there are very few standard listed companies on the Main List and we would therefore ask for the FSA to provide some clarity over its view on the purpose of the standard listing category.

Sponsors

We believe that there is a significant flaw in the way the rules have been written that potentially obliges sponsors to be delivering services to companies before they have agreed to accept the role.

The definition of a sponsor service includes “preparatory work that a sponsor may undertake before a decision is taken as to whether or not it will act as sponsor…”.

LR 8.3.1R states that “a sponsor must in relation to a sponsor service: …(2) guide the company with or applying for a premium listing of its equity shares in understanding and meeting its responsibilities under the listing rules, the disclosure rules and the transparency rules.”.

Therefore, this construction can allow the FSA to infer an obligation on the sponsor to be advising and guiding the company whilst it is carrying out its preparatory work prior to accepting appointment, which is of course unfair.

While we understand that this new rule has already come into effect, the FSA to clarify publicly that they would not seek to make such an inference.

Response to Consultation Questions CP 12/25

Independent business

Q1: Do you agree with our definitions of a controlling shareholder and an associate of a controlling shareholder? Do you believe that there are other criteria where an entity or a person ought to be deemed controlling shareholder that have not been captured by the proposed definition and if so what are they?

We agree with the general approach to identifying controlling shareholders. We note that the definition of "controlling shareholder" refers to any person who "holds 30% or more of the shares in a new applicant or listed company". We suggest that this be narrowed slightly so as to refer only to premium listed companies (and new applicants for premium listing) given that the regime will not, we understand, apply to standard listed issuers.

We think that guidance may be helpful as regards situations in which shareholders and their associates will be deemed to be "acting in concert". In order to address investors' concerns about the consequences of acting together for the purpose of good corporate governance, the sensible course might be for the guidance to set out examples of situations which would not give rise to a concert party relationship. It would, for example, be worth making it clear that an agreement or understanding between shareholders to vote in a particular way on a resolution to be proposed at a specific general meeting will not make them concert parties and that there needs to be ongoing co-operation between them with regard to the control of the company for them to be treated as being in concert.

In addition, the "yellow book" Listing Rules stated that associates would be deemed to be "acting in concert" (or, to use the wording given in those rules, "acting jointly or by agreement") with each other until the contrary was proved to the satisfaction of the FSA. Would this deeming provision be replicated in the new rule?

In addition, we would welcome guidance on paragraph (c) of the definition of "controlling shareholder" which envisages a situation where a shareholder would be a controlling shareholder if it holds shares or voting power in a new applicant or listed company ("B") or in a parent undertaking ("P") of less than 30% but is able to exercise significant influence over the management of B or P. Please could the FSA clarify which situations are intended to be caught by this limb? Should the reference to "shares and voting rights" also refer to "contractual rights" in respect of B or P - for example, where that shareholder has a contractual right to appoint a director to the board, or has veto rights over, or consent rights in relation to, certain reserved matters? We would also welcome guidance on what is meant by "significant influence over the management of B", in particular whether "management" is meant to refer to the managers who manage the day-to-day running of the company, the executive management or the board of the company or something else.

As a separate issue, would the FSA please confirm how the controlling shareholder proposals would apply to dual listed company structures? Such structures can take a number of different forms. For example, the merger may be created through contractual arrangements between two listed entities or through combining their interests structurally so that each listed entity holds shares in a joint intermediate holding company. It would be helpful to understand how the proposals would be applied to these structures.

Relationship agreements

Q2: Do you support our proposal in LR 6.1.4ER(1) to require new applicants where a controlling shareholder is present to enter into a relationship agreement?

Yes. It would, however, be useful if the FSA could provide additional guidance on who should be party to a relationship agreement when the controlling shareholder comprises a concert party – presumably only the principal member or members of the concert party should be required to enter into the agreement?

Q3: Do you support our proposal in LR 6.1.4FR to require that a relationship agreement must cover certain provisions as described above? Do you think that there are any other provisions that should be considered and if so what are they?

