

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 lower 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>Details on the FCA’s approach to companies being allowed to pay for and distribute investment research are still awaited.</p> <p>ESMA published a Q&A in April 2017.</p> <p>FCA published a first Policy Statement in March and the second is expected in June 2017.</p>	<p>Participation in FCA stakeholder group. Engagement with ESMA.</p> <p>We have responded to consultations on the implementation of these rules. We are putting together a list of questions to ESMA to have more clarity on investment research rules.</p> <p>The concerns have been raised at a roundtable with EU Vice President.</p>
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 new Prospectus Regulation is expected to apply from 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 Regulation text, as agreed in December 2016, 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’s first consultation paper is expected to be published in the summer. It is giving priority to the EU Growth Prospectus.</p> <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</p>	<p>We have created a mock EU Growth Prospectus which has been circulated to ESMA and the Commission. The specimen has had good traction from the Commission and ESMA.</p> <p>We have drafted a joint position paper with the European Issuers and shared it with EU policymakers.</p> <p>We have participated in a full-day Commission workshop, stakeholder roundtables and attended meetings with EU officials to discuss the regulation.</p> <p>We continue to be in contact with ESMA and the Commission.</p>

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		<p>be possible to apply it earlier. Instead, the old prospectus directive will remain in place.</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>
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 have to keep an insider list from July 2016 to January 2018 until MiFID II takes effect (and if AIM becomes a designated Growth Market).</p> <p>Other changes that impact quoted companies are: the UK Model Code no longer exists and the regulation is directly applicable to AIM companies. 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>Evaluating the impact through feedback from market practitioners on its implementation.</p> <p>Drafted a QCA, ICSA, GC100 Guidance note on the Dealing Code and policy document for companies.</p> <p>Discussing directly with AIM Regulation and with the FCA on how the interaction will work in practice.</p> <p>Approaching the EU institutions through joint action by EuropeanIssuers.</p>

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 where we discussed this point. We have invited Ms Ellison to another session in early autumn.</p> <p>We have included this point in our market manifesto and raised it in several consultation responses.</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>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: All</p>	<p>The Commission launched a public consultation on the mid-term review of the Capital Markets Union in January 2017. The mid-term review is expected to be published in 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>
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>

2. Reduce the burden of corporate disclosures	
Activity	Activity Since Last Update
<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>We have attended the FCA's MiFID II roundtables, which update stakeholders on the implementation of MiFID II in the UK.</p> <p>We are assessing and have responded to a number of consultations on the implementation and technical details of MiFID II, including aspects of investment research, inducements and product governance.</p> <p>We have spoken at seminars and workshops with policymakers and industry experts on our vision of SME Growth Markets.</p> <p>We are compiling a list of questions for ESMA with a view to clarify the implementation process of MiFIDII.</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 does not apply to quoted companies at the moment, but will after the entry into force of the 4MLD in July 2017.</p> <p>We have responded to a HM Treasury consultation on the transposition of the Fourth Money Laundering Directive.</p> <p>We have responded to a BEIS consultation on implementing the Fourth Money Laundering Directive: beneficial ownership register.</p>
<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-size quoted companies through the final negotiation stages of the Directive before its adoption</p> <p>EXPERT GROUP: Corporate Governance</p>	<p>We were part of a BEIS stakeholder group proposing the UK amendments to the SRD. Through participation in the Group informing the UK position in the negotiations as well as independent campaigning, we have 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.</p> <p>The final text has been approved and will be published in the Official Journal of the EU in June 2017. The Commission intends to finalise internally its draft implementing acts over the summer and consult in the autumn.</p>
<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: Legal and Primary Markets</p>	<p>Please refer to the section on Priority Policy Issues.</p>

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Activity	Activity Since Last Update
<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: Secondary Markets</p>	<p>All level 2 measures (except for the technical standards on settlement discipline) were published in the Official Journal of the EU (OJEU) on 10 March. CSD requirements apply as of 30 March 2017 and the internalised settlement measures as of 10 March 2019. The technical standards on settlement discipline are currently being reviewed by the Commission. Once completed there will be a two-year phase in after publication in the OJEU.</p> <p>ESMA published two final reports and guidelines on a) access to the trading feeds of CCPs or trading venues by a CSD and b) on CSD participants default rules and procedures on 23 March 2017.</p> <p>The Secondary Markets Expert Group is assessing the impact of the new Regulation on small and mid-size quoted companies.</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 is reconvening 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.</p> <p>The Future of the QCA Code Working Group met on 18 April and will proceed with drafting an Investors' Charter to encourage companies to follow good corporate governance practise.</p> <p>We have met with the FRC and BEIS to discuss the planned changes to the UK Corporate Governance 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>We held a meeting with UHY Hacker Young on 12 April 2017 to discuss a joint corporate governance mobile application to measure companies' corporate governance practices.</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>The questions for the next QCA/YouGov Sentiment Index have been completed and the fieldwork is being carried out in May 2017.</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>A successful launch event was held on 9 March 2017.</p> <p>Copies of the report have been sent to all QCA members.</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 met with Lord Hill to discuss Brexit and the Capital Markets Union, and have been invited to attend a Brexit seminar hosted by Lord Hill.</p> <p>We are organising a second round of policymaker meetings after the General Elections in June 2017.</p> <p>The Legal Expert Group's Brexit working group has drafted detailed analysis on the effects of EU legislation on small and mid-sized quoted companies.</p> <p>We have prepared a market structure paper which sets out the QCA's proposals for market reform.</p>

