

## Quoted Companies Alliance Policy Update – 16 August 2016

### Progress on key campaigns for 2016 - 2017

<b>1. Improve liquidity and access to finance</b>	
<b>Activity</b>	<b>Activity Since Last Update</b>
<p><b>Costs of Raising Equity to be Tax Deductible</b></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 RESPONSIBLE: Tax (with Share Schemes)</p>	<ul style="list-style-type: none"> <li>• A working group made up of members of our Tax and Share Schemes Expert Groups is updating our Budget Representations for 2017, including this point.</li> <li>• We are in contact with HM Treasury to organise a meeting to discuss our Budget Representations, including this point.</li> </ul>
<p><b>Capital Gains Tax Reform of Entrepreneurs' Relief</b></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 RESPONSIBLE: Tax (with Share Schemes)</p>	<ul style="list-style-type: none"> <li>• We welcomed the Government's announcement in the Budget that Capital Gains Tax Entrepreneurs' Relief is to be extended to external investors in unlisted trading companies for newly issued shares, following our campaign. An email was sent out to members and an article was included in our newsletter on this.</li> <li>• A working group made up of members of our Tax and Share Schemes Expert Groups is updating our Budget Representations for 2017, including this point.</li> <li>• We are in contact with HM Treasury to organise a meeting to discuss our Budget Representations, including this point.</li> </ul>
<p><b>Capital Markets Union Action Plan</b></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>EXPERT GROUP RESPONSIBLE: All</p>	<ul style="list-style-type: none"> <li>• We met with the European Commission on 7 July 2016 and discussed the actions planned in the report, in particular for SME Growth Markets.</li> <li>• We are drafting a briefing note on our vision for SME Growth Markets and contributing to the European Issuers working group on the topic.</li> <li>• We have been invited to speak at the European Commission's workshop on SME Growth Markets on 7 October 2016.</li> </ul>
<b>2. Reduce the burden of corporate disclosures</b>	
<b>Activity</b>	<b>Activity Since Last Update</b>
<p><b>The Prospectus Directive Review</b></p> <p>Create a more appropriate and</p>	<ul style="list-style-type: none"> <li>• We have written a number of briefing notes outlining legislative amendments for the</li> </ul>

<p>proportionate prospectus regime so that small and mid-size quoted companies are able to access public equity markets efficiently</p> <p>EXPERT GROUP RESPONSIBLE: Legal and Corporate Finance</p>	<p>Regulation, which we have sent to the Commission, the Council and MEPs, as well as HMT and the FCA in the UK and other stakeholders.</p> <ul style="list-style-type: none"> <li>• We are finalising a briefing note on Level 2 proposals, which we will discuss with ESMA and the Commission.</li> <li>• We chair the European Issuers working group on the Regulation and lead the drafting of its revised position paper and legislative amendments.</li> <li>• We met with HM Treasury to catch up on Prospectus Regulation proposals on 26 July.</li> <li>• We will meet with ESMA on 12 September 2016 to discuss our Level 2 proposals.</li> <li>• We are participating in FCA's roundtables on the Prospectus Regulation Level 2 measures on 21 and 29 September 2016.</li> </ul>
<p><b>MiFID II: SME Growth Markets, Deferred Publication Regime and Investment Research</b></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 RESPONSIBLE: Legal and Secondary Markets</p>	<ul style="list-style-type: none"> <li>• The delegated acts from the European Commission addressing the issue of investment research and SME Growth Markets have been published. We welcomed that the Commission considered our concerns regarding investment research and clarified that companies can continue to have investment research produced on them and freely distributed to investment managers and others. An article informing our members was included in our newsletter on this.</li> <li>• We are assessing the details published on SME Growth Markets (see activity update re CMU).</li> <li>• We have been attending the FCA's MiFID II Roundtable, which updates stakeholders on the implementation of MiFID II in the UK.</li> </ul>
<p><b>Register of People with Significant Control (PSC Register) and the 4<sup>th</sup> Anti-Money Laundering Directive (4MLD)</b></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 RESPONSIBLE: Corporate Governance</p>	<ul style="list-style-type: none"> <li>• We were part of a BEIS working group drafting the statutory and non-statutory guidance that accompanies the PSC register and has now been published.</li> <li>• There is an implication for QCA members as all subsidiaries will need to be registered. This does not apply to quoted companies at the moment, but will after the entry into force of the 4MLD in July 2017.</li> <li>• We are following up on this issue with BEIS to discuss the UK implementation of the 4<sup>th</sup> MLD and</li> </ul>

