



# Regulatory burden & small & mid-sized quoted companies in the UK

Quoted Companies Alliance  
Small & Mid-cap Sentiment Index

Wave 22, June 2019



# Executive summary

The majority of smaller quoted companies find it challenging to deal with regulatory burden

- About two-thirds (63%) of small and mid-caps find regulatory compliance either excessive or demanding, one-third find it manageable
- 72% of small and mid-caps think that increased regulatory burden is a reason why the number of companies on public equity markets has fallen in the UK
- The 3 most burdensome listing requirements are FCA rules, corporate governance, and providing annual reports.

Companies do not believe that policymakers understand the impact on them

- Only 8% of small and mid-caps believe UK policymakers understand the impact that regulation has on their business

Small and mid-caps have limited resources to manage regulatory burden

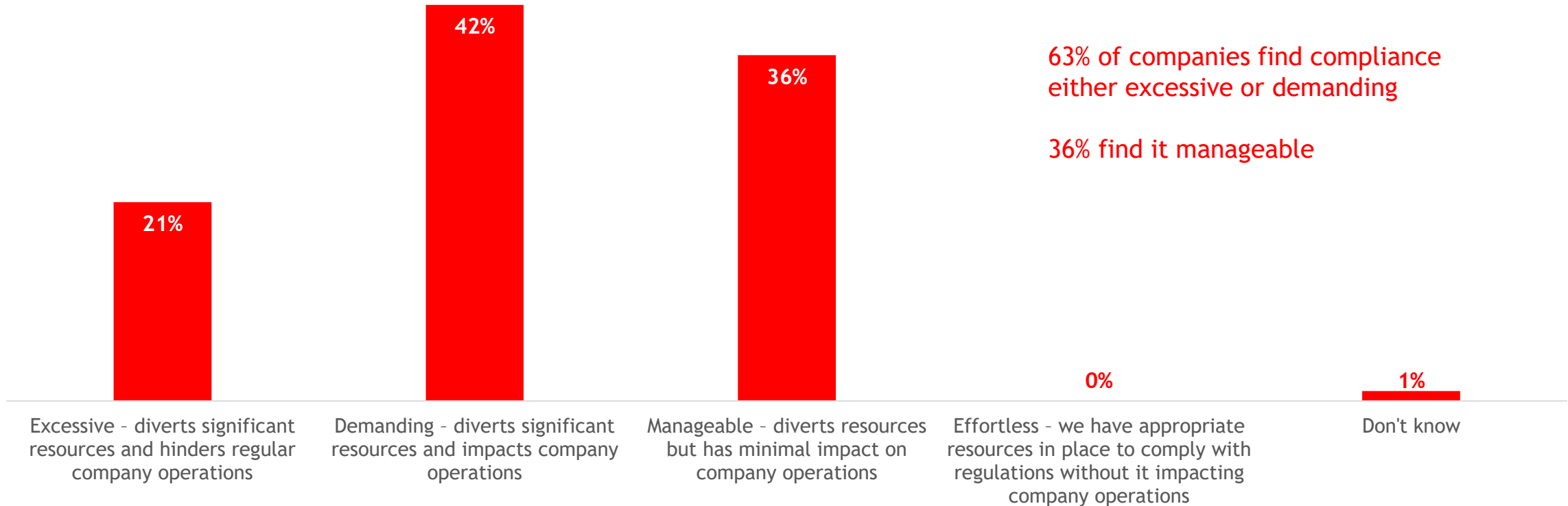
- Only 12% of small and mid-caps have in-house government/public affairs roles
- Only 16% have specialist investor relations staff
- Only 36% have in-house legal affairs staff

Small and mid-caps are more likely to be optimistic going forward

- 52% think the business environment will get better, versus 22% think it will get worse

