

**The Quoted
Companies Alliance**

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

Web: www.qcanet.co.uk
Email: mail@qcanet.co.uk

Transparency Directive: Major Shareholdings Notification Consultation
Capital Markets and Governance Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

E-mail: eve.engledow@hm-treasury.x.gsi.gov.uk

9 June 2005

Dear Ms Engledow,

Transparency Directive: Consultation on implementation of the major shareholding notification provisions.

Introduction

The Quoted Companies Alliance (QCA) is a not-for-profit membership organisation representing, and dedicated to promoting the cause of, smaller quoted companies ("SQC's") – defined as those 2,000+ quoted companies outside the FTSE 350 (including those on AIM and OFEX) representing 85% of UK quoted companies by number.

The QCA believes that the UK's future prosperity depends on business enterprise and is committed to improving the ability of its members to:-

- ensure that the regulatory environment in which they operate effectively balances the interests of members, investors and other legitimate interests.
- demonstrate value to both capital markets and the wider economy; and represent members' interests and requirements.

The QCA is a founder member of UNIQUE, the Union of Issuers Quoted in Europe, which represents over 3,500 quoted companies in six EU member states.

We appreciate the opportunity to participate in this consultation process which has been drafted by Peter Swabey, on behalf of the QCA's Markets & Regulations Committee.

A company limited by
guarantee registered in
England
Reg No: 4025281

Response to Specific Questions Raised

1. ***Do you agree with the proposal that the principal obligation of disclosure should be changed from the current 'interest in shares' under the Companies Act 1985 to control of exercisable voting rights under the Directive?***

Yes – given that this is the Directive definition, any other definition would create duplicate obligations.

2. ***Do you agree with the proposal to remove non-traded public limited companies from the scope of the disclosure regime?***

Yes.

3. ***Do you agree with the proposal to give the FSA powers to make issuers admitted to trading on non-regulated markets in the UK (and those with qualifying holdings in those issuers), subject to the regime where appropriate for market transparency reasons?***

Yes.

4. ***Do you agree with the proposal to repeal the current criminal sanctions for breach of notification obligations and give the FSA powers to deal with breaches of notification obligations equivalent to those it has to deal with breaches of rules under FSMA?***

No. Whilst the FSA could be given such powers, the real teeth of these provisions are the existence of criminal sanctions which compel compliance. As a practical example, the position in the United States could be considered, where although there are significant notification obligations, there is anecdotal evidence to the effect that notification is frequently made late if at all. The absence of criminal sanctions is likely to be a key contributor to this situation.

Similar considerations apply to the legal position of the current s212 CA1985, which gives issuers the right to require information about the interests in shares held. This right is supported with criminal sanctions (s216) and consequently UK issuers are in a better position to engage in meaningful dialogue with shareholders than issuers in most other jurisdictions worldwide. This gives important benefits in terms of transparency of ownership, as well as facilitating communication between companies and their owners.

The QCA believes it is a fundamental right of a company to be able to ascertain the identity of its owners. The support of the CA1985 in this regard is most important.

5. ***Do you agree with the proposal to maintain the scope of the current Companies Act regime and give the FSA equivalent powers to require disclosures in respect of holdings of financial instruments?***

Yes – this has become increasingly important in the light of the increase in securities lending activity, and should therefore not be limited to takeover-related activity.

6. ***Do you have any comments on the likely costs of implementation of the major shareholdings notification provisions of the Directive?***

I do not believe that these are significantly greater than under the existing regime.

7. Do you have any comments on the impact on competition of implementation of the major shareholdings notification provisions of the Directive?

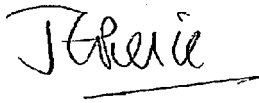
I do not believe that this is significantly different from the existing regime.

8. Do you have any comments on the impact on small business of implementation of the major shareholdings notification provisions of the Directive?

I do not believe that these are significantly greater than under the existing regime.

If you wish to discuss these further, we will be happy to meet.

Yours sincerely,

A handwritten signature in black ink, appearing to read "JPierce", with a horizontal line underneath.

John Pierce
Chief Executive