

Quoted Companies Alliance Policy Update – 23 December 2015

Progress on key campaigns for 2015 - 2016

1. Improve liquidity and access to finance	
Activity	Activity 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 RESPONSIBLE: Tax (with Share Schemes)</p>	<ul style="list-style-type: none"> • We submitted our Budget Representations for 2016 on 16 October 2015, which included this proposal. It was not included in the Autumn Statement on 25 November 2015. • No further action since last update.
<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 RESPONSIBLE: Tax (with Share Schemes)</p>	<ul style="list-style-type: none"> • We submitted our Budget Representations for 2016 on 16 October 2015, which included this proposal. It was not included in the Autumn Statement on 25 November 2015. • No further action since last update.
<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>EXPERT GROUP RESPONSIBLE: All</p>	<ul style="list-style-type: none"> • The European Commission published its CMU Action Plan on 30 September 2015, along with four consultations on securitisation, venture capital and social entrepreneurship funds, covered bonds in the European Union and the EU regulatory framework. • We are responding to the consultations on the call for evidence on EU regulatory framework for financial services.
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 RESPONSIBLE: Legal and Corporate Finance</p>	<ul style="list-style-type: none"> • The European Commission published its proposal for a Prospectus Regulation on 30 November 2015. • We met with ESMA on 14 December 2015 to discuss their role in the level II transposition of the regulation. Key areas discussed included the minimum disclosure prospectus for secondary offers, the minimum disclosure prospectus for SMEs, risk factors and the summary. • We are in the process of writing legislative amendments for the Regulation, which we plan to send to the Council and MEPs, as well as HMT and

	<p>the FCA in the UK.</p> <ul style="list-style-type: none"> • We have also set up a meeting with the Dutch Presidency of the Council on 14 January 2016 to discuss the Regulation. • We will also be chairing a European Issuers day-long working group meeting on the Regulation on 1 February 2016.
<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 RESPONSIBLE: Legal and Secondary Markets</p>	<ul style="list-style-type: none"> • It is likely that the implementation date of MiFID II (3 January 2017) will be delayed due to delays from the Commission in publishing the delegated acts and the volume of level II and III guidance required from ESMA. We are awaiting official announcement from the Commission on this. • We are awaiting the delegated acts from the European Commission, which will address the issue of inducements and investment research. • We also have been attending the Financial Conduct Authority's (FCA) MiFID II Roundtable, which updates stakeholders on the implementation of MiFID II in the UK. • The FCA has published its first consultation on the UK transposition of MiFID II.
<p>Register of People with Significant Control (PSC Register) and the 4th Anti-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 RESPONSIBLE: Corporate Governance</p>	<ul style="list-style-type: none"> • We are part of a BIS working group drafting the statutory and non-statutory guidance that will accompany the PSC register. • BIS is consulting on draft statutory guidance for companies on the meaning of 'significant influence or control', the draft statutory guidance for LLPs on the meaning of 'significant influence or control,' the non-statutory draft guidance for companies and LLPs on persons of significant control, and draft summary guide for companies on the PSC register. • 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. • We had a meeting with BIS on 16 December 2015 to discuss the UK implementation of the 4th MLD and how the UK could argue that AIM companies should be out of scope.
<p>Shareholders' Rights Directive (SRD)</p> <p>Monitor the development and ensure that the changes to the text minimise the impact of the new rules on small and mid-</p>	<ul style="list-style-type: none"> • We are part of a BIS stakeholder group proposing the UK amendments to the SRD. • SRD has entered into trilogue and we will continue to monitor the negotiations

<p>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"> • Through the participation in the BIS Stakeholder Group informing the UK position in the negotiations as well as independent campaigning, we have successfully contributed to changes to the amendments in the text regarding the articles on transparency on costs and right to vote on related party transactions. • No further action since last update.
<p>Market Abuse Regulation (MAR)</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"> • The FCA is currently consulting on policy changes and changes to the handbook as a result of the implementation of MAR. There are a wide range of changes to the Listing Rules and DTRs, as well as the deletion of the UK Model Code. • We attended a FCA MAR level II briefing on 3 December 2015. We attended a FCA trade association MAR roundtable on 14 December 2015. We also attended a FCA UK Model Code MAR roundtable on 17 December 2015. • We also liaising with AIM Regulation over the implications of MAR on the AIM Rules and AIM more generally, with regard to AIM Notice 11. • The European Commission adopted its delegated regulations on MAR on 17 December 2015. We are currently reading these to see how they affect implementation of MAR more generally.
<p>Central Securities Depositories Regulation (CSDR)</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"> • HM Treasury has published its consultation on implementing CSDR, which we will be responding to. • We are awaiting the publication of the level II delegated acts/regulation.

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 RESPONSIBLE: Corporate Governance</p>	<ul style="list-style-type: none"> • We are due to start the three-yearly review of our Code in 2016. • We held a roundtable event (Come Whine with Me about Corporate Governance) on the 11 November 2015 to find out more from members about their current governance challenges in order to help us with the review of our Code in 2016.
<p>QCA/UHY Hacker Young Corporate Governance Behaviour Review</p>	<ul style="list-style-type: none"> • We launched the 2015 review at an event on 2 December 2015. It was well received and each

Monitor corporate governance disclosures of small and mid-size quoted companies EXPERT GROUP RESPONSIBLE: Corporate Governance	member received an electronic copy and hard copy of the report.
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. EXPERT GROUP RESPONSIBLE: Corporate Governance	<ul style="list-style-type: none"> • We are in the process of making amendments to circulate it for wider comment from the Corporate Governance and Share Schemes Expert Groups and external stakeholders. • A publication date is yet to be decided, although we are hopeful to have the text finished by Q1 of 2016.
4. Raise awareness of the sector	
Activity	Activity Since Last Update
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"> • We published issue 15 of QCA/BDO PULSE on 24 November 2015, which covered corporate reputation and external shocks in addition to the normal tracking questions. • It is likely that we will carry out one more survey of QCA/BDO PULSE in 2016 to update our data set. • We are now seeking a new sponsor for the Index going forward.
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"> • The fieldwork for the 2016 report was completed in early November. • The 2016 report will be published at a launch event on 4 February 2016.

