

**Comments on behalf of
The Association of Corporate Treasurers**
in response to Consultation Paper 182 (CP182)

**Proposed changes to the UK Listing Rules to take
account of the introduction of treasury shares**

(UKLA: Financial Services Authority (FSA), May 2003)

I. Introduction

The Association

The Association of Corporate Treasurers was formed in 1979 to encourage and promote the study and practice of corporate finance and treasury management and to educate those involved in the field. Today, it is an organisation of professionals in corporate finance, risk and cash management operating internationally. A professional body and not a trade association, it has over 3,000 Fellows, Members and Associate Members. With more than 1,200 students in more than 40 countries, its education and examination syllabuses are recognised as the global standard setters for treasury education.

Members of the Association work in many fields. The majority of Fellows work in large UK public companies, responsible for the treasury and corporate finance functions.

The ACT usually comments from the corporate and not the financial services sector standpoint.

This Consultation

The ACT welcomes the opportunity to submit views on the important issue of amending the UK Listing Rules so as to reflect and incorporate the treasury shares regime.

The ACT has been a long term advocate for the introduction of treasury shares in the UK and was active in the Department of Trade & Industry (DTI) consultation process leading up to the issue of The Companies (Acquisition of Own Shares)(Treasury Shares) Regulations 2003. The ACT has also worked closely with the Association of British Insurers (ABI) and the National Association of Pension Funds (NAPF) in discussing the approach to pre-emption rights under the proposed regime.

II Consultation comments

The ACT's consultation comments on CP182 refer to the potential uncertainty surrounding required disclosures in buyback circulars.

The ACT notes that the FSA does not propose a specific amendment to the Listing Rules in relation to disclosure in circulars relating to share buyback arrangements but instead intends that such disclosures would be covered by the Rule 14.1(a) requirement to provide a clear explanation of subject matter. However, the FSA states in consultation CP182 that it would expect at least to see an indication in buyback circulars of whether repurchased shares will be cancelled or held in treasury (ref contents of circulars – paragraph 3.48).

In this respect, the ACT is concerned that a degree of uncertainty may result for companies which have existing buyback resolutions in place which were not accompanied by such an indication.

A significant number of companies will have taken buyback authorities during their AGM this year. We believe that many would have taken a 'wait and see' approach to the introduction of the treasury shares regulations. Those who may have included a reference to their intention to retain shares in treasury (once permitted to do so) would be in the minority. Therefore, when the regulations come into force, these companies and their corporate treasurers may wish to take advantage of an existing buyback authority in order to hold shares in treasury but are unsure of how this would be regarded under the Listing Rules.

Whilst there may be technical drafting issues about whether companies can use existing authorities, and the period until the next AGM season is, in any event, likely to be short, the ACT would point out that confirmation on this point would be extremely helpful to companies (whether by guidance or through the UKLA's 'LIST' publication).

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