

Thank you Karel

European issuers and the Quoted Companies Alliance – I think you can see where I am coming from

From our point of view it is encouraging that at least one of the markets' main groups of customers, Companies, are involved in this panel and for that I thank you. Companies have a real interest in the structure and operation of the markets.

The events of the last 3 years have shown the importance of equity finance for companies. Promoting an equity culture is far wider than just MiFID and this is demonstrated by the three questions put to me by our moderator Karel:

1. Are the listing rules of large exchanges prohibitive?
2. Do we need a European Listing?
3. Is the market for illiquid small caps disappearing?

I am not going to dwell on the mechanics, I will leave that to my colleagues .

There is one word I would like you to go away with:

Whether it is in the primary or secondary market , rules, regulations and facilities need to be PROPORTIONATE

Let me therefore deal with the three questions:

Question 1: Are the listing rules of large exchanges prohibitive?

Answer: Not for large cap companies. Investors at that level want quality – listing rules are a key element in ensuring that quality?

Question 2: Do we need a European Listing?

Answer: I have seen no evidence that the existing arrangement for large caps needs changing.

Which leads me neatly to the most important question:

Question 3: is the market for (illiquid) small caps disappearing ?

Answer: potentially yes if we continue to apply large cap rules, regulations and mechanics to small caps.

We need the rules and regulations to be in PROPORTION.

MiFID has brought competition where there is natural liquidity [i.e. in the large caps] and improved investor protection. However the main markets need the feeder markets.

If the costs of entry and of operation of the larger markets continue to be applied to medium and small caps then we can never grow an equity culture.

Help is nearly at hand.

20 years ago, the London Stock Exchange envisaged a market of 3 segments each with their differing characteristics

- at the top level a European inter-professional market of 300 or so stocks – I think we have got there
- secondly a domestic market;
- and lastly but by no means an Enterprise Market which was the model for AIM.

AIM is an exchange regulated market. Exchange Regulated markets give us a concept on which we can build to provide proportionate facilities for differing companies and differing types of investors. Companies can be start-ups or with a trading record before they come to a market. Investors can be retail or Professionals in MiFID terms.

It is important that companies are clear on the nature and benefits and demerits of the market on which their shares are to be traded. For investors it is vital that they are clear on the characteristics of market on which the shares in which they invest are traded.

We can achieve this by differentiating the market offerings in proportion to the needs of the companies and their target investors.

At the lowest level there are plenty of off-exchange companies where the trading is conducted weekly, most often only on a Friday, with an investor base limited to experienced investors [in MiFID terms professional investors]. Such investments are high risk but there is rarely a shortage of potential high net worth investors who are looking for growth at the margin of their portfolio for the right offering. This clearly shows that markets do not have to be uniform to meet the needs of Companies and Investors

Second level markets could be differentiated by:

- The offering process and documentation including the listing rules;
- Tax allowances
- Reporting requirements
- To which categories of investors are the shares available;
- Whether the concentration rule applies;
- Whether it is a quote or order driven market.

Given these variables Companies and their advisers could be allowed to determine the market or markets of their choice, proportional to their needs and to the needs of the investors they are targeting.

In my view MiFID enables much of this to occur. As long as we provide diversity and choice at this second level, and not to make one solution fit all, i.e. as long as the solutions are proportionate, then we have the opportunity to foster and grow an equity culture.

Thank you for listening.