

**Key Campaigns**

<b>Improving liquidity and access to finance</b>	
<b>Activity</b>	<b>Action 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><b>EXPERT GROUP: Tax (with Share Schemes)</b></p>	<ul style="list-style-type: none"> <li>▪ The QCA Autumn Budget 2017 proposals for taxation reform included this point.</li> <li>▪ We had a breakfast meeting with Jane Ellison, the then Financial Secretary to the Treasury, on 2 February 2017 where we discussed this point.</li> <li>▪ We have included this point in our market manifesto and raised it in several consultation responses.</li> <li>▪ We discussed the issue, among other things, during a meeting with Rt Hon Mel Stride MP, the Financial Secretary to the Treasury, on 7 September 2017.</li> <li>▪ We also attended a meeting with the corporation tax team at HM Treasury on 18 October 2017 to discuss the issue in more detail.</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><b>EXPERT GROUP: Tax (with Share Schemes)</b></p>	<ul style="list-style-type: none"> <li>▪ The QCA Autumn Budget 2017 proposals for taxation reform highlighted this point.</li> <li>▪ We hosted a breakfast meeting with Jane Ellison, the then Financial Secretary to the Treasury, on 2 February 2017 where we discussed this point.</li> <li>▪ We have included this point in our market manifesto and raised it in several consultation responses.</li> <li>▪ We also discussed the issue with Rt Hon Mel Stride MP, the Financial Secretary to the Treasury, on 7 September 2017.</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>	<ul style="list-style-type: none"> <li>▪ The Commission published the results of the mid-term review of the Capital Markets Union on 8 June 2017.</li> <li>▪ We will be attending a Commission workshop on 28 November 2017 to discuss how to increase access to public markets for SMEs in the European Union.</li> </ul>

<b>EXPERT GROUP: All</b>	
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<b>Reducing the burden of corporate disclosures</b>	
<b>Activity</b>	<b>Action since last update</b>
<p><b>The Prospectus Directive Review</b></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><b>EXPERT GROUP: Legal</b></p>	<ul style="list-style-type: none"> <li>▪ Please refer to the section on Priority Policy Issues.</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><b>EXPERT GROUP: Legal and Secondary Markets</b></p>	<ul style="list-style-type: none"> <li>▪ Please refer to the section on Priority Policy Issues for further details.</li> </ul>
<p><b>Register of People with Significant Control (PSC Register) and the Fourth 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><b>EXPERT GROUP: Corporate Governance</b></p>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ We responded to HM Treasury’s consultation on the transposition of the Fourth Money Laundering Directive, as well as to the Department for Business, Energy and Industrial Strategy’s (BEIS) consultation on implementing the Fourth Money Laundering Directive with respect to the beneficial ownership register.</li> </ul>

Improving corporate behaviour	
Activity	Action since last update
<p><b>QCA Corporate Governance Code for Small and Mid-Size Quoted Companies</b></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><b>EXPERT GROUP: Corporate Governance</b></p>	<ul style="list-style-type: none"> <li>▪ The QCA Code Working Group met on 25 September 2017 to discuss how to reinvigorate the process for revising the QCA Code. The Working Group is currently preparing a new draft of the QCA Code and is aiming to complete a final version by the end of January 2018.</li> <li>▪ 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.</li> <li>▪ We met with the FRC on 11 October 2017 to discuss its planned approach regarding the revision to the UK 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><b>EXPERT GROUP: Corporate Governance</b></p>	<ul style="list-style-type: none"> <li>▪ The latest review is currently underway and the results will be published in November/December 2017.</li> </ul>

Raising awareness of the small and mid-size quoted company sector	
Activity	Action since last update
<p><b>QCA/YouGov Sentiment Index</b></p> <p>Biannual 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>▪ A press release detailing the specific findings of the survey was published on the QCA website on 27 June 2017.</li> <li>▪ A summary of the results will be circulated to members in due course.</li> <li>▪ The survey results have gained good media coverage.</li> <li>▪ The next survey is due to take place in November.</li> </ul>
<p><b>QCA/RSM Small and Mid-cap Investors Survey</b></p> <p>Qualitative survey of small and mid-cap fund</p>	<ul style="list-style-type: none"> <li>▪ Peel Hunt LLP has agreed to sponsor the survey for the next three years. The results of the next survey will be published in January 2018.</li> </ul>

managers to help companies understand the key issues affecting investment decisions and any emerging market trends.	
<p><b>Brexit</b></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>	<ul style="list-style-type: none"> <li>▪ We prepared a market structure paper which sets out the QCA's proposals for market reform. It has been published on our website for member comments. We have sent copies to ministers and civil servants at HM Treasury, BEIS and DExEU. We are currently developing a plan to consult corporate members in order to enhance the document.</li> <li>▪ Further meetings with European Commission, HMT and DExEU took place in August.</li> </ul>

