



**The Quoted
Companies Alliance**

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Simon Cottee
Policy – Primary Markets
Financial Services Authority
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Tuesday 12 February 2008

Dear Mr Cottee,

DISCLOSURE OF CONTRACTS FOR DIFFERENCE: CONSULTATION AND DRAFT HANDBOOK TEXT

INTRODUCTION

The Quoted Companies Alliance (QCA) is a not-for-profit membership organisation dedicated to promoting the cause of smaller quoted companies (SQC), which we define as those 2,000+ quoted companies outside the FTSE 350 (including those on AIM and PLUS) representing 85% of the UK quoted companies by number. Their individual market capitalisations tend to be below €500m.

The QCA is a founder member of EuropeanIssuers, which represents over 9,000 quoted companies in twelve EU member states.

RESPONSE

Thank you for giving us the opportunity to comment on the proposals to bring Contracts for Difference (CfDs) under a disclosure regime. We feel that CfDs are a concern for SQCs and agree with the analysis that there are instances of CfDs being used in ways which the current regulatory regime is intended to catch.

We consistently call for greater transparency in share ownership as it is in the interests of all parties including the issuer, shareholders and the wider market. As a consequence we do not support the first option put forward by the consultation paper to leave the current regime as it stands. Our preference is for Option 3 for the reasons laid out below.

Option 2 is desirable as it provides a targeted solution to the problem. However, there is a major risk that the safe harbours are not sufficient to prevent a CfD holder from exercising influence even in the event that the original CfD agreement is supposed to preclude this.

Moreover, we feel that the ongoing costs of Option 2 will not be dissimilar to Option 3, as similar reporting systems will have to be put in place. Therefore, Option 3 is our preferred choice as it has the virtue of simplicity and the absence of loopholes for those who wish to exert undue influence on an issuer.

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

Yours sincerely,

A handwritten signature in black ink that reads "John Pierce". The signature is written in a cursive style and is underlined with a single horizontal line.

John Pierce
Chief Executive