We believe that an obligation for a relationship agreement 'to ensure' various matters is not appropriate as an agreement cannot ensure that actions are carried out – it can only set out the relevant obligations to which the parties will be bound. We suggest that the drafting in the first line of LR 6.1.4FR is amended so that "ensure that" is deleted and replaced with "must provide that".

We support the provisions in LR 6.1.4FR(1) and (2), but we have a number of concerns regarding LR 6.1.4FR(3).

LR 6.1.4FR(3) is a provision not typically seen in current relationship agreements. The reference to “day-to-day running … at an operational level” hints at ordinary course activities. If the area of concern here is that a controlling shareholder may undertake or encourage abusive related party transactions that may fall within the “ordinary course” exemption from the related party rules, then we suggest that this might be better addressed through appropriate amendments to the related party rules. This would have the advantage of putting this area of potential concern on a regulatory (rather than contractual) footing and also avoiding the potential for disagreement between issuers and controlling shareholders over the contractual meaning of “day-to-day running … at an operational level”.

In any case, a controlling shareholder (by definition) can have influence over the issuer's business. We assume that the concern underlying the proposed LR 6.1.4FR(3) is that the controlling shareholder might bypass the board (and directly influence the executive management of the company) so that the board no longer controls the business. Controlling shareholders should be able to exert strategic influence through the exercise of their shareholder rights and otherwise only through appropriate engagement with the board of directors which should be responsible for making decisions in light of the interests of the company as a whole, including the independent shareholders. It is also important to note that there are a number of existing premium-listed issuers with individual members of executive management who hold shareholdings in excess of 30%. In addition there will be members of executive management who are likely to be found to be acting in concert with a shareholder who holds more than 30% of the share capital. We assume that it is not the intention of the FSA to prohibit these individuals from holding executive roles within an issuer's group by requiring them to refrain from influencing the day-to-day running of an issuer. If this assumption is correct, an appropriate carve-out from 6.1.4FR(3) (or from the provision inserted in the related party section to cover this, if the FSA accepts our suggestion in the previous paragraph) will be needed. A similar analysis applies to the position of a non-executive director who is himself a controlling shareholder (whether by virtue of being a shareholder or acting in concert with one).

Consequently, we suggest that the first limb of LR 6.1.4FR(3) be amended to read "no controlling shareholder or associate thereof influences the day-to-day running of the new applicant at an operational level (but excluding any influence arising from the exercise by a controlling shareholder or associate thereof of the voting rights attached to shares of the applicant and provided that this shall not affect the carrying out by any such controlling shareholder or associate who is a director or executive of the applicant of his duties or responsibilities in his capacity as director or executive)". If the FSA accepts our above suggestion that these issues would be better dealt with as part of the rules relating to related party transactions, then similar wording should be introduced there.

If the FSA does not accept that suggestion, then we would also query why a controlling shareholder should be prohibited from acquiring a material shareholding in one or more significant subsidiaries. We do not see why any powers which the shareholder may have by virtue of such shareholding cannot be controlled through the relationship agreement in the same way as its exercise of power in relation to the issuer. In any event, guidance on what constitutes a "material" shareholding and a "significant" subsidiary would be helpful.

We believe that it is important to be clear from the outset that nothing in the new Listing Rules is intended to preclude any of the shareholders (whether "controlling" or otherwise) from exercising their shareholder rights and it would be helpful if an express statement to this effect were published in guidance to LR 6.1.4.

With regard to LR6.1.4FR(4), is the intention here that the relationship agreement should remain in effect for so long as the shares are admitted to listing on the premium segment of the Official List? Relationship agreements should not be mandatory for standard listed issuers who happen to have been admitted to the premium segment in the past. We suggest that this is clarified by amending (4) to read "it remains in effect for so long as the shares are admitted to premium listing and the shareholder remains a controlling shareholder".

We suggest that it would be helpful to require the relationship agreement to be governed by English law and for the parties to submit to the jurisdiction of the English courts. If other laws govern these arrangements, it may be difficult to establish whether the requirements of LR6.1.4FR are complied with.

Application on a continuing basis

Q4: Do you agree with our proposal in LR 9.2.2AR(1) that where a company has a controlling shareholder it must have in place a relationship agreement at all times?

