

## Quoted Companies Alliance Policy Update – 6 May 2015

### Progress on key campaigns for 2015

<b>1. Raise awareness of the sector</b>		
<b>Activity</b>	<b>Description</b>	<b>Activity Since Last Update</b>
QCA/BDO Small and Mid-Cap Sentiment Index	Triannual survey that tracks the economic and business confidence of the small and mid-cap sector (advisors and corporates)	<ul style="list-style-type: none"> <li>• Wave 14 fieldwork is taking place from 11 – 22 May and the report is due to be published on 21 July 2015.</li> <li>• Wave 15 fieldwork will take place in September 2015 and the report will be published in November 2015.</li> </ul>
QCA/Baker Tilly Small and Mid-Cap Investors Survey	A qualitative survey of small and mid-cap fund managers so that companies can understand the key issues that are affecting investment decisions and any emerging market trends	<ul style="list-style-type: none"> <li>• The 2015 report was published at an event on 3 February 2015. No further action since the last update.</li> </ul>
<b>2. Improve liquidity and access to finance</b>		
<b>Activity</b>	<b>Description</b>	<b>Goals/Actions</b>
Costs of Raising Equity to be Tax Deductible	Allow the costs of raising equity for both an IPO and secondary fundraising to be tax deductible, to an upper limit of £1.5m	<ul style="list-style-type: none"> <li>• We are preparing our Budget Representations for 2016 and this will be included. This work is being carried out in anticipation that there may be an emergency budget in July 2015 due to the election.</li> </ul>
Capital Gains Tax Reform of Entrepreneurs' Relief	Remove the requirement to hold 5% shares in a company to qualify for a reduced rate of capital gains tax and allow long-term investors to also qualify for the relief by rebranding it 'Stakeholders Relief'	<ul style="list-style-type: none"> <li>• See above under 'Costs of Raising Equity to be Tax Deductible'</li> </ul>
<b>3. Reduce the burden of corporate disclosures</b>		
<b>Activity</b>	<b>Description</b>	<b>Goals/Actions</b>
The Prospectus Directive Review	Create a more appropriate and proportionate prospectus regime so that small and mid-size quoted companies are able to access public equity markets efficiently	<ul style="list-style-type: none"> <li>• We are finalising an in-depth and detailed response to the European Commission's Consultation on the review of the Prospectus Directive, outlining our proposals to amend the Prospectus Directive, which</li> </ul>

		<p>includes introducing the concept of an IPO and Secondary Offer and creating a distinct regime for SME Growth Markets, which does not require the prospectus to be vetted by the competent authority.</p> <ul style="list-style-type: none"> <li>• We met with members of European Commission to discuss our proposals for SME Growth Markets.</li> <li>• We are developing a detailed response to the European Commission's green paper on the Capital Markets Union.</li> <li>• We are also chairing European Issuers' Working Group on the Prospectus Directive Review.</li> </ul>
Proportionate IFRS	Allow AIM companies to use FRS 102 (the UK version of IFRS for SMEs); highlight the importance of materiality in making corporate reporting more clear and relevant to companies, regulators, investors and standard setters; and more generally working to make IFRS disclosures less complex	<ul style="list-style-type: none"> <li>• We are developing a response to the European Commission's green paper on the Capital Markets Union, which includes a question on which accounting standard should be used for SME Growth Markets.</li> </ul>

#### 4. Improve corporate behaviour

Activity	Description	Goals/Actions
QCA Corporate Governance Code for Small and Mid-Size Quoted Companies	Monitor uptake of the QCA Code and promote greater use of the QCA Code amongst small and mid-size quoted companies	<ul style="list-style-type: none"> <li>• We are developing, with the Corporate Governance Expert Group, some corporate governance themed events for 2015 to build on the promoting the use of the QCA Code.</li> </ul>
QCA/UHY Hacker Young Corporate Governance Behaviour Review	Monitor corporate governance disclosures of small and mid-size quoted companies	<ul style="list-style-type: none"> <li>• No further action since the last update.</li> </ul>
Remuneration Committee Guide for Small and Mid-Size Quoted Companies	Revise the QCA Remuneration Committee Guide (last published in 2012) to take into account recent changes in the remuneration reporting landscape.	<ul style="list-style-type: none"> <li>• We held a working group meeting on 13 April 2015 to discuss what needs to be revised in the guide and how the revision and redrafting work should be divided.</li> <li>• We held a QCA Remuneration Guide Roundtable on 16 March 2015, for which we invited QCA corporate members and members of the working group to discuss the key issues that corporate members would like us to include in the updated guide.</li> <li>• We developed an investor survey on remuneration</li> </ul>

		<p>issues which will be sent to fund managers and help inform our guide in this regard.</p> <ul style="list-style-type: none"><li>• An updated draft should be ready to be reviewed by the Corporate Governance Expert Group in July 2015.</li><li>• The aim is to launch the guide end of Q3 or start of Q4 2015, dependent on our consultation with members regarding how much should be changed.</li></ul>
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## **Issues being considered by the expert groups**

### **Corporate Finance Expert Group – last meeting on 12 March 2015**

1. Nilam Statham and Kerry Goodwin, AIM Regulation, attended the March meeting to discuss AIM's upcoming revision of the Rulebook.
2. The group is preparing a list of the AIM Rules that they would like to change in order to make the market run more efficiently in preparation for the upcoming AIM Rules consultation (due to be released some time in 2015)
3. The group is considering the European Commission Consultation on the review of the Prospectus Directive (RD: 13 May 2015) with the Legal Expert Group.
4. The group is considering the European Commission Consultation on the Capital Markets Union Green Paper (RD: 13 May 2015) with the Legal Expert Group.
5. The group responded to ISDX Growth Market Consultation (RD: 20 February 2015) with the Legal and Corporate Governance Expert Groups.

