



**The Quoted
Companies Alliance**

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10 September 2008

Dear David,

Proposals for Future Arrangements for Funding the FRC's Activities in Relation to Accounting, Auditing and Corporate Governance Consultation Paper

Introduction

The Quoted Companies Alliance (QCA) is a not for profit membership organisation dedicated to promoting the cause of smaller quoted companies (SQC), which is defined as those 2000 plus quoted companies outside the FTSE 350 (including those on AIM and PLUS) representing 85% of UK quoted companies by number. Their individual market capitalisations tend to be below €500m.

The QCA is a founder member of European**Issuers**, which represents over 9000 quoted companies in twelve EU member states.

Response

Further to Chris Stapeley's telephone conversation with you last week, please find enclosed our response to the above paper. We welcome the opportunity to comment upon the consultation paper and are aware of the funding issue that you face as a result of the pending loss of the government grant.

- 1. Do you agree that our costs should be met by the major groups of market participants which are subject to, or have regard to, our regulatory requirements, and have the primary responsibility for implementing the standards we set or influence, monitor and enforce?**

We see the FRC as a guardian of the public interest in financial reporting and governance matters, and accordingly believe the government should continue a level of grant to reflect this without compromising the independence of the FRC.

Following from the above, we agree that these participants should then meet the balance of your costs and cannot think of any potential contributors other than those identified by you.

2. Do you agree that the funding groups which prepare financial statements should contribute towards the UK share of the IASB's costs?

Yes. It would seem fair that all such funding groups should contribute. It is not feasible to differentiate between those companies and entities that prepare their accounts in accordance with international standards and those that do not.

3. Do you agree that we have appropriately identified the two major groups which, (following the decision to withdraw the government contribution to our funding) are subject to, or have regard to, our regulatory requirements but which do not contribute to our costs; and

4. Are there any other major groups of market participants which, in your view, should contribute to our funding arrangements?

We do agree that you have appropriately identified the major groups and do not think that there are any other major groups of participants who should contribute.

5. Do you agree with our proposed basis for assessing the appropriate contribution from the potential new funding groups we have identified to the costs of our core operating activities in relation to accounting, auditing and corporate governance?

We have some observations in relation to this proposal. We welcome the discount of 50% to the minimum levy and the market capitalisation based levy rates for publicly traded companies other than fully listed companies.

However, it has been suggested that it would be more equitable for the charge to be made upon the basis of profitability. In relation to large private companies we understand the significance and ease of calculating the levy based on turnover but this does not always bear any relationship to profitability. Margins differ greatly in differing business sectors and, if possible, some consideration should be given to this levy being based upon earnings rather than turnover, viz the ability to pay.

6. Are there additional criteria which, in your view, we should take into account in determining the size of the contribution from these groups?

See (1) above re continued support from government.

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

Yours sincerely,



John Pierce
Chief Executive