



Grant Thornton

Our Ref NJJ/SAM/0408
Your Ref LEVY 2008/09

Enquiries
Financial Reporting Council
5th Floor, Aldwych House
71-91 Aldwych
London
WC2B 4HN

National Office

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP
T +44 (0)20 7383 5100
F +44 (0)20 7383 4715
DX 2100 EUSTON
www.grant-thornton.co.uk

30 April 2008

Dear Sirs

Levy Proposals 2008/09

We are pleased to have the opportunity to comment on the Financial Reporting Council's (FRC) levy proposals for the coming year.

AIM and PLUS contributions

We note that 2008/09 is the first year that AIM and PLUS companies are required to contribute to the FRC's costs. We think it appropriate that companies that have their shares traded on public markets should contribute to funding regulation of those markets.

Like the Main Market of the London Stock Exchange, PLUS Listed is an European Commission (EC) regulated market. Our understanding is that the FRC's regulatory work is broadly aimed at those companies admitted to the Official List by the FSA's UK Listing Authority, as opposed to just the Main Market of the London Stock Exchange. PLUS Listed was launched on 19 July 2007 as a second admission option to the Main Market of the London Stock Exchange for companies admitted to the Official List. In our view it is inappropriate that companies whose shares are traded on PLUS Listed are charged regulatory fees for 2008/09 at a discount to regulatory fees for companies whose shares are traded on the Main Market of the London Stock Exchange. The business levy imposed on companies whose shares are traded on either market should be the same.

We agree that AIM companies should face a lower business levy than companies who are admitted to the Official List.

Withdrawal of government funding for the FRC

We were dismayed to read of the government's announcement to withdraw funding from its (approximately one third) share of FRC costs from 2009/10. If the shortfall were to be pro rated next year across remaining contributors to FRC funds this will increase the levy on companies by 50%.

We look forward to receiving the FRC's consultation document on future funding arrangements, which is due for publication in April 2008. At present it appears that the government's announcement has been taken at face value, but we believe that there are other funding avenues that the FRC could explore with government. There are public interest arguments for government funding for the regulatory elements of the FRC's work., such as audit inspection and auditor discipline. Funding for specific parts of the FRC where the public interest is demonstrably served might appeal to government in a way that a central

Chartered Accountants

Member firm of Grant Thornton International Ltd
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

contribution to the FRC's general running costs does not.

Aside from the funding question, we believe that the FRC could also explore the public interest arguments for a contribution from central government toward FRC running costs. There is clear potential for perceived lack of independence of the audit regulatory process by stakeholders in capital markets if the FRC's funding is generated from only issuers and auditors. We believe that government has a vested interest in ensuring appropriate independent regulation of capital markets and other responsibilities of the FRC's constituent parts. For example, one problem identified by the FRC in its earlier consultation on The Accountancy Scheme is the impact of the award of costs against the FRC by a successful defendant at a disciplinary tribunal. We believe that award of these costs could be ring-fenced by the FRC and underwritten by market participants including government.

If you have any questions on this response, please contact Steve Maslin (phone: 0207 728 2736; email Steve.Maslin@gtuk.com) or Nick Jeffrey (phone: 0207 728 2787; email Nick.Jeffrey@gtuk.com).

Yours faithfully

A handwritten signature in black ink, appearing to be 'SM', written in a cursive style.

Steve Maslin
Partner, Head of External Professional Affairs
For Grant Thornton UK LLP

Direct T: 0207 728 2736
Direct F: 0207 728 2736
E: steve.maslin@gtuk.com

Consultation questions

Question 1: Do you agree with our proposed levy rates for 2008/09?

Grant Thornton response: It is difficult to comment on the rates themselves and we believe that companies would benefit from additional transparency on the amounts raised from the various elements of the business levy.

We agree that the levy bands should mirror those on which the London Stock Exchange and the Financial Services Authority base their fees. However it would be useful to understand how much of the £4.8m total business levy is raised from the minimum levy, and how much is raised from the market capitalisation rate. This will assist companies in responding to the FRC on the relative levels of the minimum levy and band rates - for example, should more be raised from the minimum levy or should more be raised from the companies with larger market capitalisation.

It might be worth exploring with the London Stock Exchange and the Financial Services Authority whether a more appropriate method than market capitalisation might be found for deriving regulatory fees. At best market capitalisation is an arbitrary measure, which is exacerbated by deriving the levy from market capitalisation on one particular date.

Question 2: Do you agree with our proposed insurance and pension levy rates for 2008/09?

Grant Thornton response: We have no comment to make.