



CFA UK is a member society of



FTSE Group
Level 12, 10 Upper Bank Street
Canary Wharf
London
E14 5NP
United Kingdom

25th November 2011

Dear sir/madam,

The Chartered Financial Analyst Society of the United Kingdom (CFA UK) welcomes the opportunity to respond to the FTSE free float consultation.

The society represents investment professionals in the UK, most of whom hold the CFA designation and work as front office investment professionals (managing portfolios, researching securities and advising on asset management). This response has been prepared by CFA UK's Professional Standards and Market Practices Committee. The society has not surveyed members in relation to this consultation.

About CFA UK and CFA Institute

The CFA Society of the UK (CFA UK) represents the interests of more than 9,000 leading members of the UK investment profession most of whom work as front office investment professionals (managing portfolios, researching securities and advising on asset management). The society, which was founded in 1955, is one of the largest member societies of CFA Institute and is committed to leading the development of the investment profession through the promotion of the highest ethical standards and through the provision of continuing education, advocacy, information and career support on behalf of its members. Most CFA UK members have earned the chartered financial analyst (CFA) designation, or are candidates registered in CFA Institute's CFA Program. Both members and candidates attest to adhere to CFA Institute's Code of Ethics and Standards of Professional Conduct.

CFA Institute is the global association for investment professionals. It administers the CFA and CIPM curriculum and exam programs worldwide; publishes research; conducts professional development programs; and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry. CFA Institute has 111,000 members in 135 countries, of whom more than 101,000 hold the Chartered Financial Analyst® (CFA®) designation.


Response to the consultation

CFAUK has reviewed the consultation and makes the following 2 observations

1. Increased float and cost of capital - CFA UK recognises the advantages and benefits of a listing and appreciates the need to have a liquid market in listed shares and to reduce the disparity between the free float in UK and non-UK jurisdictions. However, FTSE should also take into account what the impact of higher floats would have in terms of the issuer's weighted average cost of capital (WACC). If the issuer requires more capital it will choose the source that is cheapest. Forcing the issuer to raise more expensive capital would not be to the benefit of the issuer or the investor in that company. Perhaps FTSE could take this into account and see how this aligns with a more liquid market in the shares.
2. Governance index - CFA UK does not support the creation of a governance based index. In principle, it is an intuitively appealing concept, but governance appears to be primarily a qualitative issue and not one that can easily be quantified. An index might require frequent adjustments to catch up with the latest governance developments. Perhaps, it may better to leave the governance assessment to the market in its pricing of equity risk, rather than to create a new index.

We trust that these comments are useful and would be pleased to meet FTSE Policy Group to explain them or to develop them for its members.

Yours,



Natalie WinterFrost, CFA FIA
Chair Professional Standards & Market Practices
Committee, CFA UK



Will Goodhart
Chief executive
CFA Society of the UK