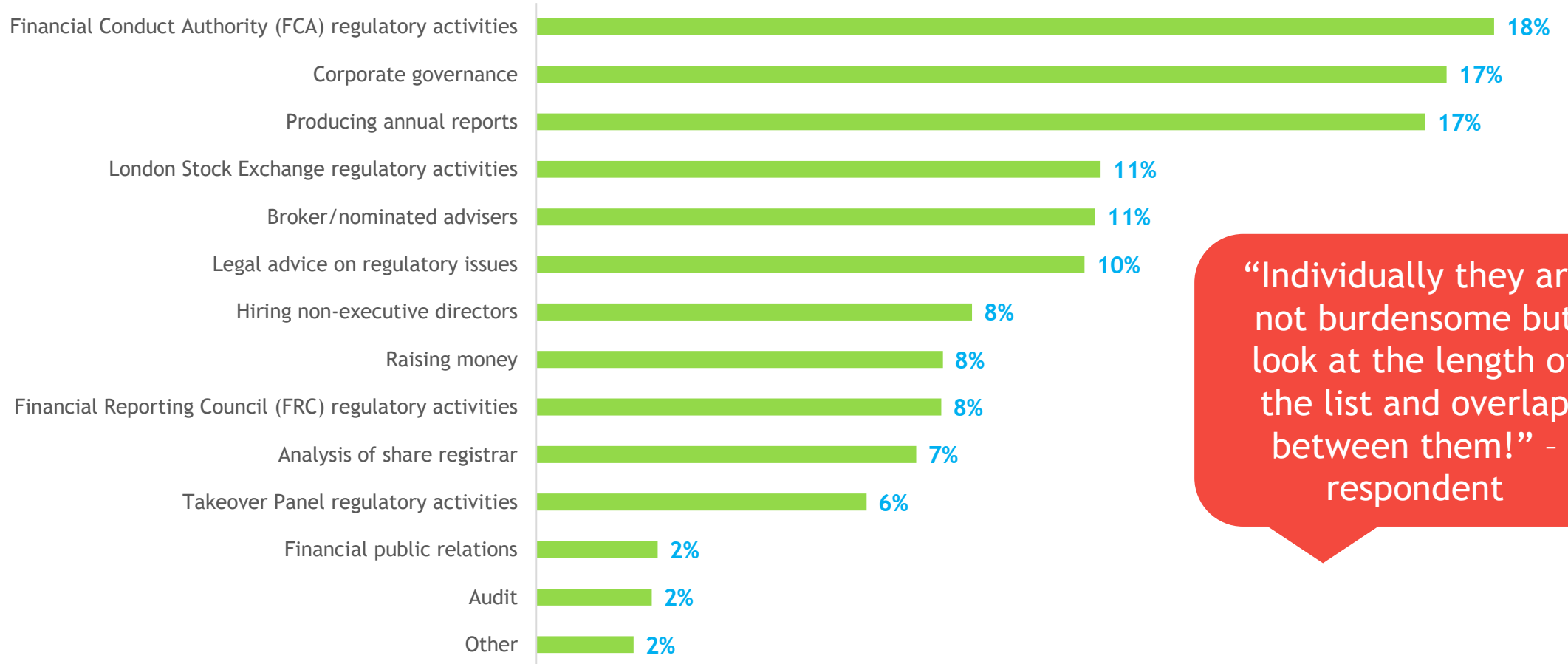
# Complying with regulation as a whole

Thinking about the resources (e.g. time, money, manpower etc) that your company has to commit to complying with regulation as a whole, which of the following best describes the impact this has?



