

KEY CAMPAIGNS

1. Improve liquidity and access to finance	
Activity	Action since last update
<p>Costs of Raising Equity to be Tax Deductible</p> <p>Allow the costs of raising equity for both an IPO and secondary fundraising to be tax deductible, to an upper limit of £1.5m</p> <p>EXPERT GROUP: Tax (with Share Schemes)</p>	<p>The QCA Budget Representations for 2017 included this point.</p> <p>We had a breakfast meeting with Jane Ellison, Financial Secretary to the Treasury on 2 February 2017 where we discussed this point.</p> <p>We have included this point in our market manifesto and raised it in several consultation responses.</p> <p>We also have a meeting organised with Rt Hon Mel Stride MP, the Financial Secretary to the Treasury, on 7 September 2017 to discuss tax issues ahead of Autumn Budget 2017.</p>
<p>Capital Gains Tax Reform of Entrepreneurs' Relief</p> <p>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'</p> <p>EXPERT GROUP: Tax (with Share Schemes)</p>	<p>The QCA Budget Representations for 2017 highlighted this point.</p> <p>We hosted a breakfast meeting with Jane Ellison, Financial Secretary to the Treasury on 2 February 2017 where we discussed this point.</p> <p>We have included this point in our market manifesto and raised it in several consultation responses.</p> <p>We also have a meeting organised with Rt Hon Mel Stride MP, the Financial Secretary to the Treasury, on 7 September 2017 to discuss tax issues ahead of Autumn Budget 2017.</p>
<p>Capital Markets Union Action Plan</p> <p>Ensure that the European Commission's work on Capital Markets Union (CMU) helps to facilitate access to public equity markets for growth companies.</p>	<p>The Commission published the results of the mid-term review of the Capital Markets Union on 8 June 2017.</p> <p>We have responded to the Commission consultation on the mid-term review.</p> <p>We met with Lord Hill to discuss the Capital Markets Union in April 2017.</p>

EXPERT GROUP: All	
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2. Reduce the burden of corporate disclosures

Activity	Activity since last update
<p>The Prospectus Directive Review</p> <p>Create a more appropriate and proportionate prospectus regime so that small and mid-size quoted companies are able to access public equity markets efficiently.</p> <p>EXPERT GROUP: Legal</p>	<p>Please refer to the section on Priority Policy Issues.</p>
<p>MiFID II: SME Growth Markets, Deferred Publication Regime and Investment Research</p> <p>Ensure that the regulatory requirements are fit-for-purpose and duly take into consideration the burden on small and mid-size quoted companies, particularly regarding SME Growth Markets, investment research and deferred publication regime</p> <p>EXPERT GROUP: Legal and Secondary Markets</p>	<p>Please refer to the section on Priority Policy Issues for further details.</p>
<p>Register of People with Significant Control (PSC Register) and the Fourth Money Laundering Directive (4MLD)</p> <p>Ensure that the administrative burden impact of a PSC Register on small and mid-size quoted companies is reduced</p> <p>EXPERT GROUP: Corporate Governance</p>	<p>There is an implication for QCA members as all subsidiaries will need to be registered. This has applied to quoted companies since 4MLD applied from 26 June 2017.</p> <p>We have responded to a HM Treasury consultation on the transposition of the Fourth Money Laundering Directive, as well as a Department for Business, Energy and Industrial Strategy (BEIS) consultation on implementing the Fourth Money Laundering Directive with respect to the beneficial ownership register.</p>

3. Improve corporate behaviour	
Activity	Activity since last update
<p>QCA Corporate Governance Code for Small and Mid-Size Quoted Companies</p> <p>Monitor uptake of the QCA Code and promote greater use of the QCA Code amongst small and mid-size quoted companies</p> <p>EXPERT GROUP: Corporate Governance</p>	<p>The QCA Code Working Group reconvened in May 2017 for further discussions and to assess the impact of the Government's Corporate Governance Green Paper and the FRC's Code review on the QCA Code. A new draft of the Code has been prepared following the meeting. This will be discussed at the next Working Group meeting on 25 September 2017.</p> <p>The Future of the QCA Code Working Group met on 18 April. An Investors' Charter is being drafted to encourage companies to follow good corporate governance practice.</p> <p>We have continued interaction with FRC and BEIS on the planned changes to the UK Code.</p>
<p>QCA/UHY Hacker Young Corporate Governance Behaviour Review</p> <p>Monitor corporate governance disclosures of small and mid-size quoted companies</p> <p>EXPERT GROUP: Corporate Governance</p>	<p>The latest review is currently underway and the results will be published in Nov/Dec 2017.</p>

4. Raise awareness of the sector	
Activity	Activity since last update
<p>QCA/YouGov Sentiment Index</p> <p>Triannual survey that tracks the economic and business confidence of the small and mid-cap sector (advisors and corporates).</p>	<p>A press release detailing the specific findings of the survey was published on the QCA website on 27 June 2017.</p> <p>A summary of the results will be circulated to members in due course.</p> <p>The survey results have gained good media coverage.</p> <p>Discussions are taking place with a potential sponsor to amalgamate this survey with the Investor Survey.</p>

