



**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
Email: mail@quotedcompaniesalliance.co.uk

Seamus Gillen
Director of Policy
ICSA
16 Park Crescent
London W1B 1AH

policy@icsa.co.uk

21 April 2010

Dear Mr Gillen,

ICSA Review of the Higgs Guidance

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 Corporate Governance Committee 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.

Question 1: Do you agree with the purpose of the guidance as set out above?

We are concerned that any guidance may be interpreted as rules and recommend caution in drawing up the guidance to ensure that this is not the case.

Smaller quoted companies make up the bulk of companies subject to the UK Corporate Governance Code. We note that the steering group does not seem to include anyone with substantial experience of smaller quoted companies, and would welcome any opportunity to provide further input from the perspective of smaller quoted companies as your guidance is developed.

Questions 2 and 3: Do you agree that the paper has identified the right areas where the existing guidance could be enhanced? Are there other areas which the guidance should look at?

The paper has been very comprehensive in identifying areas where it proposes to enhance guidance.

Our key concern at the outset is the relative balance of such guidance. Corporate governance is as much (if not more) about value creation, as opposed to value protection, and we would like to see guidance reflecting this weighting. In our opinion, the proposed UK Corporate Governance Code is concerned far too much with value protection to the detriment of value creation.

The draft UK Corporate Governance Code states that the purpose of corporate governance is to “facilitate efficient, effective and entrepreneurial management that can deliver growth in shareholder value over the longer term”. The Code then goes on to elaborate an extensive wish list of “Principles” and “Provisions”. It would be useful to have guidance demonstrating how the “Principles” and “Provisions” contribute to the purpose of corporate governance. We consider that this would demonstrate that there are too many “Principles” and “Provisions” in certain areas (e.g. remuneration) and possibly too few in others (e.g. entrepreneurial management).

We would also like to see specific acknowledgement that the Chairman, because he is responsible for the running of the Board, is also responsible for Corporate Governance.

If you wish to discuss these issues with us, we will be pleased to attend a meeting.

Yours sincerely,



Tim Ward
Chief Executive

QCA CORPORATE GOVERNANCE COMMITTEE

Edward Beale* (Chairman)	-	City Group PLC
Mirza Baig	-	F & C Asset Management
Nigel Burton	-	Advanced Power
Anthony Carey	-	Mazars LLP
Louis Cooper	-	Horwath Clark Whitehill LLP
Clive Garston	-	Davies Arnold Cooper LLP
Tim Goodman	-	Hermes Equity Ownership Services Ltd
Nick Graves	-	Burges Salmon LLP
Dalia Joseph	-	Oriel Securities
Michael Landon/Cliff Weight	-	MM & K Ltd
Murray Steele	-	Cranfield School of Management
Andrew Viner	-	BDO LLP
Melanie Wadsworth	-	Faegre & Benson LLP
Tim Ward	-	The Quoted Companies Alliance
Kate Jalbert	-	The Quoted Companies Alliance

*Main Author(s)

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 **EuropeanIssuers**, 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
6 Kinghorn Street
London EC1A 7HW
020 7600 3745
www.quotedcompaniesalliance.co.uk

-o0o-