### **Corporate Governance Expert Group – last meeting on 14 April 2015**

1. Philippa Foster Back CBE, Institute of Business Ethics, attended the April meeting to give an overview of their current work and how organisations are being mindful of business ethics.
2. The group is considering the Defra Revision of the Guidelines on environmental reporting (RD: 8 May 2015).
3. The group is assessing its key drivers for 2016.
4. The group is considering the European Commission Consultation on the Capital Markets Union Green Paper (RD: 13 May 2015) in regards aspects of company law and corporate governance.
5. The group is participating in BIS' working group and contributing to the development of guidelines for a Register of People with Significant control, in relation to the Small Business, Enterprise and Employment Act.
6. The group is following the European Commission's proposals on the Shareholders' Rights Directive, specifically Article 3d on transparency on costs and Article 9c on related party transactions.
7. The group is following the European Commission's proposals on the 4<sup>th</sup> Money Laundering Directive, specifically Articles 3 and 29 on beneficial ownership. As stands, the directive will require AIM and ISDX companies to have to keep a list of beneficial owners, whilst companies on regulated markets will not have to. We are discussing the UK's plans for implementation and how it will impact the market.
8. The group responded to the ISDX Growth Market Consultation (RD: 20 February 2015) with the Legal and Corporate Finance Expert Groups.
9. The group responded to the FRC Consultation: Auditing and ethical standards implementation of the EU Audit Directive and Audit Regulation (RD: 20 March 2015), with the Financial Reporting Expert Group.
10. The group responded to the BIS consultation on the Audit regulations: discussion document on the implications of the EU and wider reforms (RD: 19 March 2015), with the Financial Reporting Expert Group.

### **Financial Reporting Expert Group – last meeting on 17 March 2015**

1. The group is revising its Corporate Reporting Charter.
2. The group is considering the European Commission Consultation on the Capital Markets Union Green Paper (RD: 13 May 2015) in regards aspects of accounting standards.
3. The group is considering the FRC consultation FRED 61 - FRC consults on limited amendments to FRS 102 (RD: 1 June 2015).
4. The group responded to the FRC's consultation on Auditing and Ethical Standards: Implementation of the EU Audit Directive and Audit Regulation (RD: 20 March 2015) with the Corporate Governance Expert Group.
5. The group responded to BIS's consultation on the Audit Regulations: Discussion Document on the Implications of the EU and Wider Reforms (RD: 19 March 2015) with the Corporate Governance Expert Group.
6. The group responded to the FRC's Exposure Draft, FRED 57 – Amendments to FRS101 (RD: 20 March 2015).
7. The group responded to the IASB's Exposure Draft detailing proposed amendments to IFRS 2 Share-based Payment (RD: 25 March 2015).
8. Responded to the IASB's Exposure Draft Disclosure Initiative (Proposed amendments to IAS 7) (RD: 17 April 2015).

### **Legal Expert Group – last meeting on 30 April 2015**

1. The group is leading a working group (with members of the Corporate Finance Advisors Expert Group also involved) on the Prospectus Directive.
2. The group is considering the European Commission Consultation on the review of the Prospectus Directive (RD: 13 May 2015) with the Corporate Finance Expert Group.
3. The group is considering the issue concerning the new Market Abuse Regulation (MAR) relating to dealings by persons discharging managerial responsibilities (PDMR) and the prohibition to trade during a closed period.
4. The group is considering the European Commission Consultation on the Capital Markets Union Green Paper (RD: 13 May 2015) with the Corporate Finance Expert Group.
5. The group responded to the ISDX Growth Market Consultation (RD: 20 February 2015) with the Corporate Governance and Corporate Finance Expert Groups.

### **Secondary Markets Expert Group – last meeting on 22 April 2015**

1. A working group met with the European Commission to discuss the use of dealing commissions to pay for research and ESMA's Technical Advice for MiFID II regarding inducements, SME Growth Markets and deferred trade publication issues on 7 April 2015.
2. A working group had a conference call with Kay Swinburne MEP to discuss the use of dealing commissions to pay for research and ESMA's Technical Advice for MiFID II regarding inducements, SME Growth Markets and deferred trade publication issues on 1 May 2015.

9. The group is considering the European Commission Consultation on the Capital Markets Union Green Paper (RD: 13 May 2015) in regards SME Growth Markets.
3. The group responded to ESMA's consultation on Technical Standards under the Central Securities Depositories Regulation (CSDr) (RD: 19 February 2015).
4. The group responded to ESMA's consultation on Technical Advice under the Central Securities Depositories Regulation (CSDr) (RD: 19 February 2015).
5. The group responded to ESMA's Consultation Paper on MiFID II/MiFIR (RD: 2 March 2015).

**Share Schemes Expert Group** – last meeting on 24 March 2015

1. Hasmukh Dodia, Yvonne Batista and Olakunle Ogundele, HMRC, attended the March meeting to present the new employment related securities (ERS) online service.
2. A working group is revising Rewarding Enterprise II – Guidance for Companies on Employee Share Schemes (July 2009).
3. The group is starting to consider possible measures to include in the Quoted Companies Alliance's Budget Representations 2016.

**Tax Expert Group**– last meeting on 6 May 2015

1. The group is starting to consider possible measures to include in the Quoted Companies Alliance's Budget Representations 2016. The proposals are unlikely to vary greatly from what was included in the 2015 proposals. The aim is to have these prepared for June/July in case of an emergency budget or for September 2015 ahead of the Autumn Statement.
2. The group responded to HMRC's consultation on Improving Access to Research and Development Tax Credits for Small Business (RD: 27 February 2015).