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Dear Jim

**IMPLEMENTATION OF THE “8th DIRECTIVE” – POLICY CONCLUSIONS
AND DRAFT REGULATIONS**

Thank you for the opportunity to comment on the implementation of the 8th Directive.

Our response is focused on two areas that are of particular interest to the Exchange: Public Interest Entities (Audit Committees) and Third Country Auditors.

Public Interest Entities

In our response of 1 June 2007, we advocated maintaining the status quo as much as possible. We were not fully comfortable with any of the four options for implementing the requirements on audit committees without modification, and we were particularly opposed to criminal sanctions as set out under options 2, 3 and 4.

We are therefore pleased that BERR has decided upon a variation of option 1, and that the new requirements will be limited to those set out in the Directive and not referenced to the Combined Code. FSA Rules seem the most sensible form of implementation, and FSA sanctions are more appropriate than criminal sanctions for breach of the requirements. Our other concern with option 1 regarded questions that had not been resolved regarding the extension of FSA's role in monitoring compliance (given that they do not currently "look through" into the workings of the company). However, so long as FSA and the FRRP can between themselves make appropriate practical arrangements for monitoring companies' compliance with disclosure requirements, such as FRRP including such monitoring in its reviews, then this should not pose a problem.

Further, we believe it makes sense for the same approach to be used with respect to the requirement to issue a corporate governance statement.

We look forward to reviewing the FSA rules when they are consulted upon later this year.

Third Country Auditors

As stressed in our earlier response, the application of the 8th Directive to third country auditors is of considerable importance to us and we have been pleased to work with BERR and the Professional Oversight Board (POB) on these issues. As you know, one of our key concerns is to ensure that equivalence and transitional provisions are as pragmatic and principles-based as possible, and we eagerly await the outcome of current debates at EU-level on this issue.

With regard to the draft regulations, we support the principle that FSA Rules will require third country issuers to have an audit report signed off by an auditor who is on the POB register. We understand that for third country auditors who benefit from equivalence or transitional provisions, POB will be granted the power to disapply the regulation and registration requirements so that all that is required on the register is essential details such as a third country auditors name and address. We are satisfied with this approach, but would stress that it is vital that POB are given the necessary flexibility, to ensure a consistent approach with the register of UK statutory auditors.

I hope our views are helpful to BERR's work. Please do not hesitate to contact me if you wish to discuss any aspect of this letter.

Yours sincerely



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