

Quoted Companies Alliance Policy Update – 14 October 2016

Progress on key campaigns for 2016 - 2017

1. Improve liquidity and access to finance	
Activity	Activity Since Last Update
<p>Costs of Raising Equity to be Tax Deductible</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>EXPERT GROUP RESPONSIBLE: Tax (with Share Schemes)</p>	<ul style="list-style-type: none"> • A working group made up of members of our Tax and Share Schemes Expert Groups has updated and submitted the QCA Budget Representations for 2017 on 13 October. The representations included this point. • We met with HM Treasury on 28 September and 13 October to discuss our Budget Representations, including this point.
<p>Capital Gains Tax Reform of Entrepreneurs' Relief</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>EXPERT GROUP RESPONSIBLE: Tax (with Share Schemes)</p>	<ul style="list-style-type: none"> • A working group made up of members of our Tax and Share Schemes Expert Groups has updated and submitted the QCA Budget Representations for 2017 on 13 October. The Representations highlighted this point. • We met with HM Treasury on 28 September and 13 October to discuss our Budget Representations, including this point.
<p>Capital Markets Union Action Plan</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> <p>EXPERT GROUP RESPONSIBLE: All</p>	<ul style="list-style-type: none"> • We drafted a briefing note on our vision for SME Growth Markets and are contributing to the EuropeanIssuers working group on the topic. • We spoke at the European Commission's workshop on SME Growth Markets on 7 October 2016. • We have been invited to a second European Commission workshop on SME Growth Markets on 8 December 2016.
2. Reduce the burden of corporate disclosures	
Activity	Activity Since Last Update
<p>The Prospectus Directive Review</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>	<ul style="list-style-type: none"> • We have written a number of briefing notes outlining legislative amendments for the Regulation, which we have sent to the Commission, the Council and MEPs, as well as HMT and the FCA in the UK and other stakeholders.

<p>EXPERT GROUP RESPONSIBLE: Legal and Corporate Finance</p>	<ul style="list-style-type: none"> • We have prepared a briefing note on Level 2 proposals, which we have discussed with ESMA, HM Treasury and the FCA and sent to the Commission, relevant MEPs and other stakeholders. • We chair the European Issuers working group on the Regulation and lead the drafting of its revised position paper and legislative amendments. • We met with ESMA on 12 September 2016 to discuss our Level 2 proposals. • We participated in FCA's roundtables on the Prospectus Regulation Level 2 measures on 21 and 29 September 2016. • We met with HM Treasury to catch up on Prospectus Regulation proposals on 3 October.
<p>MiFID II: SME Growth Markets, Deferred Publication Regime and Investment Research</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>EXPERT GROUP RESPONSIBLE: Legal and Secondary Markets</p>	<ul style="list-style-type: none"> • We are assessing the details published on SME Growth Markets (see activity update re CMU). • We have been attending the FCA's MiFID II Roundtable, which updates stakeholders on the implementation of MiFID II in the UK. • We have shared our vision of SME Growth Markets with the European Commission. • We are assessing a number of consultations on the implementation and technical details of MiFID II, including aspects of investment research, inducements and product governance.
<p>Register of People with Significant Control (PSC Register) and the 4th Anti-Money Laundering Directive (4MLD)</p> <p>Ensure that the administrative burden impact of a PSC Register on small and mid-size quoted companies is reduced.</p> <p>EXPERT GROUP RESPONSIBLE: Corporate Governance</p>	<ul style="list-style-type: none"> • There is an implication for QCA members as all subsidiaries will need to be registered. This does not apply to quoted companies at the moment, but will after the entry into force of the 4MLD in July 2017. • We are following up on this issue with BEIS to discuss the UK implementation of the 4th MLD and to ensure that AIM companies should be out of scope. • We are assessing a HM Treasury consultation on the transposition of the 4th MLD.
<p>Shareholders' Rights Directive (SRD)</p> <p>Monitor the development and ensure that</p>	<ul style="list-style-type: none"> • We are part of a BEIS stakeholder group proposing the UK amendments to the SRD.

