



## Quoted Companies Alliance Policy Update – 12 November 2012<sup>1</sup>

### Progress on key campaigns for 2012

#### 1. Capital Gains Tax Reform – Entrepreneurs' Relief – and other Budget Proposals:

##### Why we are working on it:

So that all who contribute to the long-term success and growth of a business can qualify for capital gains tax relief (rather than just those employees that own 5% of shares in their company).

##### What we are proposing:

Remove the requirement to hold 5% shares in a company to qualify for a reduced rate of capital gains tax and extend the holding period of shares from 12 months to three years.

Allow long-term investors to also qualify for the relief by rebranding it 'Stakeholders Relief'; only have the relief apply for investments in SMEs; and they have to hold shares for five years before they can get the reduced rate.

##### What we have done this past month on it:

- Finalising our Budget Representations to send to the Chancellor and HM Treasury w/c 12 November 2012, ahead of the Autumn Statement on 5 December 2012.
- Arranged a discussion lunch with David Gauke MP, Exchequer Secretary to the Treasury, for QCA corporate members to attend on 21<sup>st</sup> January 2012.
- Met with the London Stock Exchange to discuss how we can work together to further this campaign on CGT reform.

#### 2. Non-bank lending and debt markets

##### Why we are working on it:

To open up another financing option to smaller companies; create more effective markets; and raise awareness about non-bank lending (i.e. debt issued on the market).

##### What we are proposing:

Look at how Government can raise awareness about different funding options for smaller companies (beside just bank debt and equity).

Encourage the Government to put pressure on the credit rating agencies to develop a more cost-effective rating for smaller companies.

Pressing for a level playing field in how equity and debt financing is incentivised through tax.

##### What we have done this past month on it:

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<sup>1</sup> covers 18 August 2012 – 22 November 2012

- No further action this month

### **3. QCA/BDO Small & Mid-Cap Sentiment Index**

#### **Why we are working on it:**

To create awareness and knowledge of the sector (especially with Government and policymakers).

#### **What we have:**

A quarterly sentiment survey that tracks the economic and business confidence of the small and mid-cap sector (advisors and corporates), with a specific theme for each quarter.

#### **What we have done this past month on it:**

- The fifth survey, with a special focus on incentives for growth, was published in the first week of November. It received a good amount of press coverage which is listed on our website (<http://www.theqca.com/news/qca-in-the-news/>), including an interview with Tim Ward on BBC News.
- We are in the process of developing the topics for the second year of the survey. The next one will take place in January 2013.

### **4. A 'UK Index'**

#### **Why we are working on it:**

To create knowledge and awareness of the sector and its contribution to the UK economy.

#### **What we are proposing:**

An index series that measures companies' contribution to the UK economy (ie through metrics such as tax paid to the UK, number of employees in the UK). (The theory is that this would show that more small and mid-size quoted companies contribute to the UK economy and also present a more valid index for UK pension funds to invest in).

#### **What we have done this past month on it:**

- Tim Ward met with Mark Makepeace, Group Director of Information Services, at FTSE in October to discuss this proposal.

### **5. A SME Asset Class**

#### **Why we are working on it:**

Increase the ability of small and mid-cap quoted companies to attract investment and make it easier for funds to invest in these companies.

Make it easier and more effective regulators and policymakers to make proportionate rules for small and mid-cap quoted companies.

#### **What we are proposing:**

For the European Commission to create an SME asset class (ie companies of a certain size would be a member of this 'asset class' (aka category/label) – at the moment we are proposing that this includes SMEs both on the Main List and AIM.

Have not proposed yet through which mechanism this could be done (i.e. Directive, Regulation, Commission/Parliament recommendation).

Also, for the European Commission to mandate pension funds to state their investment policy towards this asset class.

**What we have done this past month on it:**

- No further action this month

**6. Proportionate IFRS**

**Why we are working on it:**

To Reduce the burden on companies in terms of having to produce accounts.

To Make companies' reports more meaningful and less complex.

**What we are proposing:**

We do not have concrete proposals as to how proportionate IFRS will look like. Some suggestions have been:

- Allow small and mid-size quoted companies (both those on the Main List and AIM) to use IFRS for SMEs.
- Allow small and mid-size quoted companies (both those on the Main List and AIM) to use a form of full IFRS that has less disclosures.

**What we have done this past month on it:**

- We received a reply to the joint letter sent in July 2012 with MiddleNext, the French small and mid-size quoted company association, the DAI, the German quoted company association, and Assonime, the Italian quoted company association, to Michel Prada, a Trustee at the IFRS Foundation, asking for the IASB to review the effect of IFRS on small and mid-size quoted companies.
- We wrote a reply to Hans Hoogervost in October 2012, Chairman of the IASB, to query how the board is progressing with some proposed projects aimed at getting input from small and mid-size quoted companies.
- We are in the process of setting up an event with the IASB for QCA corporate members to attend in February 2013.

**7. Are equity markets fit for purpose review**

**Why we are working on it:**

Originally began as a reaction to the potential closure of PLUS Markets (now ISDX), to ensure that the 150 companies on PLUS markets are still able to raise finance.

Ensure that primary equity markets are fit for purpose and helping companies to raise the finance necessary to grow.

**What we are proposing:**

A UK Government review, led by a business leader and focused on whether primary equity markets are fit for purpose and helping companies to raise the finance necessary to grow.

**What we have done this past month on it:**

- Met with HM Treasury in October 2012 to discuss the possible development of such a review.
- Attended the relaunch of PLUS Markets as ISDX on 31 October 2012.