**Priority policy issues**

Issue	How it could affect quoted companies	Current status	Actions and achievements by the QCA
<b>Markets in Financial Instruments Directive (MiFID II)</b>			
<ul style="list-style-type: none"> <li>▪ The legislation means that brokers and fund managers may no longer be able to use dealing commissions to pay for investment research.</li> <li>▪ MiFID II will take effect from <b>3 January 2018</b>.</li> </ul>	<ul style="list-style-type: none"> <li>▪ This could <b>decrease the level of investment research</b> 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.</li> </ul>	<ul style="list-style-type: none"> <li>▪ ESMA published Q&amp;As in April and May 2017.</li> <li>▪ FCA published a first Policy Statement in March 2017 and a second in July 2017.</li> </ul>	<ul style="list-style-type: none"> <li>▪ We have approached the FCA directly with a letter on the investment research exemption for smaller companies.</li> <li>▪ 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.</li> <li>▪ The FCA confirmed in its second Policy Statement that fund managers would be able to continue receiving small cap</li> </ul>

Issue	How it could affect quoted companies	Current status	Actions and achievements by the QCA
<ul style="list-style-type: none"> <li>▪ SME Growth Markets</li> </ul>		<ul style="list-style-type: none"> <li>▪ We will be attending an EU Commission Workshop looking at ways to alleviate disproportionate legislative burdens on SMEs. This is taking place on 28 November 2017.</li> </ul>	<p>research without payment, where it has been commissioned and paid for by a small quoted company, including when issuing new shares. This will also cover broker research.</p>
<b>Prospectus Regulation</b>			
<ul style="list-style-type: none"> <li>▪ A proposal for a Prospectus Regulation to replace the current Prospectus Directive was published at the end of November 2015.</li> <li>▪ The regulation entered into force on <b>20 July 2017</b> with the majority of the new provisions will apply from <b>21 July 2019</b>.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The new regulation has attempted to make it easier and less expensive for quoted companies to raise finance on public equity markets by: <ul style="list-style-type: none"> <li>– Exempting fundraisings under €8 million from producing a prospectus;</li> <li>– Introducing a minimum disclosure regime for secondary issuances;</li> <li>– Introducing a minimum disclosure regime for SMEs; and</li> <li>– Allowing companies to incorporate information by</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Focus is now on Level II measures. ESMA published three consultation papers regarding the: <ol style="list-style-type: none"> <li>i. Draft technical advice on the content and format of the EU Growth Prospectus;</li> <li>ii. Draft technical advice on format and content of the prospectus;</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>▪ We continue to be in contact with ESMA and the Commission.</li> <li>▪ 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.</li> <li>▪ The QCA’s Prospectus Regulation Working Group prepared and submitted responses to the ESMA consultations.</li> <li>▪ We are also represented in working groups for</li> </ul>

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	reference.	<p>and</p> <p>iii. Draft technical advice on scrutiny and approval of the prospectus.</p> <p>The UK will no longer be 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 remain in place.</p>	EuropeanIssuers and the ESMA Securities and Markets Stakeholder Group.
<b>Market Abuse Regulation (MAR)</b>			
<ul style="list-style-type: none"> <li>▪ MAR brought new requirements and changes which are causing additional administrative and regulatory burdens for quoted companies.</li> <li>▪ 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.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quoted companies now need to keep more information on their insiders.</li> <li>▪ 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.</li> <li>▪ 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).</li> <li>▪ Other changes that impact quoted companies concern the UK Model</li> </ul>	<ul style="list-style-type: none"> <li>▪ Commission has confirmed that it will not act to resolve the timing inconsistency between MAR and MiFID II.</li> <li>▪ The FCA has confirmed it will not take further measures to resolve the issue.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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 attended a Legal Expert Group meeting in September 2017 to discuss these concerns in more detail.</li> <li>▪ We have drafted a QCA, ICSA, GC100 Guidance note on the Dealing Code and policy document for companies.</li> <li>▪ We have been in discussions with AIM Regulation and the FCA on how the interaction will work in practice.</li> <li>▪ We have drafted a letter in conjunction with EuropeanIssuers</li> </ul>

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	<p>Code, which no longer exists; the regulation is directly applicable to AIM companies.</p> <ul style="list-style-type: none"> <li>▪ 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 &amp; 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.</li> </ul>		<p>to the European Commission and ESMA.</p>

