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The Quoted Companies Alliance

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ΣΥΔΕΚ [2]
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February 12, 2007

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-9303

Re: Comments on Proposed Rules Relating to Termination of a Foreign Private Issuer's Registration of a Class of Securities Under Section 12(g) and Duty to File Reports Under Section 13(a) or 15(d) of the Securities Exchange Act of 1934
File No. S7-12-05

Dear Ms. Morris:

We are submitting this letter in response to the request of the Securities and Exchange Commission (the "Commission") for comments on the Commission's reproposed rules relating to the termination of a foreign private issuer's registration under Section 12(g), and duty to file reports under Section 13(a) or Section 15(d), of the Securities Exchange Act of 1934 (the "Exchange Act"). The reproposed amendments are discussed in Release No. 34-55005; International Series Release No. 1300; File No. S7-12-05 (the "Release").

We strongly support the Commission's revised rule proposal, which we believe addresses the deficiencies in the December 2005 proposal in a principled way. A trading volume benchmark would provide targeted protection of U.S. investors, allowing deregistration when investors have shown that they are comfortable trading in a non-U.S. market, and preventing deregistration when a company's trading price is significantly determined in the United States. In addition, as the Commission states in the Release, trading volume data is easier to obtain than public float or record holder data, making it a much more practical standard that will allow issuers to determine whether they are eligible for deregistration without undue burden or expense. These are the reasons why we supported a trading volume threshold when we wrote to the Commission in February 2004, and these are the reasons why we support a trading volume threshold today.

We also support most of the other changes that the Commission has made compared to the prior proposal, most notably the change to apply the one-year dormancy only to registered offerings under the Securities Act of 1933 (the "Securities Act"), as well as the change that will allow "successor issuers" to use the new rules immediately after a business combination transaction with a target company that has at least a one-year reporting history.

We believe the new proposal strikes the appropriate balance between issuer flexibility and U.S. investor protection. The new rules would provide significant protection to U.S. investors by ensuring that they have electronic access to English language versions of home country documents of a deregistering company and that the company is listed in a primary trading market that provides liquidity for U.S. investors. The last point is critical, as investors who prefer not to retain their investments in companies that deregister will have the ability to sell their shares easily in the issuer's primary market (the market where by definition most trading takes place even before deregistration).

As indicated in our prior letters to the Commission, we believe that liberalization of the deregistration rules will make those rules consistent with the treatment of U.S. companies that list their securities on European markets and will constitute a significant step in making the U.S. market more attractive to European companies.

We encourage the Commission to adopt a final rule quickly, so that eligible companies choosing to deregister may do so before the June 30 deadline for filing a 2006 annual report on Form 20-F for companies with a December 31 fiscal year end. We understand that the Commission intends to take further action quickly and look forward to the liberalized deregistration rules becoming effective.

While the quick adoption of final rules is our most important point with respect to the revised proposal, we have a few comments, primarily technical in nature, that we hope the Commission will take into consideration in the final rule.

1. Determination of Trading Volume.

The most attractive feature of the new rule is that a trading volume test provides a fair measure of the degree of U.S. interest in a company's shares in a manner that is easy to determine. In order to ensure that this objective is fully realized, we suggest that the Commission modify the trading volume calculation in two ways:

- Worldwide trading volume. We believe that it would be more appropriate for the 5% U.S. trading volume threshold to be calculated with respect to worldwide trading volume, rather than just volume in the primary market (or two markets). As the goal of the rule is to determine the relative importance of the U.S. trading market, it would seem most reasonable to make this determination in comparison to all trading in the company's shares, and not just to a portion of such trading.[1]

[1] The proposed rule would not even include U.S. trading volume in the denominator. Even if the Commission decides not to include worldwide trading volume, at a minimum, it should modify the rule so that the denominator includes the sum of primary market and U.S. volume.

- Off-market trading outside the United States. While the Release makes clear that off-market trading in the United States should be included in the 5% threshold calculation, it is less clear about off-market trading outside the United States. We believe that an issuer should be able to include off-market trading outside the United States as part of the 5% threshold calculation.

Both of these modifications would increase the accuracy of the calculation in determining the proportion of a company's trading that takes place inside and outside the United States. They would also ensure that the calculation is based on information that is easy to obtain. Many European exchanges currently report off-market trading in a manner similar to the U.S. transaction reporting plan. This will become generally true in Europe once the Markets in Financial Instruments Directive is implemented in November 2007.

Even if information is more difficult to obtain in some markets, the modifications are still appropriate. Since comprehensive information on trading in the United States is available, the inability of a company to find information on trading in one or more other jurisdictions would result in the U.S. share of trading being overstated, making deregistration more difficult. There is no material risk of the U.S. share of trading being understated.

We also suggest that the Commission state clearly in the final adopting release that an issuer may rely in good faith on trading volume information that can be obtained without unreasonable burden or expense from publicly available sources, such as exchanges and commercial information providers. If market participants fail to report trades when required to do so, or if there are markets where information is difficult to obtain, companies would still be able to use the rule so long as they act in good faith. We believe that this type of "principles-based" statement would further the objective of making the rule easy to use, without creating any material risk of compromising the accuracy of the information.

