



Quoted Companies Alliance

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The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

A company limited by guarantee registered in England
Registration Number: 4025281

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To whom it may concern,

Amendments to the NEX Exchange Growth Market Rules for Issuers

We welcome the opportunity to respond to your consultation on Amendments to the NEX Exchange Growth Market Rules for Issuers.

The Quoted Companies Alliance has examined the proposals and advised on this response from the viewpoint of small and mid-size quoted companies.

Overall, we welcome your decision to make amendments to the NEX Exchange Growth Market Rules for issuers in light of the new EU legislation that will implement a more proportionate EU Growth Prospectus regime with reduced requirements for smaller companies.

In particular, we welcome the revision of Rule 66 that states an issuer should have due regard for a recognised corporate governance code, which you define to include the QCA Corporate Governance Code. The inclusion of the reference to the QCA Code is important as it gives issuers on the NEX Exchange more choice in terms of the recognised code they choose to align themselves to.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "T. Ward".

Tim Ward
Chief Executive

General comments

To attract more institutional interest, NEX Exchange should consider improving the quality and quantity of information that it offers. As it currently stands, there is a perceived lack of information associated with the NEX Exchange, due, in part, to the Exchange's light disclosure approach, resulting in the Exchange limiting the amount of information it discloses. For instance, there is no Level 2 information on trading screens available. As such, no market makers have adopted it and retail investors are unable to buy their shares on electronic platforms. For the NEX Exchange to attract more institutional interest, it has to overcome these limitations and focus on the scope and level of information that it provides.

With regards to Rules 76-79, and the withdrawal of securities, careful consideration needs to be given here, and, specifically, to Rule 78. Rule 78(b) requires an issuer to send a circular to holders of relevant securities and Rule 78(c) requires an issuer to obtain prior approval for the withdrawal at a general meeting, both rules being formulated without taking into consideration the costs this may inflict on the company. That is, if the company has limited funds available, but it is not yet insolvent, it may not be able to afford the circular and the general meeting to obtain approval from its shareholders to withdraw.

Q1 Do you agree that a working capital statement should no longer be required for a NEX Exchange admission document?

No, we believe that the working capital statement obligation should remain and be required within a NEX Exchange admission document. A working capital statement should remain as it is of fundamental importance to determine that a company has sufficient working capital to cover, at a minimum, the next 12 months. Working capital statements are also important to investors when they come to analyse a company's business model. A working capital statement not only demonstrates that a company can meet its short-term obligations, but it can also be used as a key indicator of a company's financial performance.

Q2 Alternatively, do you believe a working capital statement should be required in certain circumstances and if so, what criteria might apply?

We believe that working capital statements should be required for all companies for a NEX Exchange admission document. We recognise that a working capital statement can be more critical for the assessment of some companies over others, particularly from the perspective of a company's growth prospects and equity valuation.

Q3 Do you believe NEX Exchange should consider a further revision to Rule 66 to mandate an increase in the minimum number of independent non-executive directors an issuer must appoint to two (or more) to support adequate constructive challenge and management oversight?

We agree that an issuer admitted on the NEX Exchange should aspire to appoint two, or more, independent non-executive directors (NEDs). Doing so, will support adequate constructive challenge and management oversight, which are necessary components required for a company to grow and mature.

We do not believe that it should be mandatory. Rather, the rules should require a company to explain why the composition of the Board is appropriate and suitable for the company at that particular point in time in

line with the QCA Code. Accordingly, investors are able to gather information and form their opinions about the suitability of the Board in a straightforward and transparent manner.