We understand the logic in requiring the maintenance of a relationship agreement to be a continuing obligation for new applicants for premium listing which have to enter into such an agreement in order to satisfy the eligibility criteria.

However, it is not clear from the proposals whether a relationship agreement must be entered into in the following circumstances:

a) where a person acquires shares, or an existing shareholder acquires further shares, in the premium-listed company following admission and becomes a "controlling shareholder"; or

b) where an existing premium-listed company already has in place a relationship agreement that is deficient in some respect with regard to LR6.1.4FR; or

c) where an existing premium-listed company does not have any relationship agreement in place at all.

As the Listing Rules can only impose direct obligations on issuers, the obligation to comply with LR9.2.2AR(1) falls only on the issuer, and not on the controlling shareholder. If an issuer were to be in breach of LR9.2.2AR(1) by failing to conclude a relationship agreement with a controlling shareholder, the sanction for breach of the Listing Rules could only be levied against the issuer, and not against the controlling shareholder(s).

It is possible that a controlling shareholder may simply refuse to enter into a relationship agreement and, in practice, it is not possible for an issuer to force the controlling shareholder to enter into a relationship agreement or ensure that the controlling shareholder fully complies with its terms. As set out in LR9.2.24/25, this may lead to the issuer being delisted or moving to the standard listing segment, thereby leading to a significant reduction in the protection afforded to the independent shareholders whom the rules are attempting to protect.

While there might be a valuation impact for the controlling shareholder in pursuing a non-cooperative approach, not all controlling shareholders respond predictably to this type of risk. We therefore believe that imposing this obligation on existing issuers, which will be retrospective in effect, could operate to the detriment of independent shareholders rather than to their benefit.

It is also not clear how a company could effectively monitor whether or not it has a controlling shareholder. The Listing Rules must make clear when the obligation to have a relationship agreement takes effect. It seems to us that this should be once the issuer is informed by the controlling shareholder pursuant to DTR5. Entry into a relationship agreement will in most circumstances amount to a related party transaction under LR 11.1.5(3) and so will require a general meeting to be held, unless the issuer waits until its next AGM to put the terms of the relationship agreement to shareholders. In paragraph 7.70 of the consultation

paper, the FSA states that it is appropriate to treat all material amendments to relationship agreements as being "akin to related party transactions given the perception that influence may have been exerted in negotiating the change". In the light of this statement, please could the FSA expressly confirm whether it intends that the entry into, or amendments to, relationship agreements by a premium listed company (including existing premium-listed companies if appropriate) and its controlling shareholder should be classed as "related party transactions" and subject to LR11?

We suggest that, instead of permission being granted under Listing Rule 9.22BR for an issuer to be in breach of 9.22AR for up to six months, 9.22BR should set out a time limit within which an issuer must comply with 9.22AR after becoming aware that it has a controlling shareholder.

Furthermore, the determination of whether a person holds 30% or more of the shares or voting power in a listed company will take into account the shares or voting power held by other persons with whom the former may be in concert. However, there is no regulatory requirement for shareholders to disclose the identity of their concert parties other than where they have made a bid for the company pursuant to the Takeover Code (or in certain circumstances in response to a notice from the company under Part 22 of the Companies Act 2006). Would the FSA explain how it expects companies to ascertain whether they have a controlling shareholder in these situations?

We suggest that in light of:

a)the practical and legal difficulties in imposing amended relationship agreements (or new relationship agreements) on existing controlling shareholders of existing listed issuers; and

b)the fact that a great many such existing listed issuers have in place relationship agreements that cover the principal points set out in LR6.12.4AR,

the FSA should limit the mandatory requirement for relationship agreements to new applicants for premium listing. The FSA could “grandfather” existing premium listed companies and provide that, where they have or subsequently acquire a controlling shareholder but do not out a compliant relationship agreement in place within a specified period, they should indicate publicly whether they intend to comply or not with the new rules. It would then be left to the shareholders of those companies and the market to decide whether to retain their shares or invest in the company.

If the FSA were to follow this course, it may be appropriate to require existing premium-listed companies to disclose in their annual report whether or not they have relationship agreements in place which may or may not conform to the proposed new Listing Rules so that their position is subject to investor scrutiny and judgement.