# Listing requirements and adherence difficulty

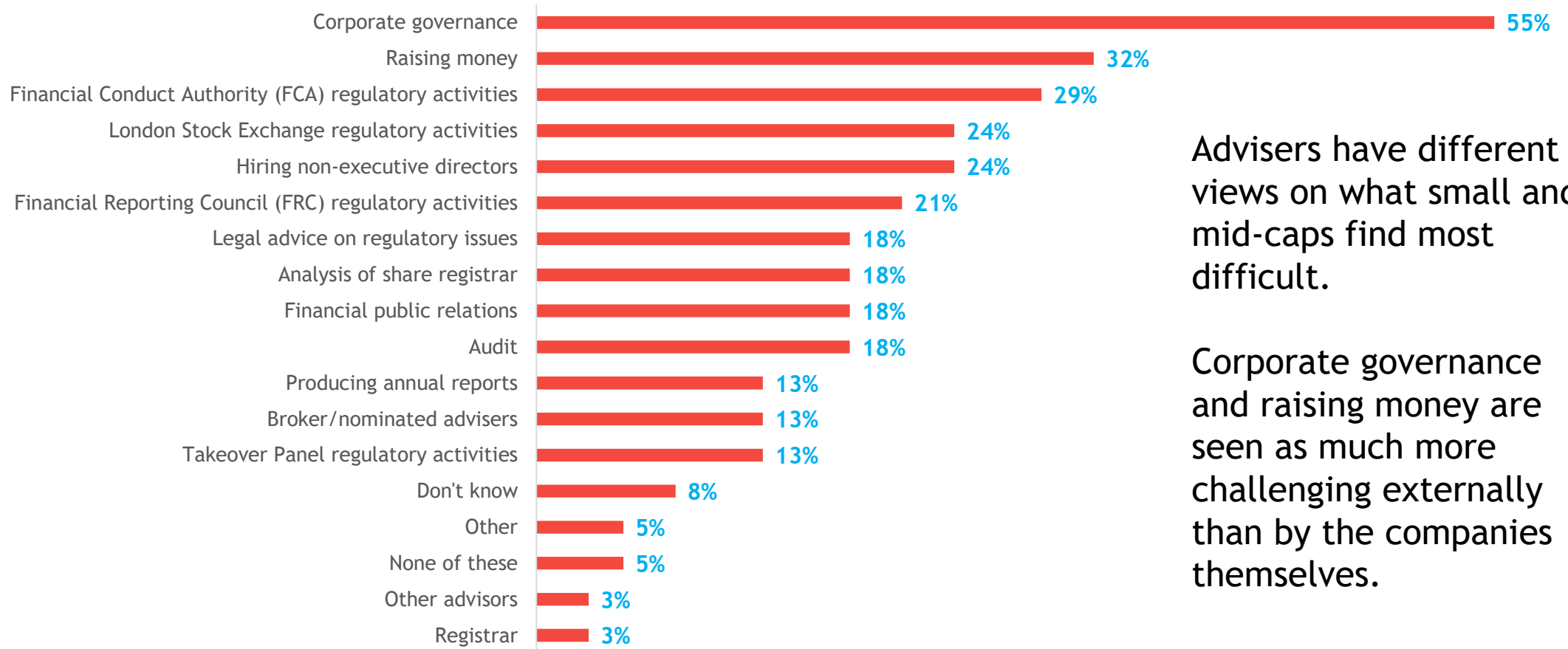
Companies: Which of the following listing requirements, if any, does your business find most difficult to adhere to?



“Individually they are not burdensome but look at the length of the list and overlap between them!” - respondent

# Listing requirements and adherence difficulty

Advisers: Which of the following listing requirements, if any, do you think small and mid-cap quoted UK companies find most difficult to adhere to?