**Issues being considered by the expert groups**

**Corporate Finance Advisors Expert Group – 25 October 2012**

1. The group is examining the FSA Consultation Paper - CP 12/25: Listing Rules – consultation on proposed amendments and feedback on CP12/2 (RD: 2 January 2013) with the Legal and Markets & Regulations Expert Group.
2. The group discussed the most recent issue of Inside AIM (24 October 2012)
3. The group has responded to the Takeover Panel consultations (PCP 2012/1 – Profit forecasts, quantified financial benefits statements, material changes in information and other amendments to the Takeover Code; PCP 2012/2 – Pension scheme trustee; PCP 2012/3 – Companies subject to the Takeover Code) with the Legal and Markets & Regulations Expert Groups.
4. The group examined the results of its semi-annual market practice survey (sent out in August 2012).

**Corporate Governance Expert Group – 25 September 2012**

1. Professor John Kay attended the September meeting to discuss the proposals that came out of the Kay Review on Long-Term Decision-Making and Equity Markets.
2. The group will start the review of the *Corporate Governance Guidelines for Smaller Quoted Companies* and *Audit Committee Guide for Smaller Quoted Companies* at the November meeting.
3. The group is awaiting the European Commission's announcement on Company Law and Corporate Governance, which could be taking place in November 2012 or January 2013.
4. The group is considering BIS's consultation on a new structure for narrative reporting in the UK (draft regulations) (RD: 14 November 2012) with the Financial Reporting Expert Group.
5. The group is considering ICSA's consultation on Improving Engagement Practice by Companies and Institutional Investors (RD: 30 November 2012).
6. The group is considering the European Commission's legislative proposals on Audit (with the Financial Reporting Committee).
7. The group has responded to BIS's consultation on the revised remuneration reporting regulations (RD: 26 September 2012) with the Share Schemes Expert Group.
8. The group has responded to DEFRA's consultation on greenhouse gas emissions reporting draft regulation for quoted companies (RD: 17 October 2012).

**Financial Reporting Expert Group – 16 October 2012**

1. The group is considering the IASB's post implementation review of IFRS 8 – Operating Segments (RD: 16 November 2012).

2. The group is considering BIS's consultation on a new structure for narrative reporting in the UK (draft regulations) (RD: 14 November 2012) with the Corporate Governance Expert Group.
3. The group is considering the European Commission's legislative proposals on Audit (with the Corporate Governance Committee).
4. The group is considering the IASB's Comprehensive Review of IFRS for SMEs (RD: 30 November 2012).
5. The group is considering EFRAG/FRC/ANC's Discussion Paper – Towards a Disclosure Framework for the Notes (RD: 31 December 2012).
6. The group has responded to the IAASB's Improving the Auditor's Report (RD: 8 October 2012).

#### **Legal Expert Group – 27 September 2012**

1. The group is leading a campaign to get the British Growth Fund to invest in not only private companies, but also quoted companies.
2. The group is examining the FSA Consultation Paper - CP 12/25: Listing Rules – consultation on proposed amendments and feedback on CP12/2 (RD: 2 January 2013) with the Markets & Regulations Expert Group and Corporate Finance Advisors Expert Group.
3. The group is considering the European Commission's legislative proposals for MiFID/MiFIR, the Market Abuse Directive/Regulation, and the Transparency Directive.
5. The group has responded to the Takeover Panel consultations (PCP 2012/1 – Profit forecasts, quantified financial benefits statements, material changes in information and other amendments to the Takeover Code; PCP 2012/2 – Pension scheme trustee; PCP 2012/3 – Companies subject to the Takeover Code) with the Corporate Finance Advisors and Markets & Regulations Expert Groups.

#### **Markets and Regulations Expert Group – 19 September 2012**

1. Mark Niznik of Artemis and Gervais Williams of MAM Funds plc attended the September meeting to discuss recent investment trends in small and mid-size quoted companies.
2. The group is considering the effects of the Short Selling Regulations on trading in small and mid-size quoted company shares.
3. The group is considering the European Commission's legislative proposals for MiFID/MiFIR, the Market Abuse Directive/Regulation, and the Transparency Directive.
4. The group is considering the European Commission's legislative proposals for Central Securities Depositories.
5. The group is considering non-bank lending and how this financing option could be more readily available to small and mid-size quoted companies.

#### **Share Schemes Expert Group – 6 September 2012**

1. The group is considering BIS's consultation on the employee owner status (RD: 8 November 2012 with the Tax Expert Group).
2. The group has responded to HMRC's consultation on the Office of Tax Simplification's report on tax advantaged employee share schemes (RD: 18 September 2012).

3. The group has responded to BIS's consultation on the revised remuneration reporting regulations (RD: 26 September 2012) with the Corporate Governance Expert Group.
4. The group has responded to OTS's Interim Report on unapproved employee share schemes (RD: 26 September 2012).

**Tax Committee – 8 November 2012**

1. The group is working on preparing the Quoted Companies Alliance's Budget Representations for 2013, including collecting examples from companies of difficulties using certain tax reliefs, especially Entrepreneurs' Relief.
2. The group is considering BIS's consultation on the employee owner status (RD: 8 November 2012 with the Share Schemes Expert Group).
3. The group is considering the FSA's consultation on restrictions on the retail distribution of unregulated collective investment schemes and close substitutes (CP12/19) (RD: 14 November 2012).