

**Key Campaigns**

<b>Improving liquidity and access to finance</b>	
<b>Activity</b>	<b>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><b>EXPERT GROUP: Tax (with Share Schemes)</b></p>	<ul style="list-style-type: none"> <li>▪ The QCA Autumn Budget 2017 proposals for taxation reform included this point.</li> <li>▪ We had a breakfast meeting with Jane Ellison, the then Financial Secretary to the Treasury, on 2 February 2017 where we discussed this point.</li> <li>▪ We have included this point in our market manifesto and raised it in several consultation responses.</li> <li>▪ We discussed the issue, among other things, during a meeting with Rt Hon Mel Stride MP, the Financial Secretary to the Treasury, on 7 September 2017.</li> <li>▪ We also met HM Treasury’s corporation tax team at on 18 October 2017 to discuss the issue in more detail.</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><b>EXPERT GROUP: Tax (with Share Schemes)</b></p>	<ul style="list-style-type: none"> <li>▪ We have included this point in our market manifesto and raised it in several consultation responses.</li> <li>▪ We also discussed the issue with Rt Hon Mel Stride MP, the Financial Secretary to the Treasury, on 7 September 2017.</li> <li>▪ The QCA Autumn Budget 2017 proposals for taxation reform highlighted this point.</li> <li>▪ At Autumn Budget 2017, the Chancellor of the Exchequer announced – through the government’s response to the Patient Capital Review – that the qualifying rules of Entrepreneurs’ Relief will be changed to ensure that entrepreneurs are not discouraged from seeking external investment through the dilution of their shareholding.</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>	<ul style="list-style-type: none"> <li>▪ The European Commission published the results of the mid-term review of the Capital Markets Union on 8 June 2017.</li> <li>▪ We attended a European Commission workshop on 28 November 2017 to discuss how to increase access to public markets for SMEs in the European Union.</li> </ul>

<b>EXPERT GROUP: All</b>	
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<b>Reducing the burden of corporate disclosures</b>	
<b>Activity</b>	<b>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 able to access public equity markets efficiently.</p> <p><b>EXPERT GROUP: Legal</b></p>	<ul style="list-style-type: none"> <li>▪ Please refer to the section on Priority Policy Issues.</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><b>EXPERT GROUP: Legal and Secondary Markets</b></p>	<ul style="list-style-type: none"> <li>▪ Please refer to the section on Priority Policy Issues.</li> </ul>
<p><b>Register of People with Significant Control (PSC Register) and the Fourth Money Laundering Directive (4MLD)</b></p> <p>Ensure that the administrative burden impact of a PSC Register on small and mid-size quoted companies is reduced</p> <p><b>EXPERT GROUP: Corporate Governance</b></p>	<ul style="list-style-type: none"> <li>▪ As all subsidiaries will need to be registered, some QCA members are affected. This has applied to quoted companies since 4MLD applied from 26 June 2017.</li> <li>▪ We responded to HM Treasury’s consultation on the transposition of the Fourth Money Laundering Directive, as well as to the Department for Business, Energy and Industrial Strategy’s (BEIS) consultation on implementing the Fourth Money Laundering Directive with respect to the beneficial ownership register.</li> </ul>
<b>Improving corporate behaviour</b>	

Activity	Update
<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><b>EXPERT GROUP: Corporate Governance</b></p>	<ul style="list-style-type: none"> <li>▪ The QCA Code Working Group met on 28 November 2017 to discuss and edit a first draft of a revised QCA Code. The Working Group aims to complete a final version by the end of January 2018.</li> <li>▪ The Future of the QCA Code Working Group met on 18 April 2017. An Investors' Charter is being drafted to encourage companies to follow good corporate governance practice.</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><b>EXPERT GROUP: Corporate Governance</b></p>	<ul style="list-style-type: none"> <li>▪ The fifth annual review was published on 5 December 2017. UHY Hacker Young also hosted a well-attended launch event on the day of publication.</li> </ul>

Raising awareness of the small and mid-size quoted company sector	
Activity	Update
<p><b>QCA/YouGov Sentiment Index</b></p> <p>Biannual 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>▪ Fieldwork for the survey was carried out in December 2017.</li> <li>▪ Survey results, along with a press release, will be published in January 2018.</li> </ul>
<p><b>QCA/RSM Small and Mid-cap Investors Survey</b></p> <p>Qualitative survey of small and mid-cap fund managers to help companies understand the key issues affecting investment decisions and any emerging market trends.</p>	<ul style="list-style-type: none"> <li>▪ Peel Hunt LLP will sponsor the survey for the next three years.</li> <li>▪ The results of the next survey will be published in Q1 2018.</li> </ul>
<p><b>Brexit</b></p>	<ul style="list-style-type: none"> <li>▪ We prepared a market structure paper which sets out the QCA's proposals for market reform. It has been</li> </ul>

