

Quoted Companies Alliance Policy Update – 16 February 2015

Progress on key campaigns for 2015

1. Raise awareness of the sector		
Activity	Description	Activity Since Last Update
QCA/BDO Small and Mid-Cap Sentiment Index	Triannual survey that tracks the economic and business confidence of the small and mid-cap sector (advisors and corporates)	<ul style="list-style-type: none"> • Wave 13 fieldwork has been completed and the report is due to be published in its new format on 12 March 2015. • Wave 14 fieldwork will take place in June 2015 and the report will be published in July 2015.
QCA/Baker Tilly Small and Mid-Cap Investors Survey	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	<ul style="list-style-type: none"> • The 2015 report was published at an event on 3 February 2015. • There has been press coverage in some regional trade press and the Yorkshire Post • Feedback from corporate members has been positive.
2. Improve liquidity and access to finance		
Activity	Description	Goals/Actions
Costs of Raising Equity to be Tax Deductible	Allow the costs of raising equity for both an IPO and secondary fundraising to be tax deductible, to an upper limit of £1.5m	<ul style="list-style-type: none"> • We held a discussion lunch with David Gauke MP, Financial Secretary to the Treasury, on 15 January 2015, which over 20 QCA corporate members attended, as well as members of the Tax and Share Schemes Expert Groups, to discuss this and other tax issues. • We are preparing our Budget Representations for 2016 and this will be included. This work is being carried out in anticipation that there may be an emergency budget in July 2015 due to the election.
Capital Gains Tax Reform of Entrepreneurs' Relief	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'	<ul style="list-style-type: none"> • See above under 'Costs of Raising Equity to be Tax Deductible'

3. Reduce the burden of corporate disclosures

Activity	Description	Goals/Actions
The Prospectus Directive Review	Create a more appropriate and proportionate prospectus regime so that small and mid-size quoted companies are able to access public equity markets efficiently	<ul style="list-style-type: none"> • We developed an in-depth and detailed briefing note outlining our proposals to amend the Prospectus Directive, which includes introducing the concept of an IPO and Secondary Offer and creating a distinct regime for SME Growth Markets, which does not require the prospectus to be vetted by the competent authority. • We met with members of European Commission to discuss our proposals for the amending the Prospectus Directive. • We understand that the consultation paper kicking off the review will come out Wednesday 18 February 2015 – at the same time as Commissioner Hill’s green paper on the Capital Markets Union. • We are also chairing European Issuers’ Working Group on the Prospectus Directive Review.
Proportionate IFRS	Allow AIM companies to use FRS 102 (the UK version of IFRS for SMEs); highlight the importance of materiality in making corporate reporting more clear and relevant to companies, regulators, investors and standard setters; and more generally working to make IFRS disclosures less complex	<ul style="list-style-type: none"> • The Financial Reporting Expert Group met with Alan Teixeira, Senior Technical Director, IFRS Foundation to discuss IASB’s current projects and engagement with small and mid-size quoted companies.

4. Improve corporate behaviour

Activity	Description	Goals/Actions
QCA Corporate Governance Code for Small and Mid-Size Quoted Companies	Monitor uptake of the QCA Code and promote greater use of the QCA Code amongst small and mid-size quoted companies	<ul style="list-style-type: none"> • We are developing, with the Corporate Governance Expert Group, some corporate governance themed events for 2015 to build on the promoting the use of the QCA Code.
QCA/UHY Hacker Young Corporate Governance Behaviour Review	Monitor corporate governance disclosures of small and mid-size quoted companies	<ul style="list-style-type: none"> • No further action since the last update.
Remuneration Committee Guide for Small and Mid-Size Quoted Companies	Revise the QCA Remuneration Committee Guide (last published in 2012) to take into account recent changes in the remuneration reporting landscape.	<ul style="list-style-type: none"> • We held a working group meeting on 20 January 2015 to discuss initial reviews on what needs to be revised in the guide.

		<ul style="list-style-type: none">• We have a QCA Remuneration Guide Roundtable scheduled for 16 March 2015, for which we will invite QCA corporate members and members of the working group to discuss the key issues that corporate members would like us to include in the updated guide.• The aim is to launch the guide end of Q3 or start of Q4 2015, dependent on our consultation with members regarding how much should be changed.
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Issues being considered by the expert groups

Corporate Finance Expert Group – last meeting on 15 January 2015

1. Tony Pullinger, Deputy Director General of the Takeover Panel, attended the January meeting to discuss the Takeover Panel's current work and its recent consultation on post-offer undertakings and intention statements.
2. The group is preparing a list of the AIM Rules that they would like to change in order to make the market run more efficiently in preparation for the upcoming AIM Rules consultation (due to be released some time in 2015)
3. The group is considering the ISDX Growth Market Consultation (RD: 20 February 2015) with the Legal and Corporate Governance Expert Groups.
4. The group responded to the FCA's Consultation Paper CP14/21: Feedback and Policy Statement on CP14/02 – Consultation on joint sponsors and call for views on sponsor conflicts (RD: 30 December 2014).