Issues being considered by the expert groups

Corporate Finance Expert Group – last meeting on 12 November 2015

1. Nilam Statham and Marcus Stuttard of the London Stock Exchange attended the November meeting to discuss the result of the AIM Rules consultation, AIM Notice 11 and the implementation of MAR.
2. The group is considering the FCA's consultation CP 15/35: Policy proposal and Handbook changes related to the implementation of the Market Abuse Regulation (RD: 4 February 2016) with the Legal Expert Group.
3. The group responded to the London Stock Exchange's AIM Notice 42 - consultation on proposed changes to the AIM Rules for Companies (RD: 12 November 2015) with the Legal Expert Group.

Corporate Governance Expert Group – last meeting on 1 December 2015

1. 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.
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 ESMA's public consultation on regulatory technical standards on the European Single Electronic Format (ESEF) (RD: 18 January 2016) with the Financial Reporting Expert Group.
4. The group responded to the FRC's new guidance to enhance reporting on risks and the going concern basis of accounting for non-listed companies (RD: 15 January 2016) with the Financial Reporting Expert Group.
5. The group responded to BIS's consultation – EU Audit Directive and Regulation: Implementing the Requirements (RD: 9 December 2015) with the Financial Reporting Expert Group.
6. The group responded to the Financial Reporting Council's Consultation: Enhancing Confidence in Audit (RD: 11 December 2015) with the Financial Reporting Expert Group.

Financial Reporting Expert Group – last meeting on 24 November

1. Phil Fitzgerald of the Financial Reporting Council attended the November meeting to discuss the results of the FRC's project on smaller company reporting and next steps.
2. The group is considering ESMA's public consultation on regulatory technical standards on the European Single Electronic Format (ESEF) (RD: 18 January 2016) with the Corporate Governance Expert Group.
3. The group is considering the IASB's consultation Transfer of Investment Property (Proposed amendment to IAS 40) (RD: 17 February 2016).
4. The group is considering the IASB's consultation Annual Improvements to IFRSs 2014-2016 Cycle (RD: 17 February 2016).
5. The group is considering the FRC's FRED 64 Draft amendments to FRS 103 Insurance Contracts Solvency II (RD: 28 February 2016).
6. The group is considering the FRC's FRED 63 Draft amendments to FRS 101 Reduced Disclosure Framework 2015/16 cycle (RD: 31 March 2016).
7. The group responded to the IASB Exposure Draft - Conceptual framework for financial reporting (RD: 26 October 2015).
8. The group responded to the EFRAG document for public consultation on the IASB ED Conceptual Framework for financial reporting (RD: 26 October 2015).
9. The group responded to the IFRS Foundation's Trustees' Review of Structure and Effectiveness (RD: 30 November 2015).
10. The group responded to BIS's consultation – EU Audit Directive and Regulation: Implementing the Requirements (RD: 9 December 2015) with the Corporate Governance Expert Group.

11. The group responded to the Financial Reporting Council's Consultation: Enhancing Confidence in Audit (RD: 11 December 2015) with the Corporate Governance Expert Group.
12. The group responded to the IASB Agenda Consultation 2015 (RD: 31 December 2015).
13. The group responded to the FRC's new guidance to enhance reporting on risks and the going concern basis of accounting for non-listed companies (RD: 15 January 2016) with the Corporate Governance Expert Group.

Legal Expert Group – last meeting on 10 December 2015

1. Nilam Statham and Patrick O'Sullivan of the London Stock Exchange attended the December meeting to discuss the result of the AIM Rules consultation, AIM Notice 11 and the implementation of MAR.
2. 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.
3. 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'.
4. The group is considering the FCA's consultation CP 15/35: Policy proposal and Handbook changes related to the implementation of the Market Abuse Regulation (RD: 4 February 2016) with the Legal Expert Group.
5. The group is considering the FCA's consultation CP15/38 consultation on delaying disclosure of inside information (RD: 20 February 2016).
6. The group responded to the London Stock Exchange's AIM Notice 42 - consultation on proposed changes to the AIM Rules for Companies (RD: 12 November 2015) with the Corporate Finance Expert Group.

Secondary Markets Expert Group – last meeting on 17 June 2015 [note that the meetings in the Autumn of 2015 were postponed due to the delay in MiFID II]

1. The group is considering HM Treasury's consultation on implementing CSDR (RD: 4 February 2016).
2. The group is considering the CPMI and IOSCO's consultation on harmonisation of the unique product identifier (RD: 24 February 2016).
3. The group is considering the FCA's consultation on UK implementation of MiFID II (RD: 8 March 2016).

Share Schemes Expert Group – last meeting on 15 October 2015

1. A working group is revising Rewarding Enterprise II – Guidance for Companies on Employee Share Schemes (July 2009).
2. The group is reviewing the process of electronic registration and annual filing for tax-advantaged share schemes, which was introduced in April 2015.

Tax Expert Group – last meeting on 10 November 2015

1. John Whiting and John Hampton of the Office of Tax Simplification (OTS) attended the November meeting to provide an update on the OTS's work and current projects.