Our final comment on the trading volume calculation relates to the threshold level. In the Release, the Commission asked whether the proposed trading volume threshold is set at the appropriate level (5%) or whether it should be set at a lower or higher level. We believe that the threshold should be no lower than 5%, which reflects a very limited level of U.S. trading and provides a strong indicator that a company's trading price is determined mainly abroad. Decreasing the threshold would not, in our opinion, provide any additional investor protection.

2. Other Issues.

In addition to improving the method of determining trading volume, we believe that the Commission should modify the reproposed rule in the following respects

- Debt Securities. The Commission has proposed retaining the 300-holder standard for termination of a foreign private issuer's Exchange Act reporting obligations regarding a class of debt securities. The Commission's stated reason – that the 300-holder standard is intended to ensure that no company is treated worse under the new rules than under the current rules – is appropriate for equity securities, for which issuers will be entitled to rely on the new trading volume threshold. As applied to debt securities, however, the proposed rule represents no change, even though the global securities markets have changed exponentially since the 300-holder standard was adopted in the 1960s. We recommend raising the threshold to at least 1,000 holders for debt securities. We note that a failure to raise the threshold for debt securities will make the new rules practically unusable for foreign private issuers that have both registered equity and debt, even if such issuers can easily meet the trading volume standard for their shares (reflecting a low level of overall U.S. public market interest).

- Equity-Linked Securities. The definition of "equity security" used in the reproposed rule would include equity-linked securities such as convertible bonds and warrants. Those securities typically do not trade among the same investor base as shares. In addition, information on trading volume in those securities is typically difficult to obtain. We suggest that the Commission modify the definition so as to eliminate equity-linked securities.

- Companies that Deregistered Under Prior Rules. We support the Commission's decision to allow companies that have already terminated or suspended their Exchange Act reporting obligations under the current deregistration rules to make such termination or suspension permanent under the new rules. Under the reproposed rule, however, such a company would have to demonstrate that it is not currently required to re-register a class of securities, which would require the company to conduct a new search of its shareholder base under the old 300-holder standard (without even having the benefit of the new counting rules). We see no reason to apply this requirement to a company that has previously deregistered, when the Commission is going to great lengths to avoid this requirement for a company that has not done so. We propose that the Commission eliminate this requirement (or, at most, that it require the company to satisfy the new trading volume threshold before making deregistration permanent).

- Companies with Low Public Float. While a trading volume test appropriately measures U.S. interest in a company's equity securities in almost all cases, there is one important situation in which a trading volume test would not be appropriate. When a foreign private issuer is the subject of a tender offer or exchange offer, and its public float is reduced to a very low level, trading volumes could be so thin as to make a relative volume calculation meaningless. Moreover, the existence of a small minority holding could effectively require the acquired company to remain registered forever. To address this situation, we suggest that the Commission allow a foreign private issuer to deregister if a single shareholder (or a group of holders acting in concert) holds at least 95% of its share capital (or 75%, if the shareholder is itself subject to Exchange Act reporting obligations).

- "Entry" Rules. As the Commission noted in the Release, the adoption of the new deregistration rule will result in a divergence between the criteria for deregistration and the criteria to determine when a company must register in the first place. The "entry" rule will remain based on the 300-U.S. holder test, without even a modification relating to counting rules. This rule potentially affects hundreds of companies worldwide that have significant U.S. shareholder bases even though they have never taken steps to access the U.S. market. We understand that the Commission believes that the modification of this rule will require a separate rulemaking process. We encourage the Commission to undertake that process as soon as possible.

* * * * *

As our conclusion, we would like to emphasize our support for the Commission's initiative, and to commend the Commission for reproposing rule changes that should result in a practical and administrable deregistration rule. More generally, we would like to express our satisfaction with the success of the trans-Atlantic dialogue that has driven this process, and the fact that the Commission has treated this matter thoughtfully and sensitively. We very much hope that this is a precedent for the treatment of future issues.

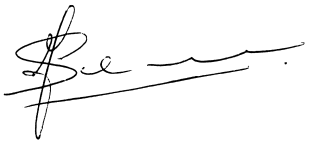
As we have done in the past, we have requested that Cleary Gottlieb Steen & Hamilton LLP provide a detailed analysis in support of our position. In addition, the accompanying letter from Cleary Gottlieb contains suggestions for a number of technical corrections that we believe should be made to the rule.

We appreciate the opportunity to participate in this process, and we look forward to its successful conclusion.

Very truly yours,

**(1)** Members of EALIC

**(2)** Members of UNIQUE



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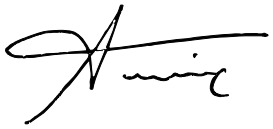

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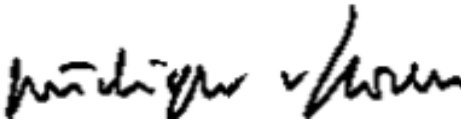

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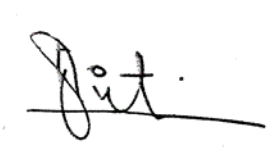

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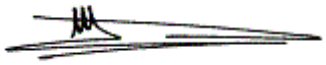

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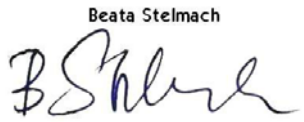

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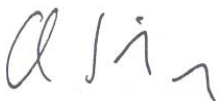

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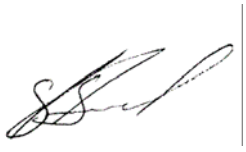

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