## Expert Group activity

<b>Corporate Governance</b>	<ul style="list-style-type: none"><li>▪ <b>Last meeting – Tuesday 17 October 2017</b></li><li>▪ Stephen Webster from BEIS attended the meeting on 5 September 2017 to discuss the PSC regime.</li><li>▪ The QCA Code Working Group met on 25 September 2017 to discuss how to reinvigorate the process for revising the QCA Code. The Working Group is aiming to complete a final draft by early 2018.</li><li>▪ <b>Consultations responded to:</b><ul style="list-style-type: none"><li>– AIM Rules Review (R: 8 September 2017)</li></ul></li><li>▪ <b>Consultations under consideration:</b><ul style="list-style-type: none"><li>– FRC consultation: Draft amendments to Guidance on the Strategic Report (RD: 24 October 2017)</li></ul></li></ul>
<b>Financial Reporting</b>	<ul style="list-style-type: none"><li>▪ <b>Last meeting – Monday 18 September 2017:</b> Andrew Watchman from EFRAG attended the meeting to discuss EFRAG’s role in the EU policy making process, as well as EFRAG’s view on IFRS 16 Leases implementation.</li><li>▪ <b>Consultations responded to:</b><ul style="list-style-type: none"><li>– IASB consultation on the Disclosure Initiative – Principles of Disclosure (R: 2 October 2017)</li></ul></li><li>▪ <b>Consultations under consideration:</b><ul style="list-style-type: none"><li>– FRC consultation: Draft amendments to Guidance on the Strategic Report (RD: 24 October 2017)</li></ul></li></ul>
<b>Legal</b>	<ul style="list-style-type: none"><li>▪ <b>Last meeting – Thursday 14 September 2017:</b> Helen Boyd, Michael Naughton and Monica Rodriguez-Sanchez from the FCA attended a meeting to discuss aspects of MAR implementation. This followed a letter that the Expert Group sent the FCA in July 2017.</li><li>▪ The group is following the progress of the Commission’s Prospectus Regulation and the implementation of the Market Abuse Regulation.</li><li>▪ <b>Consultations responded to:</b><ul style="list-style-type: none"><li>– AIM Rules Review (R: 8 September 2017)</li><li>– Takeover Panel’s consultation on asset sales in competition with an offer and other matters (R: 22 September 2017)</li><li>– ESMA’s draft technical advice on content and format of the EU Growth prospectus (R: 28 September 2017)</li><li>– EMSA’s draft technical advice on format and content of the prospectus (R: 28 September 2017)</li><li>– ESMA’s draft technical advice on scrutiny and approval of the prospectus (R: 28 September 2017)</li></ul></li><li>▪ <b>Consultations under consideration:</b><ul style="list-style-type: none"><li>– Takeover Panel’s consultation on statements of intention and related matters (RD: 31 October)</li></ul></li></ul>



<b>Primary Markets</b>	<ul style="list-style-type: none"> <li>▪ <b>Last meeting – Tuesday 19 September 2017:</b> Michael McKersie, Nike Trost, John Mulcahy and Angela Morgan from the FCA attended the meeting to discuss the FCA’s review of the UK primary markets landscape and its consultation on creating a new premium listing category for sovereign controlled companies.</li> <li>▪ <b>Consultations responded to:</b> <ul style="list-style-type: none"> <li>– AIM Rules Review (R: 8 September 2017)</li> <li>– HM Treasury consultation: Financing growth in innovative firms (R: 22 September 2017)</li> <li>– ESMA’s draft technical advice on content and format of the EU Growth prospectus (R: 28 September 2017)</li> <li>– EMSA’s draft technical advice on format and content of the prospectus (R: 28 September 2017)</li> <li>– ESMA’s draft technical advice on scrutiny and approval of the prospectus (R: 28 September 2017)</li> </ul> </li> </ul>
<b>Secondary Markets</b>	<ul style="list-style-type: none"> <li>▪ <b>Last meeting – Wednesday 6 September 2017</b></li> <li>▪ The group is monitoring the implementation process of MiFID II and CSDR.</li> <li>▪ <b>Consultations responded to:</b> <ul style="list-style-type: none"> <li>– ESMA’s consultation on the evaluation of certain elements of the Short Selling Regulation (R: 4 September 2017)</li> <li>– AIM Rules Review (R: 8 September 2017)</li> </ul> </li> </ul>
<b>Share Schemes</b>	<ul style="list-style-type: none"> <li>▪ <b>Last meeting – Thursday 12 October 2017:</b> Katie Potts of Herald Investment Management Ltd, Chris Errington of Kestrel Investment Partners and Andrew Buchanan of Octopus Investments attended the meeting to discuss share-based management incentives.</li> <li>▪ In light of the last meeting, the Expert Group has prepared a discussion paper on shareholder rights relating to the issue of new shares for employees, directors, consultants and suppliers with the objective of reaching a market consensus.</li> <li>▪ The Expert Group is considering whether to update the Share Schemes Guides, or issue a new, alternative document.</li> <li>▪ <b>Consultations responded to:</b> <ul style="list-style-type: none"> <li>– HM Treasury consultation: Proposals for taxation reform ahead of Autumn Budget 2017</li> </ul> </li> </ul>
<b>Tax</b>	<ul style="list-style-type: none"> <li>▪ <b>Last meeting – Wednesday 27 September 2017:</b> Wyndham North and Rachael Wheeler from HM Treasury attended the meeting to discuss aspects of the QCA’s proposals for taxation reform.</li> <li>▪ The Expert Group, in conjunction with the Share Schemes Expert Group, submitted its proposals for taxation reform on 22 September 2017.</li> <li>▪ <b>Consultations responded to:</b> <ul style="list-style-type: none"> <li>– HM Treasury consultation: Proposals for taxation reform ahead of Autumn Budget 2017</li> <li>– HM Treasury consultation: Financing growth in innovative firms (R: 22 September 2017)</li> </ul> </li> </ul>