	to ensure that AIM companies should be out of scope.
<p><b>Shareholders' Rights Directive (SRD)</b></p> <p>Monitor the development and ensure that the changes to the text minimise the impact of the new rules on small and mid-size quoted companies through the final negotiation stages of the Directive before its adoption.</p> <p>EXPERT GROUP RESPONSIBLE: Corporate Governance</p>	<ul style="list-style-type: none"> <li>• We are part of a BEIS stakeholder group proposing the UK amendments to the SRD.</li> <li>• SRD has entered into trilogue and we will continue to monitor the negotiations.</li> <li>• A Presidency compromise document dated 22 June 2016 was published on 8 August 2016 and we are analysing its proposals.</li> <li>• Through the participation in the BEIS Stakeholder Group informing the UK position in the negotiations as well as independent campaigning, we have so far contributed to positive changes to the amendments in the text regarding the articles on transparency on costs and right to vote on related party transactions.</li> <li>• Through EuropeanIssuers, we have put forward amendments on shareholder identification to inform the trilogue negotiations.</li> </ul>
<p><b>Market Abuse Regulation (MAR)</b></p> <p>Minimise the impact on trading and administrative burden increase for small and mid-size quoted companies from the implementation of MAR</p> <p>EXPERT GROUP RESPONSIBLE: Legal and Corporate Finance</p>	<ul style="list-style-type: none"> <li>• We continue to follow up with the FCA and the European Commission the issue of the timeline inconsistencies with MiFID II and the exemptions for SME Growth Markets.</li> <li>• We continue to inform our members on updates from FCA, ESMA and AIM Regulation regarding the interpretation of MAR and the AIM rules on the aspects of the prohibition of dealings during closed periods for persons discharging managerial responsibilities and preliminary announcements.</li> </ul>
<p><b>Central Securities Depositories Regulation (CSDR)</b></p> <p>Ensure that CSDR is drafted and implemented in a manner adequate to the needs of small and mid-size quoted companies</p> <p>EXPERT GROUP RESPONSIBLE: Secondary Markets</p>	<ul style="list-style-type: none"> <li>• We are awaiting the publication of the Level 2 delegated acts/regulation.</li> <li>• No further action since last update.</li> </ul>

<b>3. Improve corporate behaviour</b>	
<b>Activity</b>	<b>Activity Since Last Update</b>
<p><b>QCA Corporate Governance Code for Small and Mid-Size Quoted Companies</b></p> <p>Monitor uptake of the QCA Code and</p>	<ul style="list-style-type: none"> <li>• A number of volunteers have joined our working group to review the Code.</li> </ul>

<p>promote greater use of the QCA Code amongst small and mid-size quoted companies</p> <p>EXPERT GROUP RESPONSIBLE: Corporate Governance</p>	<ul style="list-style-type: none"> <li>• We had a second working group meeting on 10 August 2016. The working group agreed that there may be some changes/updates required.</li> <li>• Members of the working group are analysing the need to reword various sections of the Code.</li> </ul>
<p><b>QCA/UHY Hacker Young Corporate Governance Behaviour Review</b></p> <p>Monitor corporate governance disclosures of small and mid-size quoted companies</p> <p>EXPERT GROUP RESPONSIBLE: Corporate Governance</p>	<ul style="list-style-type: none"> <li>• We launched the 2015 review at an event on 2 December 2015. It was well received and each member received an electronic copy and hard copy of the report.</li> <li>• No further action since last update.</li> </ul>
<p><b>Remuneration Committee Guide for Small and Mid-Size Quoted Companies</b></p> <p>Revise the QCA Remuneration Committee Guide (last published in 2012) to take into account recent changes in the remuneration reporting landscape.</p> <p>EXPERT GROUP RESPONSIBLE: Corporate Governance</p>	<ul style="list-style-type: none"> <li>• The Remuneration Committee Guide was published on 13 July 2016.</li> <li>• A launch event has been scheduled for 13 September 2016.</li> </ul>
<b>4. Raise awareness of the sector</b>	
<b>Activity</b>	<b>Activity Since Last Update</b>
<p><b>QCA/ YouGov Sentiment Index</b></p> <p>Triannual survey that tracks the economic and business confidence of the small and mid-cap sector (advisors and corporates)</p>	<ul style="list-style-type: none"> <li>• The last QCA/BDO Pulse Report - In or out of the EU: how will it affect companies was published on 27 April 2016.</li> <li>• We will carry out another survey with YouGov during the course of 2016.</li> </ul>
<p><b>QCA/RSM Small and Mid-cap Investors Survey</b></p> <p>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</p>	<ul style="list-style-type: none"> <li>• The 2016 report was published at a launch event on 4 February 2016.</li> <li>• No further action since last update.</li> </ul>

