

## Quoted Companies Alliance Policy Update – 3 May 2016

### Progress on key campaigns for 2015 - 2016

<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>• We submitted our Budget Representations for 2016 on 16 October 2015, which included this proposal. It was not included in the Budget on 17 March 2016.</li> <li>• We met with HM Treasury on 14 April to discuss our Budget Representations and raised 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 submitted our Budget Representations for 2016 on 16 October 2015, which included this proposal. It was not included in the Budget on 17 March 2016.</li> <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>• We met with HM Treasury on 14 April to discuss our Budget Representations and raised 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>• The European Commission published its CMU Action Plan on 30 September 2015. We responded to the call for evidence on EU regulatory framework for financial services, providing examples of inconsistencies and overlaps in EU legislation affecting small and mid-size quoted companies.</li> <li>• The Commission published its Capital Markets Union First Status Report on 25 April 2016, following the results of the consultation responses and outlining the key initiatives planned until 2018.</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 proportionate prospectus regime so that small and mid-size quoted companies are</p>	<ul style="list-style-type: none"> <li>• The European Commission published its proposal for a Prospectus Regulation on 30 November 2015.</li> <li>• We have written three briefing notes outlining legislative amendments for the Regulation, which</li> </ul>

<p>able to access public equity markets efficiently</p> <p>EXPERT GROUP RESPONSIBLE: Legal and Corporate Finance</p>	<p>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 met with the Rapporteur and the Shadow Rapporteur’s assistant in the European Parliament on 17 February 2016 to discuss the Regulation.</li> <li>• We chair the EuropeanIssuers working group on the Regulation and lead the drafting of its revised position paper and legislative amendments.</li> <li>• We co-organised a roundtable with the FCA addressing SME Level 2 issues in the Regulation on 6 April 2016.</li> <li>• We met with the Investment Association and other stakeholders to discuss the Prospectus Regulation proposals.</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 implementation date of MiFID II will be delayed by one year to 3 January 2018 due to delays from the Commission in publishing the delegated acts and the volume of level II and III guidance required from ESMA.</li> <li>• The delegated acts from the European Commission addressing the issue of investment research and SME Growth Markets have been published.</li> <li>• 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.</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> <li>• We attended the MiFID II Conduct Forum for Trade Associations and Firms on 18 April 2016 where the issue of product governance being likely to affect equity was raised. We will continue monitoring this issue.</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>	<ul style="list-style-type: none"> <li>• We were part of a BIS working group drafting the statutory and non-statutory guidance that accompanies the PSC register and has now been</li> </ul>

<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>	<p>published.</p> <ul style="list-style-type: none"> <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 BIS after a meeting on 16 December 2015 to discuss the UK implementation of the 4<sup>th</sup> MLD and to ensure that AIM companies should be out of scope.</li> </ul>
<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 BIS 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>• Through the participation in the BIS 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 have responded to the FCA consultation 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.</li> <li>• We have responded to the FCA consultation on delaying disclosure of inside information (CP15/38) and the ESMA consultation on the Draft guidelines on the Market Abuse Regulation (ESMA/2016/162).</li> <li>• We attended the ESMA Open Hearing on the Draft Guidelines on 29 February 2016.</li> <li>• We met with the FCA on 13 April 2016 to discuss MAR implementation issues. We have raised the issues of the prohibition of dealings during closed periods for persons discharging managerial responsibilities and preliminary announcements, as well as the issue of the timeline inconsistencies with MiFID II and the exemptions for SME Growth Markets with the FCA, the European Commission</li> </ul>

	<p>and HM Treasury.</p> <ul style="list-style-type: none"> <li>• We are liaising with AIM Regulation over the implications of MAR on the AIM Rules and AIM more generally, with regard to AIM Notice 11.</li> <li>• We are liaising with the European Commission to raise awareness on the SME Growth Markets issue; we are trying to set up a meeting on this.</li> <li>• We have published a newsletter article on the impact of MAR for AIM companies and are liaising with the FCA to coordinate the dissemination of useful information to our members.</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> </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 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 are due to start the three-yearly review of our Code in 2016.</li> <li>• A number of volunteers have joined our working group to review the Code.</li> <li>• A first meeting has been set up for 24 May 2016; a number of preliminary questions have been distributed to the members of the working group in preparation for this meeting.</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>	<ul style="list-style-type: none"> <li>• We have made the final amendments to the text and have circulated it for wider comment from external stakeholders.</li> <li>• We have sent the text to the designer; after receiving comments from stakeholders these will be included in the document and a final draft will be prepared.</li> </ul>

