



**The Quoted
Companies Alliance**

Securities and Markets Team
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ

SAMteam@hmtreasury.gsi.gov.uk

10 June 2011

Dear Sirs,

HM Treasury – Consultation on early implementation of amendments to 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 Quoted Companies Alliance 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.

RESPONSE

We welcome the opportunity to respond to this consultation.

As noted above, the Quoted Companies Alliance represents small and mid-cap quoted companies. Given this, we are supportive of the proposals set out in the Consultation Paper and welcomes the Government's decision to implement in the UK the proposals contained in Directive 2010/73/EU (the "Amending Directive") to: (i) increase the number of persons to whom an offer may be directed before it ceases to be an exempt offer from 100 to 150 persons; and (ii) increase the threshold for an offer of securities for which a prospectus will be required from €2.5 million to €5 million (together the "Early Amendments") earlier than 1 July 2012.

Specific Responses

Set out below is the QCA's response to the three specific questions in the Consultation Paper:

- 1. Do you have any information on the quantitative benefits associated with increasing the number of persons to whom an offer may be directed before it ceases to be an exempt offer from 100 to 150 persons?**

Whilst the Quoted Companies Alliance does not have specific information on the quantitative benefits associated with increasing the number of persons to whom an offer may be directed before it ceases to be an exempt offer from 100 to 150 persons, it believes that in certain circumstances it will benefit issuers and will reduce the overall cost involved with fundraisings for those issuers.

- 2. Do you have any views on the Government's decision to introduce these specific elements of the Amending Directive earlier than required, because this will be beneficial to smaller companies?**

The Quoted Companies Alliance agrees with the Government's decision to introduce the Early Amendments before 1 July 2012. By reducing the costs associated with raising capital in the circumstances falling within the criteria set out in the Early Amendments, we believe that companies will have greater flexibility to choose the most appropriate method for it of raising capital from its existing shareholders and the public. We note the concern expressed in the Impact Assessment Statement that investors may choose not to invest in offers for which a prospectus has not been produced. However, we believe that companies and their advisers are best placed to determine whether their potential pool of investors would be unduly restricted by the company not preparing a prospectus. In such a situation, the company is likely to weigh up the costs associated with preparing a prospectus and the benefits of its preparation and choose the most appropriate course open to it.

The Quoted Companies Alliance also notes the analysis of the effect of the Early Amendments on cross-border offers set out in the Consultation Paper. Whilst there will be a mismatch in exemptions available to issuers across the Member States if the other Member States do not follow the UK's lead in early implementation, the Quoted Companies Alliance does not believe that the potential difficulties which may arise in cross-border offers outweigh the benefits to issuers arising from the UK implementing the Early Amendments prior to 1 July 2012.

3. Do you have any comments on the draft regulations of the amending SI?

The Quoted Companies Alliance does not have any comments on the draft regulations.

If you would like to discuss this in more detail, we would be happy to attend a meeting.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'TW', is positioned above the typed name of the signatory.

Tim Ward
Chief Executive

Quoted Companies Alliance Legal Committee

Tom Shaw (Chair)	-	Speechly Bircham LLP
Jai Bal	-	Farrer & Co LLP
Chris Barrett	-	Bird & Bird LLP
Richard Beavan	-	Boodle Hatfield LLP
Ross Bryson	-	Mishcon de Reya
Madeleine Cordes	-	Capita Registrars
Jonathan Deverill	-	DMH Stallard
Jeanette Gregson	-	Davenport Lyons
Stephen Hamilton	-	Mills & Reeve
Susan Hollingdale	-	Practical Law Company Ltd
Martin Kay	-	Blake Laphorn LLP
Julie Keefe	-	Norton Rose
Carol Kilgore	-	Curtis, Mallet-Prevost, Colt & Mosle LLP
Philip Lamb	-	Lewis Silkin LLP
Maegan Morrison	-	Hogan Lovells International LLP
Chris Owen	-	Manches LLP
June Paddock	-	Fasken Martineau LLP
Donald Stewart	-	Faegre & Benson LLP
Gary Thorpe	-	Clyde & Co LLP
Tim Ward	-	The Quoted Companies Alliance
Kate Jalbert	-	The Quoted Companies Alliance

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;
- 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:

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