## **Issues being considered by the expert groups**

### **Corporate Finance Expert Group – last meeting on 5 May 2016**

1. Nilam Statham and Patrick O’Sullivan of AIM Regulation and Julia Branthomme, Reena Dattani and Kirsty McLaren of the FCA attended the May meeting to discuss the Market Abuse Regulation.
2. The group is following the European Commission’s Prospectus Regulation proposal and assisting with the work outline above in the section ‘Progress on key campaigns for 2015 – 2016’.
3. The group responded to the FCA Discussion Paper, Availability of information in the UK Equity IPO process (DP16/3) (RD: 13 July 2016) with the Legal and Secondary Markets Expert Groups.
4. The group responded to the FCA Primary Market Bulletin 16 consultation on changes to the Knowledge Base (RD: 10 August 2016) with the Legal Expert Group.

### **Corporate Governance Expert Group – last meeting on 16 July 2016**

1. Andrew Ninian of the Investment Association attended the July meeting to discuss the Investment Association’s Productivity Action Plan.
2. 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.
3. The group is considering the Tomorrow’s Company consultation on Governing culture: risk and opportunity? – A guide to board leadership in purpose, values and culture (RD: 7 September 2016).
4. The group is considering the FSB terms of reference for peer review on G20/OECD Principles of Corporate Governance (RD: 9 September 2016).

### **Financial Reporting Expert Group – last meeting on 14 June 2016**

1. The group is considering the Exposure Draft Trustees’ Review of Structure and Effectiveness: Proposed Amendments to the IFRS Foundation Constitution (RD: 15 September 2016).
2. The group is considering the FRC consultation on Amendments to FRS 101 – 2015/16 cycle & FRED 65 Draft amendments to FRS 101 – Notification of shareholders (RD: 14 October 2016).
3. The group is considering the Exposure Draft of Definition of a Business and Accounting for Previously Held Interests (Proposed Amendments to IFRS 3 and IFRS 11) (RD: 31 October 2016).

### **Legal Expert Group – last meeting on 30 June 2016**

1. Michael McKersie, Lucas Penfold and Istvan Mate-Toth of the FCA attended the June meeting to discuss the FCA Discussion Paper, Availability of information in the UK Equity IPO process.
2. The group responded to the FCA Discussion Paper, Availability of information in the UK Equity IPO process (DP16/3) (RD: 13 July 2016) with the Corporate Finance and Secondary Markets Expert Groups.
3. The group responded to the FCA Primary Market Bulletin 16 consultation on changes to the Knowledge Base (RD: 10 August 2016) with the Corporate Finance Expert Group.

4. The group is following the European Commission's review of the Prospectus Directive and assisting with the work outline above in the section 'Progress on key campaigns for 2015 – 2016'.

#### **Secondary Markets Expert Group** – last meeting on 20 April 2016

1. The group is considering the FCA consultation paper CP16/19: Markets in Financial Instruments Directive II Implementation (RD: 28 October 2016).
2. The group responded to the FCA Discussion Paper, Availability of information in the UK Equity IPO process (DP16/3) (RD: 13 July 2016) with the Corporate Finance and Legal Expert Groups.
3. The group is following the publication of the MiFID II delegated acts and assisting with the work outline above in the section 'Progress on key campaigns for 2015 – 2016'.

#### **Share Schemes Expert Group** – last meeting on 14 July 2016

1. A working group is revising Rewarding Enterprise II – Guidance for Companies on Employee Share Schemes (July 2009).
2. The group is considering the HMRC consultation on Simplifying the PAYE Settlement Agreement (PSA) process (RD: 18 October 2016), with the Tax Expert Group.

#### **Tax Expert Group** – last meeting on 28 June 2016

1. A working group has been set up to draft the QCA proposals for taxation reform 2017.
2. The group is considering the HMRC & HM Treasury consultation – Reforms to corporation tax loss relief: consultation on delivery (RD: 18 August 2016).
3. The group is considering the HMRC consultation – Introduction of secondary adjustments into the UK's domestic transfer pricing legislation (RD: 18 August 2016).
4. The group is considering the HM Treasury consultation – Reform of the substantial shareholdings exemption (RD: 18 August 2016).
5. The group is considering the HMRC consultation – Guidance on the new EIS and VCT rules (RD: 31 August 2016).
6. The group is considering the OECD consultation on the Release of BEPS discussion drafts on attribution of profits to permanent establishments and revised guidance on profit splits (RD: 5 September 2015).
7. The group is considering the OTS consultation on Lookthrough taxation (RD: 30 September 2016).
8. The group is considering the HMRC consultation on Simplifying the PAYE Settlement Agreement (PSA) process (RD: 18 October 2016), with the Share Schemes Expert Group.