<p>QCA/RSM Small and Mid-cap Investors Survey</p> <p>Qualitative survey of small and mid-cap fund managers to help companies understand the key issues affecting investment decisions and any emerging market trends.</p>	<p>We are in discussions with a nominated advisor regarding their potential sponsorship of the survey for the next three years.</p>
<p>Brexit</p> <p>Brexit is likely to have ramifications for the QCA constituency. The QCA has established a Brexit working group and is putting together a strategy to ensure that its members' interests are represented throughout the process.</p>	<p>We prepared a market structure paper which sets out the QCA's proposals for market reform. This has been sent to ministers and civil servants at HM Treasury, BEIS and DExEU. We intend to organise meetings to discuss the paper in the autumn. Furthermore, in order to both maintain momentum and ensure its relevance, we will be consulting members to examine ways to enhance the document.</p> <p>Further meetings with European Commission, HMT and DExEU took place in August.</p>

PRIORITY POLICY ISSUES

Issue	How it could affect quoted companies	Status	Actions and achievements by QCA
MiFID II			
<p>The legislation means that brokers and fund managers may no longer be able to use dealing commissions to pay for investment research.</p> <p>MiFID II will take effect from 3 January 2018.</p>	<p>This could decrease the level of investment research in small and mid-size quoted companies. It may also reduce the demand from fund managers for research on small and mid-size quoted companies and make it uneconomical for brokers/analysts to continue to produce it.</p>	<p>ESMA published Q&As in April and May 2017.</p> <p>FCA published a first Policy Statement in March 2017 and a second in July 2017.</p>	<p>We have approached the FCA directly with a letter on the investment research exemption for smaller companies.</p> <p>ESMA has published product governance guidelines. As advocated by the QCA, they acknowledge that a common approach for some types of investment products with sufficiently comparable product features may be applied.</p> <p>The FCA confirmed in its second Policy Statement that fund managers would be able to continue receiving small cap research without payment, where it has</p>

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			been commissioned and paid for by a small quoted company, including when issuing new shares. This will also cover broker research.
Prospectus Regulation			
<p>A proposal for a Prospectus Regulation to replace the current Prospectus Directive was published at the end of November 2015.</p> <p>The regulation entered into force on 20 July 2017 with the majority of the new provisions will apply from 21 July 2019.</p>	<p>The new regulation has attempted to make it easier and less expensive for quoted companies to raise finance on public equity markets by:</p> <ul style="list-style-type: none"> – Exempting fundraisings under €8 million from producing a prospectus; – Introducing a minimum disclosure regime for secondary issuances; – Introducing a minimum disclosure regime for SMEs; and – Allowing companies to incorporate information by reference. 	<p>The final text, published in the Official Journal of the EU on 30 June 2017, is less ambitious than initially intended by the Commission but does not pose serious concerns to the QCA constituency.</p> <p>Focus is now on Level II measures. ESMA has published three consultation papers regarding the:</p> <ol style="list-style-type: none"> I. Draft technical advice on the content and format of the EU Growth Prospectus; II. Draft technical advice on format and content of the prospectus; and III. Draft technical advice on scrutiny and approval of the prospectus. <p>The UK is no longer an EU member in July 2019 which means that the new Regulation will not apply in the UK. As the new law is a regulation, it will not be possible to apply it earlier. Instead, the old prospectus directive will</p>	<p>We continue to be in contact with ESMA and the Commission.</p> <p>We are considering lobbying the Government to have a prospective enactment of legislation in the Great Repeal Bill which would make the Prospectus Regulation applicable in the UK once it is no longer an EU member.</p> <p>The QCA's Prospectus Regulation Working Group is preparing responses to these consultations.</p> <p>We are also represented in working groups for European Issuers and the ESMA Securities and Markets Stakeholder Group.</p>