<p>Brexit is likely to have ramifications for the QCA constituency. The QCA has established a Brexit working group and is putting together a strategy to ensure that its members' interests are represented throughout the process.</p>	<p>published on our website for member comments. We have sent copies to ministers and civil servants at HM Treasury, BEIS and DExEU. We are currently developing a plan to consult corporate members in order to enhance the document.</p> <ul style="list-style-type: none"> <li>Further meetings with European Commission, HMT and DExEU took place in August 2017.</li> </ul>
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**Priority policy issues**

Issue	How it could affect quoted companies	Current status	Actions and achievements by the QCA
<b>Markets in Financial Instruments Directive (MiFID II)</b>			
<ul style="list-style-type: none"> <li>The legislation means that brokers and fund managers may no longer be able to use dealing commissions to pay for investment research.</li> <li>MiFID II came into effect on <b>3 January 2018</b>.</li> </ul>	<ul style="list-style-type: none"> <li>This could <b>decrease the level of investment research</b> in small and mid-size quoted companies. It may also reduce the demand from fund managers for research on small and mid-size quoted companies and make it uneconomical for brokers/analysts to continue to produce it.</li> </ul>	<ul style="list-style-type: none"> <li>ESMA published Q&amp;As in April and May 2017.</li> <li>FCA published a first Policy Statement in March 2017 and a second in July 2017.</li> <li>European Commission published FAQs on obtaining brokerage and research services from non-EU brokers in October 2017.</li> <li>The US Securities and Exchange Commission also issued three no-action letters to facilitate cross-border implementation of MiFID II'S research provisions in October 2017.</li> </ul>	<ul style="list-style-type: none"> <li>We wrote directly to the FCA regarding the investment research exemption for smaller companies.</li> <li>ESMA acknowledged in its final published product governance guidelines that a common approach for some types of investment products with sufficiently comparable product features may be applied.</li> <li>The FCA also confirmed in its second Policy Statement that fund managers would be able to continue receiving small cap research without payment, where it has been commissioned and paid for by a small quoted company, including when issuing new shares. This will also cover broker research.</li> <li>We also approached the FCA</li> </ul>

Issue	How it could affect quoted companies	Current status	Actions and achievements by the QCA
<ul style="list-style-type: none"> <li>▪ SME Growth Markets</li> </ul>		<ul style="list-style-type: none"> <li>▪ We attended a European Commission Workshop looking at ways to alleviate disproportionate legislative burdens on SME on 28 November 2017.</li> <li>▪ The European Commission has issued a public consultation on building a proportionate regulatory environment to support SME listing.</li> <li>▪ London Stock Exchange has confirmed that it had applied for AIM to be granted SME Growth Market Status.</li> </ul>	<p>regarding whether investment research produced by both small cap brokers and independent “paid-for” houses can be published on their respective websites.</p> <ul style="list-style-type: none"> <li>▪ The FCA has confirmed that, providing appropriate measures have been put in place to ensure that only suitable persons are receiving the research material, research on small and mid-size quoted companies can be published on websites.</li> <li>▪ We are currently drafting a response to the European Commission’s public consultation on building a proportionate regulatory environment to support SME listing.</li> </ul>
<b>Prospectus Regulation</b>			
<ul style="list-style-type: none"> <li>▪ A proposal for a Prospectus Regulation to replace the current</li> </ul>	<ul style="list-style-type: none"> <li>▪ The new regulation has attempted to make it easier and less</li> </ul>	<ul style="list-style-type: none"> <li>▪ The final text, published in the Official Journal of the EU on 30</li> </ul>	<ul style="list-style-type: none"> <li>▪ We continue to be in contact with</li> </ul>