The FSA notes in CP12/25 that:

“the underlying concerns are not a systemic weakness but may represent the beginning of a long-term pattern of misaligned behaviour, which if allowed to become more prevalent would risk undermining the integrity and effectiveness of the Listing Regime” (our emphasis).

The FSA also refers to the proposed new general functions of the UKLA and the need to have regard to:

"the principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction".

We can see that there is no obvious justification for distinguishing between the position of a new applicant which does not have a controlling shareholder when its shares were first listed but subsequently acquires one and the position of an existing listed issuer which may acquire a controlling shareholder. However, given the FSA's acknowledgement that the concerns intended to be addressed in CP12/25 are more to do with arresting trends in behaviour than overturning current market practice, and in light of the need for proportionality in imposing burdens and restrictions (noting that this is broader than financial costs), it is not clear that there is sufficient justification for the FSA to impose LR6.1.4ER and LR6.1.4FR and the related continuing obligations in effect retrospectively rather than applying them only to new applicants. We do recognise the argument in favour of having all premium listed issuers subject to the same continuing obligations irrespective of when admitted to listing, but we believe that, on balance, the arguments set out above outweigh this benefit.

If the FSA does not agree and if the requirement to enter into a relationship agreement (which complies with LR 6.1.4FR) is to be imposed as set out in the consultation paper, we suggest that the FSA gives such companies a sufficient period to comply with LR 6.1.4FR and introduce provisions to protect independent shareholders from a potential delisting or transfer to the standard segment in circumstances where the controlling shareholder refuses to enter into the required relationship agreement. The FSA should also elaborate on how in practice the terms of a relationship agreement will be imposed on existing or new controlling shareholders.

Q5: Do you support our proposal to subject a listed company to a continuing obligation to comply with a relationship agreement at all times (LR 9.2.2GR)?

As explained in our response to Q3 above, we believe that an obligation for a relationship agreement 'to ensure' various matters is not appropriate and as a result, we suggest that the drafting in the first line of LR 6.1.4FR is amended so that "ensure that" is deleted and replaced with "must provide that".

The listed company will generally have rights rather than obligations under a relationship agreement. So we do not think that it is logical to impose a continuing obligation on the issuer to comply.

If the controlling shareholder were to fail to comply with the terms of a relationship agreement, we consider that the sensible and practical course would be to leave it to the independent directors to decide whether and how to enforce the company's rights under the relationship agreement. The Listing Rules could include appropriate provisions to require issuers to confer the necessary powers on the independent directors and to report publicly on their decision.

Q6: Do you support our proposal that a listed company must at all times comply with the content requirements for a relationship agreement as set out in LR 6.1.4FR, where applicable (LR 9.2.2AR(1))?

As stated above, we have reservations about this proposal. These are set out above in our response to Q4 and Q5. Please also refer to our response to Q34.

Amendments to the relationship agreement

Q7: Do you support our proposal to subject material changes to the relationship agreement to an independent shareholder vote (LR 9.2.2CR)?

Yes, but, given that most amendments to relationship agreements will be related party transactions under LR 11.1.5R, we believe that either amendments to relationship agreements should be carved out from LR 11.1.5R or an extra sub-paragraph (4) should be added to LR 11.1.5R to provide that amendments to relationship agreements are related party transactions. It seems inconsistent to us to propose that independent shareholders should vote on amendments to relationship agreements under LR 9.22CR, but not to require a sponsor to be appointed, as will now be required under Proposed LR 8.21R(7) for related party transactions.

Q8: Do you support our guidance on the factors that the listed company should have regard to in determining whether a change to the relationship agreement is material (LR 9.2.2DG)?

We support the principle. We assume that the FSA's intention is that the listed company should consider the effect of all changes which have been made to the relationship agreement since it was last voted on and that, if the listed company considers that all these changes taken together represent a material change from the version of the agreement which was last approved by shareholders, then it should treat the proposed change as material. If this is correct, we suggest that this is made clearer in the drafting.

Q9: Do you support our proposal to require a listed company to disclose the current relationship agreement in the annual report (LR 9.8.4R(15))?