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		remain in place.	
Market Abuse Regulation			
<p>MAR brought new requirements and changes which are causing additional administrative and regulatory burdens for quoted companies.</p> <p>MAR directly applies to all types of markets, including AIM. As it is a regulation, the FCA has very little flexibility in how it is implemented in the UK.</p>	<p>Quoted companies now need to keep more information on their insiders.</p> <p>Companies on EU Growth Markets will be exempt from this requirement, but competent authorities are able to request an insider list from companies on an EU Growth Market.</p> <p>Due to an implementation timing issue, AIM companies are required to keep an insider list from July 2016 to January 2018 – the date that MiFID II takes effect (this assumes that AIM becomes a designated SME Growth Market).</p> <p>Other changes that impact quoted companies concern the UK Model Code, which no longer exists; the regulation is directly applicable to AIM companies.</p> <p>A key issue is the interaction between MAR and AIM Rules, which were amended to accommodate new MAR provisions. Key rule changes include AIM Rule 11, 17 & 21. AIM companies need more legal advice on their obligations under MAR but also have a duty to disclose inside information under AIM Rule 11.</p>	<p>Commission has confirmed that it will not act to resolve the timing inconsistency between MAR and MiFID II.</p> <p>The FCA has confirmed it will not take further measures to resolve the issue.</p>	<p>We sent a letter to the FCA on 3 July 2017 to express our concern over the continued problems with the implementation with MAR. The FCA will be attending a Legal Expert Group meeting in September to discuss these concerns in more detail.</p> <p>We have drafted a QCA, ICSA, GC100 Guidance note on the Dealing Code and policy document for companies.</p> <p>We have been in discussions with AIM Regulation and the FCA on how the interaction will work in practice.</p> <p>We have drafted a letter in conjunction with EuropeanIssuers to the Commission and ESMA.</p>

QCA EXPERT GROUPS

Corporate Governance Expert Group – last meeting on 11 July 2017

- Robin Mueller and Ilaria Miller from BEIS attended the meeting to discuss the government’s plans for corporate governance reform.
- *Consultations under consideration:*
 - AIM Rules Review (RD: 8 September 2017)

Financial Reporting Expert Group – last meeting on 6 June 2017

- Mark Babington and Keith Billing from the FRC attended the meeting to discuss ISA 540.
- We also held a roundtable discussion with the IASB, which gave corporate members an opportunity to discuss the Board’s current and future agenda, as well as its plans to encourage better communication in financial reporting.
- *Consultations responded to:*
 - FRC consultation on Auditors and Preliminary Announcements (R: 23 June 2017)
 - FRC consultation on FRED 67: Draft Amendment to FRS 102 (R: 30 June 2017)
 - IFRS consultation on Improvements to IFRS 8 Operating Segments – Proposed amendments to IFRS 8 and IAS 34 (R: 31 July 2017)
- *Consultations under consideration:*
 - EFRAG preliminary response to the questions in the IASB discussion paper DP/2017/1 Disclosure Initiative – Principles of Disclosure (RD: 11 September 2017)
 - IASB consultation on the Disclosure Initiative – Principles of Disclosure (RD: 2 October 2017)

Legal Expert Group – last meeting on 25 May 2017

- Philip Olm, General Counsel at NEX Exchange, attended the meeting to discuss the NEX Exchange rule framework.
- A separate Brexit Working Group has drafted detailed analysis on the impact of EU-driven legislation on small and mid-size quoted companies.
- The group is following the progress of the Commission’s Prospectus Regulation and the implementation of the Market Abuse Regulation.
- *Consultations under consideration:*
 - AIM Rules Review (RD: 8 September 2017)
 - Takeover Panel’s consultation on asset sales in competition with an offer and other matters (RD: 22 September 2017)
 - ESMA’s draft technical advice on content and format of the EU Growth Prospectus (RD: 28 September 2017)
 - EMSA’s draft technical advice on format and content of the prospectus (RD: 28 September 2017)
 - ESMA’s draft technical advice on scrutiny and approval of the prospectus (RD: 28 September 2017)

Primary Markets Expert Group – last meeting on 23 May 2017

- *Consultations under consideration:*
 - AIM Rules Review (RD: 8 September 2017)
 - ESMA’s draft technical advice on content and format of the EU Growth Prospectus (RD: 28 September 2017)
 - EMSA’s draft technical advice on format and content of the prospectus (RD: 28 September 2017)
 - ESMA’s draft technical advice on scrutiny and approval of the prospectus (RD: 28 September 2017)

Secondary Markets Expert Group – last meeting on 5 July 2017

- Lee Foulger, Head of International Affairs at the FCA, attended the meeting to discuss the FCA’s approach to Brexit.
- The group is monitoring the implementation process of MiFID II and CSDR.
- *Consultations under consideration:*
 - ESMA’s consultation on the evaluation of certain elements of the Short Selling Regulation (RD: 4 September 2017)
 - AIM Rules Review (RD: 8 September 2017)

Share Schemes Expert Group – last meeting on 13 July 2017

- Andrew Ninian, Director – Stewardship and Corporate Governance at the Investment Association, updated the group on the Investment Association’s plans regarding employee share schemes and small and mid-size quoted companies.
- The group is working on updating the Share Schemes Guides.

Tax Expert Group – last meeting on 13 June 2017

- The group has established a working group, which is preparing a revised, updated version of the QCA Budget representations for autumn 2017.
- *Consultations responded to:*
 - HMRC consultation on Withholding tax exemption for debt traded on a Multilateral Trading Facility (RD: 12 June 2017)
- Wyndham North, Head of Enterprise Investment Tax Policy at HM Treasury, is scheduled to attend the next Expert Group meeting on Wednesday 27 September 2017.