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<p>Prospectus Directive was published at the end of November 2015.</p> <ul style="list-style-type: none"> <li>▪ The regulation entered into force on <b>20 July 2017</b> with the majority of the new provisions will apply from <b>21 July 2019</b>.</li> </ul>	<p>expensive for quoted companies to raise finance on public equity markets by:</p> <ul style="list-style-type: none"> <li>– Exempting fundraisings under €8m from producing a prospectus;</li> <li>– Introducing a minimum disclosure regime for secondary issuances;</li> <li>– Introducing a minimum disclosure regime for SMEs; and</li> <li>– Allowing companies to incorporate information by reference.</li> </ul>	<p>June 2017, is less ambitious than initially intended by the Commission but does not pose serious concerns to the QCA constituency.</p> <ul style="list-style-type: none"> <li>▪ Focus is now on Level II measures. ESMA published three consultation papers regarding the: <ul style="list-style-type: none"> <li>i. Draft technical advice on the content and format of the EU Growth Prospectus;</li> <li>ii. Draft technical advice on format and content of the prospectus; and</li> <li>iii. Draft technical advice on scrutiny and approval of the prospectus.</li> </ul> </li> </ul> <p>The UK will no longer be an EU member in July 2019 which means that the new Regulation will not apply in the UK. As the new law is a regulation, it will not be possible to apply it earlier. Instead, the old prospectus directive will remain in place.</p>	<p>ESMA and the Commission.</p> <ul style="list-style-type: none"> <li>▪ We are considering lobbying the Government to have a prospective enactment of legislation in the Great Repeal Bill which would make the Prospectus Regulation applicable in the UK once it is no longer an EU member.</li> <li>▪ The QCA’s Prospectus Regulation Working Group prepared and submitted responses to the ESMA consultations.</li> <li>▪ We are also represented in working groups for European Issuers and the ESMA Securities and Markets Stakeholder Group.</li> </ul>
<b>Market Abuse Regulation (MAR)</b>			
<ul style="list-style-type: none"> <li>▪ MAR brought new requirements and changes which are causing additional administrative and regulatory burdens for quoted</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quoted companies now need to keep more information on their insiders.</li> <li>▪ Companies on EU growth markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Commission has confirmed that it will not act to resolve the timing inconsistency between MAR and MiFID II.</li> </ul>	<ul style="list-style-type: none"> <li>▪ We sent a letter to the FCA on 3 July 2017 to express our concern over the continued problems with the implementation with MAR. The FCA attended a Legal Expert Group</li> </ul>

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<p>companies.</p> <ul style="list-style-type: none"> <li>▪ MAR directly applies to all types of markets, including AIM. As it is a regulation, the FCA has very little flexibility in how it is implemented in the UK.</li> </ul>	<p>will be exempt from this requirement, but competent authorities are able to request an insider list from companies on an EU growth market.</p> <ul style="list-style-type: none"> <li>▪ Due to an implementation timing issue, AIM companies were required to keep an insider list from 3 July 2016 to 2 January 2018 (the date that MiFID II took effect).</li> <li>▪ Other changes that impact quoted companies concern the UK Model Code, which no longer exists; the regulation is directly applicable to AIM companies.</li> <li>▪ A key issue is the interaction between MAR and AIM Rules, which were amended to accommodate new MAR provisions. Key rule changes include AIM Rule 11, 17 &amp; 21. AIM companies need more legal advice on their obligations under MAR but also have a duty to disclose inside information under AIM Rule 11.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The FCA has confirmed it will not take further measures to resolve the issue.</li> </ul>	<p>meeting in September 2017 to discuss these concerns in more detail.</p> <ul style="list-style-type: none"> <li>▪ We have drafted a QCA, ICOSA, GC100 Guidance note on the Dealing Code and policy document for companies.</li> <li>▪ We have been in discussions with AIM Regulation and the FCA on how the interaction will work in practice.</li> <li>▪ We have drafted a letter in conjunction with EuropeanIssuers to the European Commission and ESMA.</li> </ul>