Yes, although given the current trend for "de-cluttering" annual reports, we suggest that the rule (or new guidance) expressly states that disclosing the relationship agreement on the website of the listed company would comply with this requirement.

Independent shareholders

Q10: Do you agree with our definition of an independent shareholder?

Yes.

Annual report disclosure

Q11: Do you agree with our proposals to amend LR 9.8.4R to include an obligation to make a statement on the compliance of the listed company with the relationship agreement (LR 9.8.4R(14)) as described above?

Yes, although please see our response to Q5 and Q34.

Independence in other circumstances

Q12: Do you agree that the proposed guidance (LR 6.1.4DG) contains the key factors indicating that the new applicant may not carry on an independent business? Do you think that there are any other factors that should be considered and if so what are they?

LR 6.1.4DG(3) may be problematic for applicants who are reliant on key intellectual property rights licences to operate their business. We are aware of businesses of this kind which have obtained a premium listing

and we assume that this is just one factor that the FSA will consider when assessing eligibility. We would welcome more guidance as to what situations are intended to be caught by LR 6.1.4DG(3) or a confirmation that the FSA is not adopting a more restrictive approach in relation to legitimate businesses that depend on third party intellectual rights provided that they satisfy all the other eligibility criteria.

Control of business

Eligibility requirement

Q13: Do you agree with the proposal to amend the requirement for control of assets to control of business (LR 6.1.4AR)?

We can foresee difficulties if the amended LR 6.1.4AR is to be complied with by listed companies as a continuing obligation. We have seen several situations where, after admission, listed companies have entered into various contractual arrangements (such as joint venture agreements) which grow in importance over time (relative to the other businesses of the issuer) so that, after time, these contractual interests may represent part or the majority of the issuer's business, although the issuer still retains control of its underlying assets. We query whether the FSA intends to capture such arrangements? It should not be the case that companies who operate different and innovative business structures which generate healthy profits should be made to move to the standard segment because of a change in the way they operate their business. If this rule does apply as a continuing obligation, we suspect that this would have a detrimental effect on the competitiveness and attractiveness of the premium listing segment and, therefore, we would favour retaining the existing formulation of "control of assets".

Purpose of control and situations where it may not exist

Q14: Do you agree with the proposed guidance (LR 6.1.4BG) regarding control of business? Do you think that there are any other indicators that should be considered and if so what are they?

We have some concerns with regard to LR6.1.4BG(2)(c).

The use of the words “unfettered ability” is unhelpful, as in reality no company can claim to have an unfettered ability to implement its business strategy as there will always be market or other restraints. We therefore suggest that (c) (and also the reference in LR6.1.4BG(2)) is amended to read simply “the new applicant is free to implement its business strategy”.

Secondly, there are likely to be a number of issuers that have assets subject to security in favour of finance providers. The provision of security over a business or assets should not be regarded as “contractual arrangements which result, or could result, in a temporary or permanent loss of control of its business”. In addition, issuers may be investors in joint ventures that are controlled businesses with the meaning of LR6, but which are subject to default provisions that could lead to a temporary or permanent loss of that control (for example, put and call options). Again, we do not feel that such businesses should be regarded as non-controlled for the purposes of LR6. We would welcome clarification of these situations.

Application where changes of control occur

Q15: Do you agree with our proposal to supplement guidance in LR 6.1.3EG(7) as set out above?

Having read the commentary in paragraphs 7.82-7.84 of CP12/25 and the proposed wording of LR6.1.3EG(7), we do not understand what particular mischief the FSA is seeking to prevent, and we therefore believe that the wording of LR6.1.3EG(7) should be clarified to make clearer what is meant by "non-controlled" interests in this context.

7.83 refers to entities that "have been owned but not controlled" as being the target of the FSA's concern, but it is not clear to us what this is intended to capture. In particular, it would be helpful to clarify by whom control should have been exercised during the three-year period in order for LR6.1.3EG(7) not to apply.