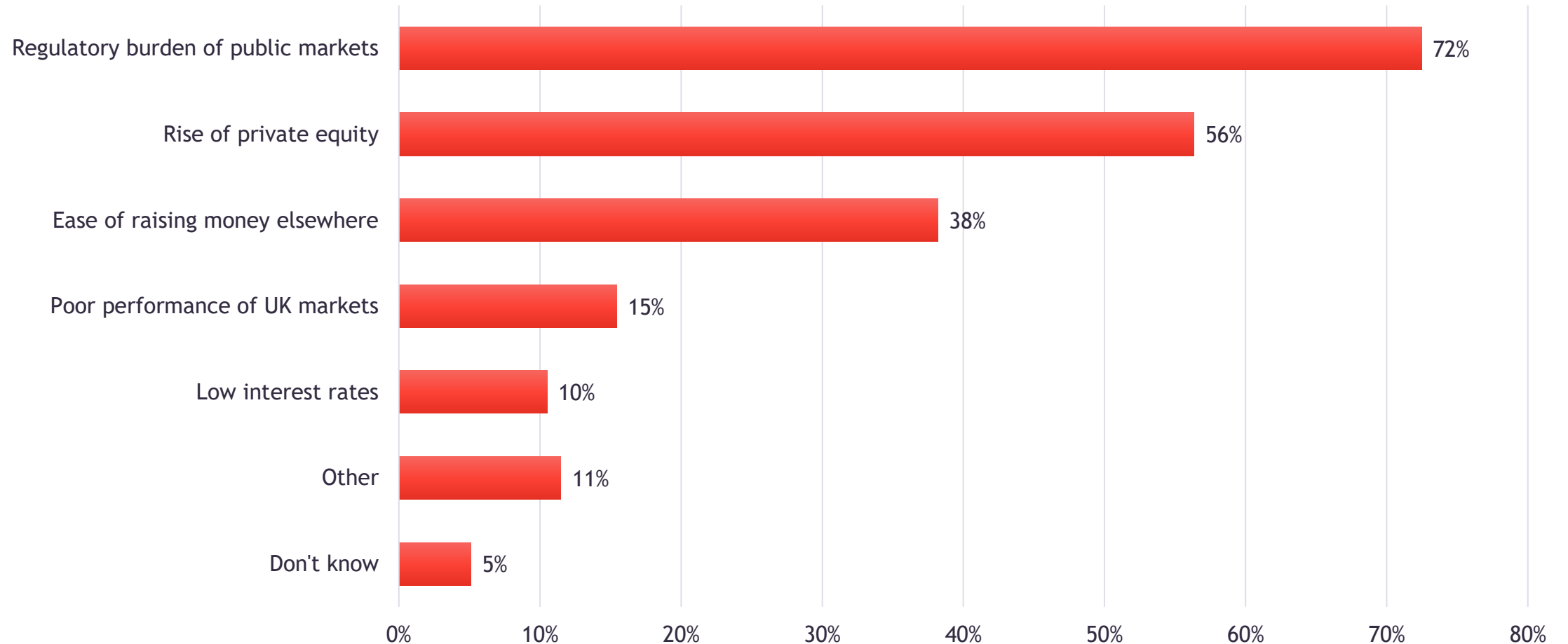


Advisers have different views on what small and mid-caps find most difficult.

Corporate governance and raising money are seen as much more challenging externally than by the companies themselves.

# Decline in number of companies on public equity markets

The number of companies on public equity markets in the UK has fallen consistently in the recent decades. Why do you think this is? Please select all that apply.



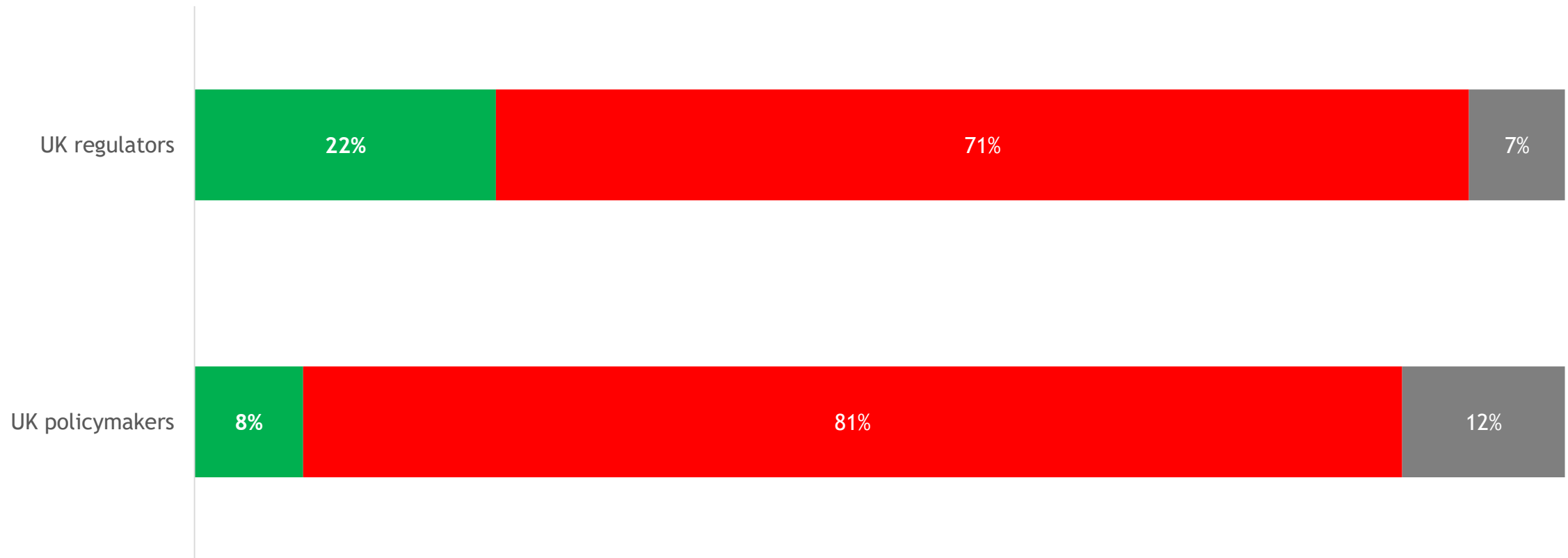
# Do policymakers understand the impact of regulation on small and mid-caps?

Do you think the following understand the impact it is having on your company operations?

■ Yes

■ No

■ Don't know



# What could UK regulators or policymakers do, with regards to regulation, to help your company?

“Make it realistic for size of company - one size does not fit all.”

“Recognise that particularly small cap companies are as much a customer of the public equity markets as consumer / investors. Otherwise there will be no need to bother about consumer / investors because there will be no companies for them to invest in.”