## Expert Group activity

<b>Corporate Governance</b>	<ul style="list-style-type: none"><li>▪ <b>Last meeting – Tuesday 9 January 2018:</b> Catherine Horton and David Styles, the FRC, attended the meeting to discuss the FRC’s proposals for a revised UK Corporate Governance Code.</li><li>▪ Marcus Stuttard, Head of AIM, attended the meeting on 28 November 2017 to discuss the corporate governance landscape for AIM companies.</li><li>▪ The QCA Code Working Group met on 28 November 2017 to discuss and edit a draft of a revised QCA Code. The Working Group is aiming to complete a final draft by early 2018.</li><li>▪ <b>Consultations responded to:</b><ul style="list-style-type: none"><li>– FRC consultation; Draft amendments to Guidance on the Strategic Report (R: 24 October 2017)</li></ul></li><li>▪ <b>Consultations under consideration:</b><ul style="list-style-type: none"><li>– London Stock Exchange Feedback Statement and Consultation: AIM Rules Review (RD: 29 January 2018)</li><li>– FRC consultation: Proposed revisions to the UK Corporate Governance Code (RD: 28 February 2018)</li></ul></li></ul>
<b>Financial Reporting</b>	<ul style="list-style-type: none"><li>▪ <b>Last meeting – Monday 21 November 2017.</b></li><li>▪ <b>Consultations responded to:</b><ul style="list-style-type: none"><li>– FRC consultation: Draft amendments to Guidance on the Strategic Report (R: 24 October 2017)</li></ul></li><li>▪ <b>Consultations under consideration:</b><ul style="list-style-type: none"><li>– FRC consultation: Strategy 2018/21 &amp; Draft Budget and Levy Proposals 2018/18 (RD: 28 February 2018)</li></ul></li></ul>
<b>Legal</b>	<ul style="list-style-type: none"><li>▪ <b>Last meeting – Thursday 26 October 2017.</b></li><li>▪ The group is following the progress of the Commission’s Prospectus Regulation and the implementation of the Market Abuse Regulation.</li><li>▪ <b>Consultations responded to:</b><ul style="list-style-type: none"><li>– Takeover Panel’s consultation on statements of intention and related matters (R: 31 October)</li></ul></li><li>▪ <b>Consultations under consideration:</b><ul style="list-style-type: none"><li>– London Stock Exchange Feedback Statement and Consultation: AIM Rules Review (RD: 29 January 2018)</li><li>– European Commission: Public consultation on building a proportionate regulatory environment to support SME listing (RD: 26</li></ul></li></ul>



	<p>February 2018)</p> <ul style="list-style-type: none"> <li>– ESMA consultation: Draft regulatory technical standards under the new Prospectus Regulation (RD: 9 March 2018).</li> </ul>
<b>Primary Markets</b>	<ul style="list-style-type: none"> <li>▪ <b>Last meeting – Tuesday 19 September 2017:</b> Michael McKersie, Nike Trost, John Mulcahy and Angela Morgan from the FCA attended the meeting to discuss the FCA’s review of the UK primary markets landscape and its consultation on creating a new premium listing category for sovereign controlled companies.</li> <li>▪ <b>Consultations under consideration:</b> <ul style="list-style-type: none"> <li>– London Stock Exchange Feedback Statement and Consultation: AIM Rules Review (RD: 29 January 2018)</li> <li>– European Commission: Public consultation on building a proportionate regulatory environment to support SME listing (RD: 26 February 2018)</li> <li>– ESMA consultation: Draft regulatory technical standards under the new Prospectus Regulation (RD: 9 March 2018)</li> </ul> </li> </ul>
<b>Secondary Markets</b>	<ul style="list-style-type: none"> <li>▪ <b>Last meeting – Wednesday 15 November 2017.</b></li> <li>▪ The group is monitoring the implementation process of MiFID II and CSDR.</li> <li>▪ <b>Consultations under consideration:</b> <ul style="list-style-type: none"> <li>– ESMA consultation: Amendments to Commission Delegated Regulation 2017/587 (RTS1) (RD: 25 January 2018)</li> <li>– London Stock Exchange Feedback Statement and Consultation: AIM Rules Review (RD: 29 January 2018)</li> <li>– European Commission: Public consultation on building a proportionate regulatory environment to support SME listing (RD: 26 February 2018)</li> </ul> </li> </ul>
<b>Share Schemes</b>	<ul style="list-style-type: none"> <li>▪ <b>Last meeting – Thursday 12 October 2017:</b> Katie Potts of Herald Investment Management Ltd, Chris Errington of Kestrel Investment Partners and Andrew Buchanan of Octopus Investments attended the meeting to discuss share-based management incentives.</li> <li>▪ In light of the last meeting, the Expert Group has prepared a discussion paper on shareholder rights relating to the issue of new shares for employees, directors, consultants and suppliers with the objective of reaching a market consensus.</li> <li>▪ The Expert Group is considering whether to update the Share Schemes Guides, or issue a new, alternative document.</li> </ul>
<b>Tax</b>	<ul style="list-style-type: none"> <li>▪ <b>Last meeting – Wednesday 29 November 2017.</b></li> <li>▪ The group intends to conduct work on how to simplify the way the UK taxes corporations during 2018.</li> </ul>