



30 October 2007

European Commission,
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Dear Sir

RESPONSE TO COMMUNICATION ON A SIMPLIFIED BUSINESS ENVIRONMENT FOR COMPANIES IN THE AREAS OF COMPANY LAW, ACCOUNTING AND AUDITING

Thank you for the opportunity to comment on the communication regarding the possible repeal or reform of a number of EU company law, accounting and auditing directives.

Firstly, we would like to express our support for the general principle of reform of EU company law and simplifying the regulatory environment for business. We agree that in today's globally competitive environment, there is a need to review existing EU directives to assess their continued relevance, and that this assessment must take account of the principles of better regulation, subsidiarity and proportionality.

Our response focuses on one aspect – the potential repeal of the second company law directive and the impact upon pre-emption rights. Pre-emption rights are highly valued by investors and have received strong support in the UK. Although repeal at EU level would not prevent Member States from having national requirements in this area, we believe there is a strong case for retaining the pre-emption rights requirement at EU level.

Pre-emption rights are an important investor protection measure that should be afforded to investors in companies across Europe. As well as protection for shareholders against the dilution of the value of their holding and dilution of control, there is a widely held belief that pre-emption rights reduce the cost of capital, as the protections afforded to investors will be taken into account when valuing the company.

We recognise that there may be a case for making the application of pre-emption rights more flexible, particularly to make it less difficult and costly for biotechnology companies to finance research and product development. However, this does not change our fundamental support for retaining the overall principle of pre-emption rights at EU level.

Whilst we do not support repeal of the provisions on pre-emption rights, we do agree that at least some review of the capital maintenance system under the Second Company Law Directive is necessary, to ensure that business is not unduly constrained by outdated or ineffective regulations.

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

Yours sincerely

A handwritten signature in black ink, appearing to read "Anita Collett". The signature is fluid and cursive, with the first name "Anita" written in a larger, more prominent script than the last name "Collett".

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