“In equity markets just simplify the rules and group them together so that directors can remember them easily and so that policing them places a smaller financial burden on the company.”

“Government, both political and civil servants must demonstrate a willingness to learn more about SME's. I've been quite heavily involved in helping government through the Brexit process, and only BEIS civil servants have put their hands up and said they don't know enough about the potential impacts on SMEs. Government only knows big business and the big sectors, the very people who can look after themselves.”

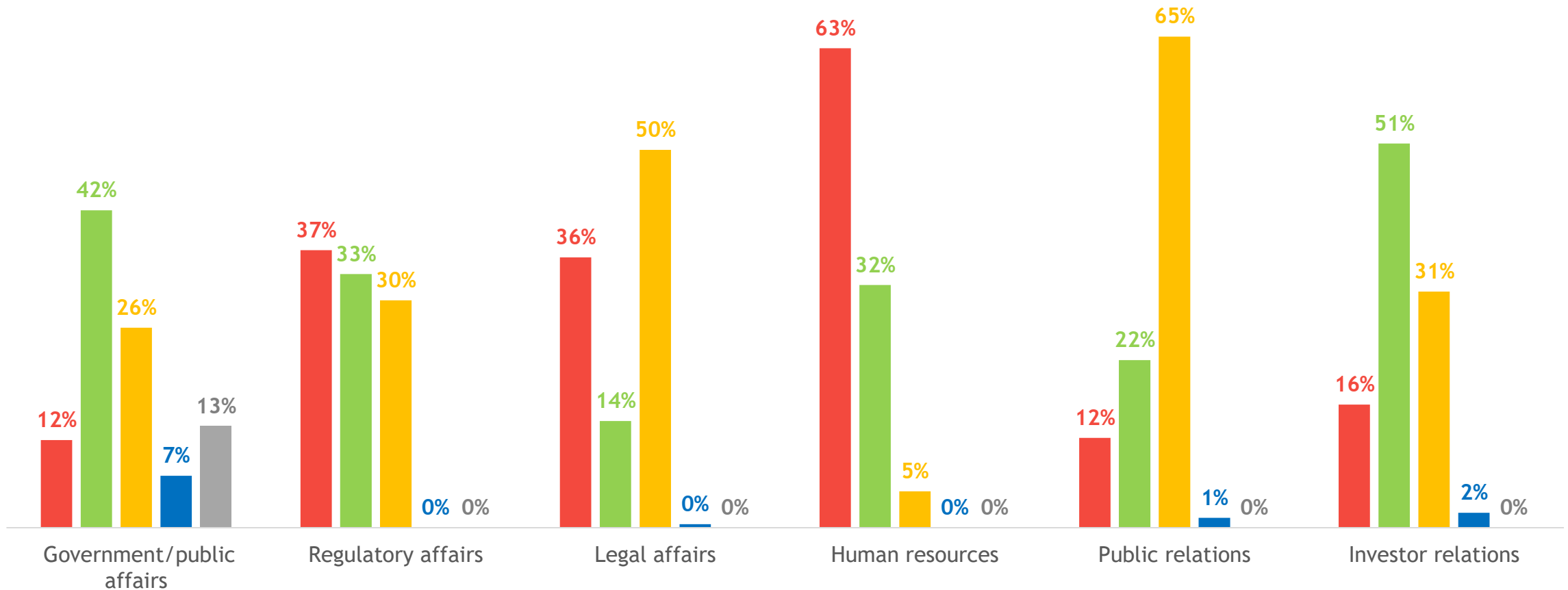
“Make it simpler - more regulation does not equal less corporate failure, just makes companies less efficient. Reduce the rubbish in annual reports and make them more readable - most are novel length now but sadly are slightly more interesting than reading the small print on a finance document.”



