



Quoted Companies Alliance

6 Kinghorn Street
London EC1A 7HW

T +44 (0)20 7600 3745

F +44 (0)20 7600 8288

mail@theqca.com

Rt Hon. Nicky Morgan MP
Chair of the Treasury Committee
House of Commons
London
SW1A 0AA

1 March 2019

The future of the UK's financial services

Dear Ms. Morgan,

The Treasury Committee's inquiry into the future of the UK's financial services is extremely welcome and we are grateful for the opportunity to contribute.

The Quoted Companies Alliance represents small and mid-sized quoted companies in the UK - these make up the majority of the companies listed on stock exchanges in the UK. We look to encourage an approach of "thinking small first" in policymaking and regulation so as to help these companies flourish, grow and create jobs and wealth for investors and society.

I wanted to take this opportunity to provide you and your committee with a short, high-level view on the topic and then, if appropriate, present you with a further response by the deadline of 30 April 2019. Obviously the Article 50 deadline is 29 March 2019, and whether the UK leaves the EU with or without a deal has a large bearing on the future direction of the UK financial services regime and so we may provide a further submission in the light of this.

We believe that it is essential that close ties are maintained between the UK and the European Union after Brexit. Steps should be taken to retain the status of London as the financial hub of Europe and a leading global financial centre. Much of this status rests on the capacity of financial services firms to offer services across borders and to attract and retain the right people for the right jobs.

Nevertheless, **after Brexit the UK should strive to recalibrate its financial services regime to reflect the nature of the UK market and take steps to be proportionate in its approach to smaller companies who have less resources than their larger, global counterparts.**

There are cases of EU financial services rules that have been drafted with all 28 countries in mind that could be adjusted to better fit with the UK. In this regard, the UK should look to ensure that it has the capacity to adjust inappropriate or disproportionate rules which could negatively impact successful UK markets when it absorbs EU rules. Examples include:

1. **Prospectus Regulation:** Raise the threshold for which companies are obliged to produce a prospectus from €8 million to at least £20 million, a level more appropriate for the UK market which, unlike in Europe, has additional financial promotion rules to protect investors.
2. **Markets in Financial Instruments Directive II (MiFID II):** modify to reduce the negative impact it has had on discouraging investment research on small and mid-size companies.
3. **Central Securities Depositories Regulation (CSDR):** Adjust accordingly to reflect the unique, quote-driven liquidity provision system of the UK's SME market (AIM).
4. **SME Growth Market:** Increase the maximum market capitalisation from 200 million euro to £500m to suit the profile of the UK's growth markets (the largest in Europe).
5. **Market Abuse Regulation (MAR):** Allow a lighter disclosure regime for smaller companies in the UK, whilst maintaining investor protection.

There are other examples that we can provide more detail on and, as mentioned and if appropriate, we will provide a further response to your questions separately by the deadline of 30 April.

Please let me know if you have any questions on the contents of this letter in the meantime.

Yours sincerely



Tim Ward
Chief Executive
Quoted Companies Alliance