It is common for businesses to undergo partial or complete changes of ownership control at or immediately prior to admission. For example, on a demerger or on an IPO where 100% of the share capital of an issuer is sold in an offer, 100% ownership control will "pass" on or shortly before admission. We assume that the new guidance is not intended to capture situations of this type and we would appreciate confirmation of this.

It is also common for businesses to undergo a group reorganisation at or shortly before admission in the context of an IPO or demerger. In many situations, control of the entities that comprise the business of the group "passes" to the issuer entity at or shortly before admission. Again, we would appreciate confirmation that the guidance is not intended to capture situations of this type.

Assuming that the FSA is referring to management control in this context, we are aware of transactions having been proposed in the past whereby two or more businesses are combined under a single issuer holding company at or shortly before admission. This can take the form of an acquisition of one business by the other or the insertion of a common holding company above both businesses. Again, in the formal sense, ownership control "passes" at or shortly before admission. Is the intention that a combination of businesses immediately prior to admission would be a bar to eligibility?

Paragraph 7.83 of CP12/25 is explicit in stating that acquisition of entities within the track record period is not a bar to eligibility. If it is indeed the FSA's intention that a combination of businesses immediately prior to admission would render the applicant ineligible, then it follows that the question of eligibility will in some cases turn on the length of time between an acquisition completing and admission. Is the FSA able to give some quantitative guidance on how short a period is acceptable?

We would appreciate confirmation that our understanding of the proposed rule change is correct and suggest that the FSA takes the opportunity to clarify both the nature of the mischief that is being prevented and also the wording of LR6.1.3EG(7). In particular, we would suggest that the FSA clarify the meaning of "owned but not controlled" in paragraph 7.83 of CP12/25 and that the reference to "non-controlled interests" in LR6.1.3RG(7) is revisited.

Q16: Do you agree that control of business should be demonstrated at admission and on continuous basis rather than for the entire period covered by the historical financial information? If not, then please outline your thoughts on the way in which control of business should be demonstrated.

We agree.

INDEPENDENCE OF DIRECTORS

The Corporate Governance Code

Q17: Do you agree with Option 1 or Option 2 above?

We agree with Option 2. We believe that the UK Corporate Governance Code and the 'comply or explain' approach would be eroded if a more prescriptive approach is taken in the Listing Rules on the independence of directors.

It would be disproportionate for the FSA to require that a majority of the board comprise independent directors. The UK Corporate Governance Code recognises the need for flexibility. The requirement for a majority of independent non-executive directors (excluding the Chairman) does not apply to "smaller companies", being those not included in the FTSE 350, which typically form our membership and which are the majority of premium listed companies. In addition, the underlying principle of 'comply or explain' allows companies to determine how many independent non-executive directors are required in order to prevent one group of individuals from dominating decision-making and to avoid incurring excessive cost by appointing a predetermined large number of independent non-executive directors.

We also believe that there could be significant issues for the UKLA and FSA in defining 'independence'. The UK Corporate Governance Code does not define independence, but rather gives guidance on factors that may impair independence. We believe this is the correct approach as it allows for sufficient flexibility.

We believe that it should be up to the investor to determine whether or not they want to invest in a company and to consider and engage with the company on board composition. We do not believe it is appropriate for the Listing Rules to dictate the composition of boards in the case where there is a controlling shareholder.

Defining independence

Q18: Do you agree with our proposed definitions of independent director and independent chairman?

We do not agree with the proposed definitions. Please see our response to Question 17.

Application on a continuing basis

Q19: Do you support our proposal to extend the requirement for board composition as set out in LR 6.1.4ER(2) as a continuing obligation (LR 9.2.2AR(1))?

We do not support the proposal to extend the requirement for board composition. Please see our response to Question 17.

Period of time to rectify non-compliance

Q20: Do you agree with our proposal in LR 9.2.2BR to allow for a period not exceeding 6 months from the time of notification to the FSA to rectify the non-compliance with requirements in respect of composition of the board as set out in LR 6.1.4ER(2)?

We do not agree with the proposal. Please see our response to Question 17.

Ability to modify the free-float requirement in the premium segment

Q27: Do you support our proposal to amend LR 6.1.20G to set out criteria based on which the FSA may modify the requirement for a 25% free float as described above?