# Responsibility for business functions

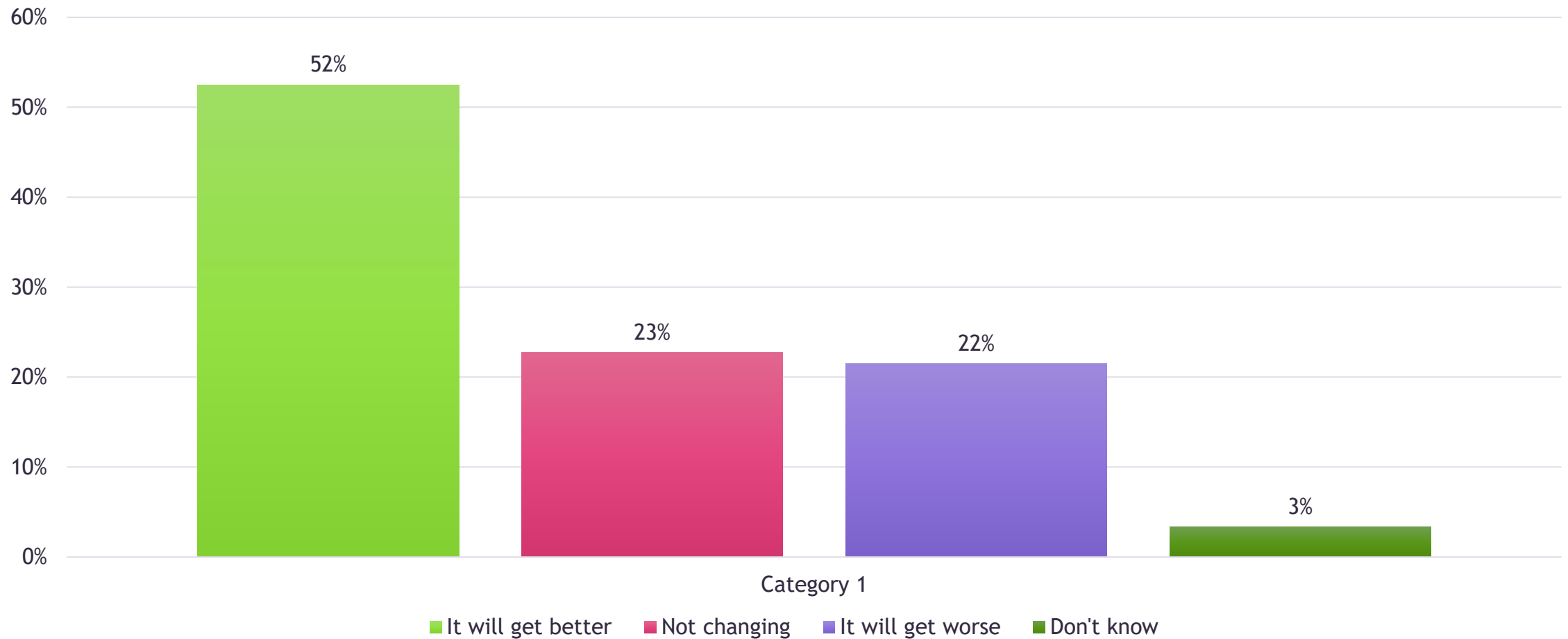
Thinking about the following functions which your business may undertake, who within your company is responsible for them?

■ In-House specialist staff ■ In-House, but not specialists (i.e. staff covering more than one role) ■ External specialist staff ■ Other ■ Don't know



# Future business environment

How do you see the business environment for your company / small and mid-cap UK quoted companies developing in the next 3-5 years?



# Methodology

- 117 interviews were conducted between 17/04/19 and 04/06/19.
- 78 from small and mid-cap UK quoted companies, 39 from advisory companies (this includes investors, auditors, accountants, lawyers, brokers, and AIM NOMADs etc.)
- This survey was conducted by YouGov using an online interview administered to members and associates of the QCA. An email was sent to the QCA database, inviting them to take part in the survey and providing a link to it. A link to the survey was also circulated by the QCA to their contacts. The sample definition is "small and mid-cap UK quoted companies and advisory companies". The responding sample is weighted by industry to be representative of small and mid-cap UK quoted companies, as derived from London Stock Exchange data, but the advisory companies are not weighted in any way.
- Note: Where the percentages for a chart are calculated on bases fewer than 40 respondents these must not be reported as they do not represent a wide enough cross-section of the target population to be considered statistically reliable. These questions and figures will be italicised.

# Appendix: background

## The Small & Mid-Cap Sentiment Index:

- The QCA/YouGov *Small & Mid-Cap Sentiment Survey* has been running since 2011.
- This is the 22<sup>nd</sup> wave and is conducted twice yearly. It is an established source of information about the small and mid-sized quoted company sector.

## The small & mid-cap sector in the UK:

- In 2019, there are around 1,250 small and mid-size quoted companies in the UK, representing 93% of all companies quoted on UK stock exchanges.
- They employ approximately 3 million people, representing 11% of private sector employment in the UK, and contribute over £26bn in annual taxes ([source](#)).

## The Quoted Companies Alliance:

- The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.
- For more information please visit [www.theqca.com](http://www.theqca.com).

