

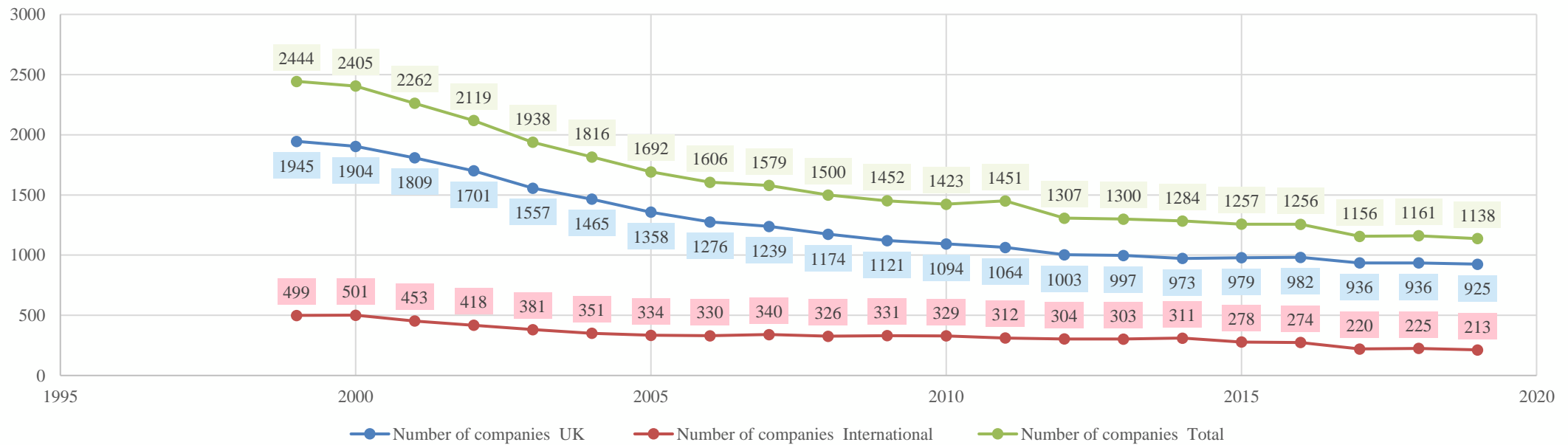
It's time to reinvent the UK's equity markets

The QCA's response to Lord Hill's review of the Listing Regime

There is a need for significant reform

- The number of listings on the UK's equity markets have been in steady decline for the past twenty years;
- We need a new approach.

Number of Companies on the Main Market (including investment companies)



The solution is to create a Nasdaq-like market

- Mid sized growth companies are increasingly seeing Nasdaq as an attractive option;
- AIM is not like Nasdaq; the Premium Listing is more like the NYSE; so we need a Nasdaq equivalent;
- A new market would emulate the success of the growth focused Nasdaq and meet any competitive threat from EU markets;
- It would not follow Nasdaq rules precisely, but would reflect a UK-centric regulatory culture.

Proposed reforms do not sit well with in the Premium Listing

- The review suggests potential areas for reform, with which we broadly agree:
 - Free Float requirements
 - Dual Class Share Structures
 - Track Record Requirements
 - Prospectuses and;
 - Dual and Secondary Listings
- However, these safeguards are valued highly by some serious investors;
- Therefore, we believe these and other reforms should not be directed at the Premium listing, but into a new market;
- This will create two distinct markets with different risk profiles, rather than one compromised offering.

The Standard Listing segment should be reframed to introduce choice and flexibility

- The Standard Listing segment is a tarnished product, unfocused and underused;
- The best way to create a successful Nasdaq-like market in the UK would be to reinvent the Standard Listing segment;
- It would serve as a new platform, particularly for accelerated growth mid-caps;
- This will ensure that the risk profile and high corporate governance standards of the Premium List would remain intact;
- Creating a clearer choice for both companies and investors.

The positioning of the market will fill an important gap

It will offer a progression path for firms that have outgrown AIM but would not yet be suited to the Premium Listing. The chart below illustrates the place of the new market.

	Primary Listing		Standard Listing / New Market		AIM listing	
	Current regime	QCA proposals	Current regime	QCA proposals	Current regime	QCA proposals
Minimum free float	25%	25%	25%	If below 25%, FCA to step in where this is deemed inappropriate or to the detriment of the investors	No minimum at the discretion of AIM	No minimum at the discretion of AIM
Dual class share structures	No	No	Yes	Yes	At the discretion of AIM	At the discretion of AIM
Track record	3 years or shorter period if applicable	3 years or shorter period if applicable	3 years or shorter period if applicable	No fixed period with greater flexibility regarding what can be provided as evidence of a track record	3 years or shorter period if applicable	No fixed period with greater flexibility regarding what can be provided as evidence of a track record
Prospectus	Prospectus required	Prospectus required	Prospectus required	QCA domestic securities offering document	Admission Document required. Prospectus required for public offers.	QCA domestic securities offering document
Dual and secondary listings	Yes	Yes	Yes	Yes	Yes – at the discretion of AIM	Yes
Min Market Capitalisation	£700,000	Flexible (approximately > £10 billion)	£700,000	Flexible (approximately £500 million - £10 billion)	None	Flexible (approximately £0 - £1 billion)
Regulated market	Regulated	Regulated	Regulated	Regulated	SME Growth Market	SME Growth Market

*With the UK's departure from the EU, the relevance of the current market categorisation may be subject to modification under future domestic law

Governance of the markets needs careful consideration

- The way the markets are operated and regulated will be an important factor in ensuring each market best serves their constituent companies;
- The FCA should take a role of oversight, looking across the markets to ensure their standards make sense in a holistic, UK context;
- Strong governance and promotion of each market is an essential factor;
- The depth of the new market will have an impact on whether companies are included in mainstream indices.

Radical change is necessary

- The UK's equity markets are demonstrably declining in attractiveness;
- The continued trend of the past two decades does not place us well for the challenges we face, particularly on leaving the EU;
- It is important that the opportunity to reform isn't missed;
- Radical change is necessary to ensure the markets serve both companies and investors;
- The key issue is to fill the glaring gap in the UK's offering so creating a mid-tier Nasdaq-like market is necessary;
- Action is needed now.
- A full copy of our response can be found [here](#).