Yes, we support the proposal.

Ability to modify the free-float requirement in the standard segment

Q28: Do you support our approach to companies wishing to list on the standard segment as described above?

Yes, we support this approach.

Q29: Do you agree with the proposed criteria for assessing potential liquidity outlined above? Are there any other criteria to which we should have regard in considering the potential liquidity of shares within the standard segment?

Yes, we agree with the proposed criteria.

THE LISTING PRINCIPLES

Application

Q40: Do you agree with our proposal to amend LR 7.1.1R to make Listing Principles applicable to standard listed issuers?

As noted in our comments on reverse takeovers in the beginning of our response, we believe that the proposal to extend the Listing Principles to standard listed issuers further blurs the distinction between the premium listing and standard listing segments. The extension of the Listing Principles to the standard listing segment could be seen as 'goldplating' the EU minimum directive requirements. As such, we would ask that the FSA provides clarity over its view on the purpose of any principles supporting the standard listing category.

We have responded only to the questions where we feel we can have a specific, distinctive contribution. If you would like further feedback on questions that we have not responded to, please let us know. In addition, if you would like to discuss any of our response in more detail, we would be happy to attend a meeting.

Yours sincerely,

Tim Ward
Chief Executive

APPENDIX A

Quoted Companies Alliance Legal Expert Group

Tom Shaw (Chairman)	Speechly Bircham LLP
Gary Thorpe (Deputy Chairman)	Clyde & Co LLP
Jai Bal/Anthony Turner	Farrer & Co
Chris Barrett	Bird & Bird LLP
Richard Beavan	Boodle Hatfield LLP
Ian Binnie	Nabarro LLP
Ross Bryson	Mishcon De Reya
Madeleine Cordes	Capita Registrars Ltd
David Davies	Bates Wells & Braithwaite LLP
Mebs Dossa	McguireWoods
David Fuller	CLS Holdings PLC
Stephen Hamilton	Mills & Reeve LLP
Susan Hollingdale/Hilary Owens	Practical Law Company Limited
Martin Kay	Blake Lapthorn
Julie Keefe	Norton Rose LLP
Philip Lamb	Lewis Silkin
Christian Lowis/Tim Stead	Squire Sanders (UK) LLP
Maegen Morrison	Hogan Lovells International LLP
June Paddock	Fasken Martineau LLP
Donald Stewart	Faegre Baker Daniels LLP
Mark Taylor	Dorsey & Whitney

Quoted Companies Alliance Corporate Finance Advisors Expert Group

Samantha Harrison (Chairman)	RFC Ambrian Limited
Richard Evans (Deputy Chairman)	Strand Hanson Limited
Stuart Andrews	FinnCap
Azhic Basirov	Smith & Williamson Limited
David Bennett/Simon Charles	Marriott Harrison
Daniel Conti	RBC Capital Markets
Richard Crawley	Espirito Santo Investment Bank
Matthew Doughty	Dorsey & Whitney
Sean Geraghty	Dechert
James Green	K & L Gates LLP
Lesley Gregory	Memery Crystal LLP
Tom Griffiths	Westhouse Securities
Chris Hardie	Arden Partners PLC
Daniel Harris	Peel Hunt plc
Dalia Joseph	Oriel Securities Limited
Amerjit Kalirai	Field Fisher Waterhouse
Jonathan King	Osborne Clarke
Jonathan Morris	Bates Wells & Braithwaite LLP
Nicholas Narraway	Moorhead James
Nick Naylor	Allenby Capital Ltd
Claire Noyce/Deepak Reddy	Hybridan LLP
Simon O'Brien	PricewaterhouseCoopers LLP
Tom Price	
Philip Secrett	Grant Thornton UK LLP
Rick Thompson/Mark Percy	Seymour Pierce Limited
Ray Zimmerman/Marc Cramsie	ZAI Corporate Finance Ltd

Quoted Companies Alliance Corporate Governance Expert Group

Edward Craft (Chairman)	Wedlake Bell LLP
Victoria Barron	Hermes Equity Ownership Services
Edward Beale	Western Selection Plc
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David Fuller	CLS Holdings PLC
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