

Simon Cubley
HM Treasury
Capital Markets
& Governance Team
4/22
1, Horse Guards Road
London SW1A 2HQ

20 January 2005

Our Ref: AL

Dear Mr Cubley

Re: Consultation Document on UK Implementation of the Prospectus Directive 2003/71/EC (“the Consultation Document”)

We would like to comment upon Question 4 of the specific questions raised in the Consultation Document , as follows:

Q4 What form of additional UK prospectus regime should apply below the €2.5 million threshold?

We would argue that, should an additional UK prospectus regime be introduced to apply below the €2.5 million threshold, then it should completely exclude offers of securities through employees’ share schemes.

If possible, the exclusion should use the same language as is currently contained in the POS Regs (regs 7(2)(o), 7(12) and 7(13)). Put another way, it should exclude offers of securities to employees whether or not the offeror (or, if different, the relevant employing subsidiary) already has securities admitted to trading on a regulated EU exchange.

The justification for our suggestion is that offers of shares to employees are not made for the purpose of raising capital; they are made to reward and motivate employees and typically employees are able to acquire shares at less than their fair market value. Employee share offers are therefore not subject to the same risk of fraud by “reckless or unscrupulous promoters” that the Treasury identifies in paragraph 4.16 of the Consultation Document.

Furthermore, the extra costs and work involved in producing a prospectus may put companies off from extending employee share offers which fall below the €2.5 million limit (and therefore, in the absence of any special regime, would not require a prospectus in the UK) to employees in the UK. Clearly, this would be undesirable.

Should you wish to discuss these points in further detail, please contact Aidan Langlely at the above address.

Yours faithfully

Deloitte & Touche LLP