<p>the changes to the text minimise the impact of the new rules on small and mid-size quoted companies through the final negotiation stages of the Directive before its adoption.</p> <p>EXPERT GROUP RESPONSIBLE: Corporate Governance</p>	<ul style="list-style-type: none"> • SRD has entered into trilogue and we will continue to monitor the negotiations. • A Presidency compromise document dated 22 June 2016 was published on 8 August 2016 and we have analysed its proposals. • Through the participation in the BEIS Stakeholder Group informing the UK position in the negotiations as well as independent campaigning, we have so far contributed to positive changes to the amendments in the text regarding the articles on transparency on costs and right to vote on related party transactions. • Through EuropeanIssuers, we have put forward amendments on shareholder identification to inform the trilogue negotiations.
<p>Market Abuse Regulation (MAR)</p> <p>Minimise the impact on trading and administrative burden increase for small and mid-size quoted companies from the implementation of MAR</p> <p>EXPERT GROUP RESPONSIBLE: Legal and Corporate Finance</p>	<ul style="list-style-type: none"> • We have followed up with the FCA and the Commission on the issue of the timeline inconsistencies with MiFID II and the exemptions for SME Growth Markets. The Commission has confirmed that it does not plan to take action on the inconsistency with MiFID II and the exemptions for SME Growth Markets, but will encourage national competent authorities to identify those markets that will fit the SME Growth Markets requirements so that these rules can be applied as soon as possible after the entry into force of MiFID II. • We will meet with the FCA on 14 November to discuss MAR implementation issues and the QCA/ICSA/GC 100 dealing code. • We continue to inform our members on updates from FCA, ESMA and AIM Regulation regarding the interpretation of MAR and the AIM rules on the aspects of the prohibition of dealings during closed periods for persons discharging managerial responsibilities and preliminary announcements.
<p>Central Securities Depositories Regulation (CSDR)</p> <p>Ensure that CSDR is drafted and implemented in a manner adequate to the needs of small and mid-size quoted companies</p> <p>EXPERT GROUP RESPONSIBLE: Secondary Markets</p>	<ul style="list-style-type: none"> • We are awaiting the publication of the Level 2 delegated acts/regulation. • No further action since last update.

3. Improve corporate behaviour	
Activity	Activity Since Last Update
<p>QCA Corporate Governance Code for Small and Mid-Size Quoted Companies</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>EXPERT GROUP RESPONSIBLE: Corporate Governance</p>	<ul style="list-style-type: none"> • A number of volunteers have formed a working group to review the Code. • Members of the working group are analysing the need to reword various sections of the Code • The working group has drafted initial changes to the Code and is due to meet on 18 October.
<p>QCA/UHY Hacker Young Corporate Governance Behaviour Review</p> <p>Monitor corporate governance disclosures of small and mid-size quoted companies</p> <p>EXPERT GROUP RESPONSIBLE: Corporate Governance</p>	<ul style="list-style-type: none"> • We met with UHY Hacker Young and fund managers on 4 October to review the survey results and gather further views and input from investors. • We are in the process of drafting the review with the launch planned for 7 December.
<p>Remuneration Committee Guide for Small and Mid-Size Quoted Companies</p> <p>Revise the QCA Remuneration Committee Guide (last published in 2012) to take into account recent changes in the remuneration reporting landscape.</p> <p>EXPERT GROUP RESPONSIBLE: Corporate Governance</p>	<ul style="list-style-type: none"> • A launch event was held on 13 September 2016. The Remuneration Committee Guide was well received and each member received a hard copy of the report and free access to electronic copies.
4. Raise awareness of the sector	
Activity	Activity Since Last Update
<p>QCA/ YouGov Sentiment Index</p> <p>Triannual 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"> • The fieldwork for the next QCA/YouGov Sentiment Index was conducted during September 2016. • We have received the survey results from YouGov and are in the process of drafting the report. • We plan to publish the findings of the survey in early November.
<p>QCA/RSM Small and Mid-cap Investors Survey</p> <p>A qualitative survey of small and mid-cap fund managers so that companies can understand the key issues that are affecting investment decisions and any emerging market trends</p>	<ul style="list-style-type: none"> • We have agreed on the questions for the next survey with RSM. • The fieldwork is planned to be carried out by mid-November. • A launch event will be held on 9 March 2017.

Issues being considered by the expert groups

Corporate Finance Expert Group – last meeting on 29 September 2016

1. The group is following the European Commission's Prospectus Regulation proposal and the implementation process of the Market Abuse Regulation.
2. The group is assisting with the work outlined above in the section 'Progress on key campaigns for 2016 – 2017'.