Corporate Governance Expert Group – last meeting on 13 January 2015

1. Will Pomroy, Policy Lead: Stewardship and Corporate Governance at the National Association of Pension Funds, attended the January meeting to give an update on the NAPF's current work and discuss its recently revised Corporate Governance Policy & Voting Guidelines.
2. The group is considering the ISDX Growth Market Consultation (RD: 20 February 2015) with the Legal and Corporate Finance Expert Groups.
3. 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.
4. The group is following the European Commission's proposals on the 4th Money Laundering Directive, specifically Articles 3 and 29 on beneficial ownership. As stands, the directive will require AIM and ISDX companies to have to keep a list of beneficial owners, whilst companies on regulated markets will not have to. We are discussing the UK's plans for implementation and how it will impact the market.
5. The group responded to the FRC's Draft Plan and Budget and Proposed Levies 2015/16 (RD: 16 February 2015) with the Financial Reporting Expert Group.
6. The group responded to BIS's Consultation Paper on Corporate Directors – Scope of exceptions to the prohibition of corporate directors (RD: 8 January 2015).

Financial Reporting Expert Group – last meeting on 27 January 2015

1. Alan Teixeira, Senior Technical Director at the IFRS Foundation, attended the January meeting to discuss the IASB's current work and how to engage with small and mid-size quoted companies.
2. The group is revising its Corporate Reporting Charter.
3. The group is considering the FRC's consultation on Auditing and Ethical Standards: Implementation of the EU Audit Directive and Audit Regulation (RD: 20 March 2015) with the Corporate Governance Expert Group.

4. The group is considering BIS's consultation on the Audit Regulations: Discussion Document on the Implications of the EU and Wider Reforms (RD: 19 March 2015) with the Corporate Governance Expert Group.
5. The group is considering the FRC's Exposure Draft, FRED 57 – Amendments to FRS 101 (RD: 20 March 2015).
6. The group is considering the IASB's Exposure Draft detailing proposed amendments to IFRS 2 Share-based Payment (RD: 25 March 2015).
7. The group is considering the IASB's Exposure Draft Disclosure Initiative (Proposed amendments to IAS 7) (RD: 17 April 2015).
8. The group responded to the IASB's Exposure Draft on Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12) (RD: 18 December 2014).
9. The group responded to the FRC's Exposure Draft, FRED 56 – Draft FRS 104 Interim Financial Reporting (RD: 12 January 2015).

Legal Expert Group – last meeting on 29 January 2015

1. The group is leading a working group (with members of the Corporate Finance Advisors Expert Group also involved) on the Prospectus Directive. It has produced a briefing note – QCA Proposals to amend the Prospectus Directive – and had a meeting with members of the European Commission on 10 February 2015.
2. The group is considering the ISDX Growth Market Consultation (RD: 20 February 2015) with the Corporate Governance and Corporate Finance Expert Groups.

Secondary Markets Expert Group – last meeting on 28 January 2015 and 11 February 2015

1. Derek Young and Hemant Bhata of the FCA attended the January meeting to discuss ESMA's consultation on its Technical Standards and Advice under the Central Securities Depositories Regulation (CSDr) (RD: 19 February 2015).
2. Adam Wreglesworth and Damien Shanahan of the FCA attended the February meeting to discuss the FCA's proposal to ban the use of dealing commissions to pay for research and ESMA's Technical Advice for MiFID II regarding inducements.
3. The group is considering ESMA's consultation on Technical Standards under the Central Securities Depositories Regulation (CSDr) (RD: 19 February 2015).
4. The group is considering ESMA's consultation on Technical Advice under the Central Securities Depositories Regulation (CSDr) (RD: 19 February 2015).
5. The group is considering ESMA's Consultation Paper on MiFID II/MiFIR (RD: 2 March 2015).

Share Schemes Expert Group – last meeting on 12 February 2015

1. Andrew Ninian, Director of Corporate Governance and Engagement at the IMA, attended the February meeting, to discuss the IMA's revised Principles of Remuneration. QCA corporate members also attended the meeting.
2. A working group is revising Rewarding Enterprise II – Guidance for Companies on Employee Share Schemes (July 2009).

3. The group is considering HMRC's consultation on Tax Penalties (RD: 11 May 2015) with the Tax Expert Group.
4. The group is starting to consider possible measures to include in the Quoted Companies Alliance's Budget Representations 2016.

Tax Expert Group – last meeting on 4 February 2015

1. The group held a discussion lunch with David Gauke MP, Financial Secretary to the Treasury, and QCA corporate members on 15 January 2015 to discuss tax concerns.
2. The group is starting to consider possible measures to include in the Quoted Companies Alliance's Budget Representations 2016. The proposals are unlikely to vary greatly from what was included in the 2015 proposals. The aim is to have these prepared for June/July in case of an emergency budget or for September 2015 ahead of the Autumn Statement.
3. The group is considering HMRC's consultation on Improving Access to Research and Development Tax Credits for Small Business (RD: 27 February 2015).
4. The group is considering HMRC's consultation on Tax Penalties (RD: 11 May 2015) with the Tax Expert Group.