QCA EXPERT GROUPS

<p>Corporate Governance Expert Group – last meeting on 21 February 2017</p> <ul style="list-style-type: none"> • Peter Montagnon from the Institute for Business Ethics attended the meeting to discuss the Institute's response to the Corporate Governance Green Paper. • The group responded to the BEIS consultation on Corporate Governance Reform. (RD: 17 February 2017).
<p>Financial Reporting Expert Group – last meeting on 14 March 2017</p> <ul style="list-style-type: none"> • Anna Colban from the FRC attended the meeting to discuss the smaller companies project and plans for publish a practice aide for audit committees. • <i>Consultations responded to:</i> <ul style="list-style-type: none"> FRC's Draft Plan & Budget and Levy Proposals 2017/18 (RD: 17 February 2017) BEIS Green Paper on Corporate Governance Reform (RD: 17 February 2017) FRC's Corporate Reporting Research Activities (RD: 30 March 2017) • <i>Consultations under consideration:</i> <ul style="list-style-type: none"> IFRS consultation on Improvements to IFRS 8 Operating Segments – Proposed amendments to IFRS 8 and IAS 34 (RD: 31 July 2017)
<p>Legal Expert Group – last meeting on 23 March 2017</p> <ul style="list-style-type: none"> • 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 process of the Market Abuse Regulation. • <i>Consultations under consideration:</i> <ul style="list-style-type: none"> FCA's DP17/2 Review of the Effectiveness of Primary Markets: The UK Primary Markets Landscape (RD: 14 May 2017) FCA's CP17/4 Review of the Effectiveness of Primary Markets: Enhancements to the Listing Regime (RD: 14 May 2017) FCA's CP17/5 Reforming the availability of information in the UK equity IPO process (RD: 1 June 2017)

Primary Markets Expert Group – last meeting on 4 April 2017

- The new group held its first meeting on 4 April 2017.
- Lucas Penfold, Michael McKersie, Damien Shanahan and Tim Rowe from the FCA attended the meeting to discuss the consultations on the Review of the Effectiveness of Primary Markets and Reforming the availability of information in the UK equity IPO process.
- *Consultations under consideration:*
FCA's DP17/2 Review of the Effectiveness of Primary Markets: The UK Primary Markets Landscape (RD: 14 May 2017)
FCA's CP17/4 Review of the Effectiveness of Primary Markets: Enhancements to the Listing Regime (RD: 14 May 2017)
FCA's CP17/5 Reforming the availability of information in the UK equity IPO process (RD: 1 June 2017)

Secondary Markets Expert Group – last meeting on 19 April 2017

- The group is monitoring the implementation process of MiFID II and CSDR.
- *Consultations under consideration:*
FCA's CP17/8 MiFID II Implementation – Consultation Paper V (RD: 12 May)
FCA's CP17/5 Reforming the availability of information in the UK equity IPO process (RD: 1 June 2017)

Share Schemes Expert Group – last meeting on 20 April 2017

- Hasmukh Dodia and Yvonne Batista from HMRC attended to meeting to discuss changes to the tax submission system.
- The group sent a letter to BEIS on amending the company law requirement relating to employees' share schemes to pay nominal value for shares.
- The group sent a letter and participated in a meeting with HMRC to discuss the review of Stamp Duty on paper transactions.
- The group is working on updating the Share Schemes Guides.
- *Consultations responded to:*
BEIS Green Paper on Corporate Governance Reform. (RD: 17 February 2017)
- *Consultations under consideration:*
OTS Simplification review of residual paper Stamp Duty on shares: Progress report and call for evidence (RD: 31 May 2017)

Tax Expert Group – last meeting on 22 March 2017

- David Halsey and Paul Morton from the Office of Tax Simplification attended the meeting to discuss the OTS's current and forthcoming initiatives.
- The group has initiated the planning of the QCA Budget representations for Autumn 2017.