QUOTED COMPANIES ALLIANCE

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Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
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Dear Rachel,

Congratulations on your momentous election victory and appointment as Chancellor of the Exchequer.

The Quoted Companies Alliance (QCA) stands ready to work with you and colleagues across government to fulfil in particular the first of Labour's five missions: **kickstarting economic growth**.

We have spoken in the past about our QCA member companies that are ranged across the UK and across many advanced industries - including fintech, biotech, digital media and green energy – ably backed by a network of almost 100 City of London firms, from brokers and accountants to investors, lawyers and consultants.

This public company ecosystem is investing, hiring, innovating, exporting, driving productivity, sharing wealth, delivering taxes and doing so transparently so that all stakeholders can clearly see how it operates.

These small and mid-sized companies employ over 2.1m people and contribute at least £25bn in annual taxes. With the right support, they can grow even faster in number and value to become the blue chips of tomorrow.

We welcome the government's plan for growth that acknowledges the importance of stability and long-term thinking. Much has been set in train to reform London's capital markets so that growth companies can prosper. We urge you and your team to see those changes through, to give companies the confidence to join and remain on our public markets. These measures include the introduction of:

- A simpler, cost-effective and founder-friendly regulatory regime for stock market listings;
- A British ISA that restores the link between generous tax breaks and domestic businesses that invest here;
- Pension fund reform that improves saver outcomes and increases investment in UK markets in tandem;
- The revival of equity research so investors can gain the confidence to back exciting and currently overlooked quoted companies;
- An overhaul of reporting requirements to streamline lengthy annual reports.

It would be tempting to think the successful flotation of a great British company like Raspberry Pi heralds the revival that markets have been waiting for. Certainly its success and that of others is worth celebrating and there is evidence the mood is shifting.

Yet London's public markets are still suffering a net loss of 10 companies every month. Many directors tell us they are struggling with the heavy burden of audit costs and the intransigence of proxy agencies that rate their governance. A significant amount of executive time is taken up by regulatory oversight, time that cannot be devoted to innovation and expansion.

Respondents to our latest Small and Mid-cap Sentiment Index report improving optimism over the UK economy and their own business prospects but the proportion considering raising capital in the next year has only been lower on one occasion in the last decade. A boost is needed.

These markets – AIM, Aquis and the London Stock Exchange's Main Market - are vital infrastructure that underpin any industrial strategy, a raw ingredient for economic success that we cannot cede overseas.

Their challenge is often portrayed as London versus New York versus Amsterdam – a top-down problem where rival financial centres pick off our leading companies, taking their tax contribution and well-paid jobs with them.

However, a long-term reinvigoration requires bottom-up solutions, building on existing, highly successful tax incentives – such as AIM business relief, EIS, VCT – and dismantling disincentives, such as stamp duty on share trading.

The prize is to crowd in capital from numerous sources so that companies list early in their journey, grow and appreciate. Notably, we think three institutions can do more to support the UK's growth agenda:

The **Financial Conduct Authority** should show more evidence it is achieving its secondary objective to support UK economic growth and facilitate international competitiveness. This should involve a review of its approach to liquidity management which has encouraged institutional money to depart the smallcap end of the market in the five years following the suspension of the Woodford equity income fund.

The **British Business Bank** should extend its remit to support all growth companies, including those traded on public markets, not just venture capital-backed companies for which there are already plenty of investment choices. Ventures that benefit from BBB support should be required to take a share quote in London when the time comes to ensure "pay back" for the nation.

Nest, the UK's largest defined contribution workplace pension scheme by members, should lead the way in backing British enterprise by allocating domestically a much greater proportion of the £500m contributions it receives each month. We welcome the government's plans to review the pensions landscape.

It is vital to recalibrate how public markets operate so that taking a share quote is not excessively costly and the benefits of increased liquidity and visibility are not curbed.

Crucially, small, quoted companies can have a huge impact on the UK economy. Nurturing them at the beginning of your time in office will pay great dividends later in your term.

On their behalf, I urge you to be bold. Together we look forward to collaborating with this new mission-driven government.

Yours sincerely,

James Ashton.

James Ashton
Chief Executive, The Quoted Companies Alliance