Corporate Governance Expert Group – last meeting on 6 September 2016

1. Lesley Stephenson from Evalu8 attended the September meeting to discuss board evaluation.
2. The group is following the European Commission's proposals on the Shareholders' Rights Directive, specifically Article 3d on transparency on costs and Article 9c on related party transactions.
3. The group responded to Tomorrow's Company consultation on Governing culture: risk and opportunity? – A guide to board leadership in purpose, values and culture. (RD: 7 September 2016)
4. The group responded to the FSB's terms of reference for peer review on G20/OECD Principles of Corporate Governance. (RD: 9 September 2016)
5. The group is considering the Business, Innovation and Skills Committee's inquiry on corporate governance. (RD: 26 October 2016)
6. The group is considering the HM Treasury's consultation on the transposition of the Fourth Money Laundering Directive. (RD: 10 November 2016)
7. The group is considering the FRC's consultation on changes to corporate reporting review procedures. (RD: 4 January 2017)

Financial Reporting Expert Group – last meeting on 20 September 2016

1. The group responded to the FRC consultation on Amendments to FRS 101 – 2015/16 cycle & FRED 65 Draft amendments to FRS 101 – Notification of shareholders. (RD: 14 October 2016)
2. The group is considering the IASB's consultation on Exposure Draft of Definition of a Business and Accounting for Previously Held Interests (Proposed Amendments to IFRS 3 and IFRS 11). (RD: 31 October 2016)
3. The group is considering the FRC's consultation on Feedback on FRS 102 to inform its future development. (RD: 31 October 2016)
4. The group is considering EFRAG's Comments on draft endorsement advice on classification and measurement of share-based payment transactions - Amendments to IFRS 2. (RD: 10 November 2016)
5. The groups is considering the FRC's Triennial review of UK and Ireland accounting standards - Approach to changes in IFRS. (RD: 31 December 2016)
6. The group is considering the FRC's Consultation on changes to corporate reporting review procedures. (RD: 4 January 2017)

Legal Expert Group – last meeting on 29 September 2016

1. The group is following the European Commission's Prospectus Regulation proposal and the implementation process of the Market Abuse Regulation.

2. The group is assisting with the work outlined above in the section 'Progress on key campaigns for 2016 – 2017'.

Secondary Markets Expert Group – last meeting on 1st September 2016

1. Derek Young, FCA and Mark Griffin, HM Treasury attended the September meeting to discuss market infrastructure issues and distributed ledger technology developments.
2. The group is considering the FCA consultation paper CP16/19: Markets in Financial Instruments Directive II Implementation (RD: 28 October 2016).
3. The group is considering the FCA's consultation paper CP16/29: Markets in Financial Instruments Directive II Implementation – Consultation Paper III, Chapter 16, Supervision manual (SUP), authorisation and approved persons. (RD: 31 October 2016)
4. The group is considering the FCA's consultation paper CP16/29: Markets in Financial Instruments Directive II Implementation – Consultation Paper III, all sections except Chapter 16. (RD: 4 January 2016)
5. The group is considering ESMA's Draft guidelines on MiFID II product governance requirements. (RD: 5 January 2016)
6. The group is following the publication of the MiFID II delegated acts and assisting with the work outline above in the section 'Progress on key campaigns for 2016 – 2017'.

Share Schemes Expert Group – last meeting on 13 October 2016

1. Fraser Eccles and Wyndham North, HM Treasury, and Benjamin Martin, HMRC attended the October meeting to discuss tax-advantaged share schemes and the QCA Budget Representations.
2. The group is considering the HMRC consultation on Simplifying the PAYE Settlement Agreement (PSA) process (RD: 18 October 2016), with the Tax Expert Group.

Tax Expert Group – last meeting on 28 September 2016

1. Wyndham North and Fraser Eccles, HM Treasury attended the September meeting to discuss the QCA Budget Representations.
2. The group responded to the HMRC's consultation on Guidance on the new EIS and VCT rules. (RD: 31 August 2016)
3. The group is considering the HMRC consultation on Simplifying the PAYE Settlement Agreement (PSA) process (RD: 18 October 2016), with the Share Schemes Expert Group.
4. The group is considering the HMRC's consultation on Making Tax Digital – Bringing business tax into the digital age and Tax administration. (RD: 7 November 2016)
5. The group is considering the HMT's consultation on Reforms to the taxation of non-domiciles. (RD: 11 November 2016)