EXPERT GROUP RESPONSIBLE: Corporate Governance	<ul style="list-style-type: none"> <li>• A publication date has been tentatively scheduled for 28 June 2016.</li> </ul>
<b>4. Raise awareness of the sector</b>	
<b>Activity</b>	<b>Activity Since Last Update</b>
<p><b>QCA/BDO Small and Mid-Cap 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>• 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.</li> <li>• It is likely that we will carry out one more survey of QCA/BDO PULSE in 2016 to update our data set.</li> <li>• We are now seeking a new sponsor for the Index going forward.</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 10 March 2016

1. Nilam Statham and Patrick O’Sullivan of AIM Regulation attended the March 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 is considering AIM Notice 44 (Proposed changes to AIM Rules in advance of MAR coming into effect on 3 July 2016) (RD: 12 May 2016) with the Legal Expert Group.
4. The group is considering the FCA consultation LR, PR and DTR: FCA Quarterly Consultation No 12 (CP16/8) (RD: 18 May 2016).
5. The group is considering the FCA consultation CP16/13: Changes to the Decision Procedure and Penalties Manual and the Enforcement Guide for the implementation of the Market Abuse Regulation (RD: 22 May 2016) with the Legal Expert Group.
6. The group is considering 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.
7. The group responded to the Takeover Panel consultation on the communication and distribution of information during an offer (RD: 15 April 2016) with the Legal Expert Group.

##### **Corporate Governance Expert Group** – last meeting on 12 April 2016

1. Mark Jackson of BIS attended the April meeting to discuss the BIS consultation on the Non-Financial Reporting Directive.
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 responded to BIS' consultation on The Non-Financial Reporting Directive - A call for views on effective reporting alongside proposals to implement EU requirements (RD: 15: April 2016) with Financial Reporting Expert Group.
4. The group responded to BIS' consultation on enhancing transparency of beneficial ownership information of foreign companies undertaking certain economic activities in the UK (RD: 4 April 2016).

**Financial Reporting Expert Group – last meeting on 15 March 2016**

1. Hugh Shields of the IASB attended the March meeting to discuss the current work of the IASB.
2. The group is considering the EFRAG's Draft Endorsement of Disclosure Initiative - Amendments to IAS 7 (RD: 13 May 2016).
3. The group is considering the ICAEW Exposure draft on updated guidance on realised and distributable profits (RD: 9 June 2016).
4. The group is considering the FRC Feedback on FRS 102 to inform its future development (RD: 31 October 2016).
5. The group responded to the IASB's consultation Transfer of Investment Property (Proposed amendment to IAS 40) (RD: 17 February 2016).
6. The group responded to the IASB's consultation Annual Improvements to IFRSs 2014-2016 Cycle (RD: 17 February 2016).
7. The group responded to the FRC's FRED 63 Draft amendments to FRS 101 Reduced Disclosure Framework 2015/16 cycle (RD: 31 March 2016).

**Legal Expert Group – last meeting on 24 March 2016**

1. Jonathan Edwards of HM Treasury attended the March meeting to discuss the Prospectus Regulation negotiations.
2. The group is considering the issue concerning the 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 considering AIM Notice 44 (Proposed changes to AIM Rules in advance of MAR coming into effect on 3 July 2016) (RD: 12 May 2016) with the Corporate Finance Expert Group.
4. The group is considering the FCA consultation CP16/13: Changes to the Decision Procedure and Penalties Manual and the Enforcement Guide for the implementation of the Market Abuse Regulation (RD: 22 May 2016) with the Corporate Finance Expert Group.
5. The group is considering 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.

6. 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'.
7. The group responded to the FCA's consultation CP15/38 consultation on delaying disclosure of inside information (RD: 20 February 2016).
8. The group responded to the ESMA: consultation paper, Draft guidelines on the Market Abuse Regulation (ESMA/2016/162) (RD: 31 March 2016).
9. The group responded to the Takeover Panel consultation on the communication and distribution of information during an offer (RD: 15 April 2016) with the Corporate Finance Expert Group.

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

1. Stephen Hanks of the FCA attended the March meeting to discuss the implementation of MiFID II.
2. The group is considering 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 21 April 2016

1. Hasmuk Dodia and Tom Rollinson attended the April meeting to give an update on the work of HMRC.
2. A working group is revising Rewarding Enterprise II – Guidance for Companies on Employee Share Schemes (July 2009).
3. The group is considering the HMRC consultation on Employee Share Schemes: NIC elections (RD: 13 July 2016).

**Tax Expert Group** – last meeting on 23 March 2016

1. The group put together and circulated a survey to membership on what tax changes would be more likely to have a positive impact on their business to inform the drafting of the QCA proposals for taxation reform 2017.
2. A working group will be set up to analyse the results and draft the QCA proposals for taxation reform 2017.