

Quoted Companies Alliance Policy Update – 16 August 2013

Progress on key campaigns for 2013

1. Raise awareness of the sector

a. QCA/BDO Small and Mid-Cap Sentiment Index

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:

- We have completed the fieldwork for the eighth survey, which featured further questions on corporate governance, women on boards and proxy advisors. The results will be published on 16 September 2013.

b. A 'UK Index'

What we are proposing:

- An index series that measures companies' contribution to the UK economy (ie through metrics such as sales made in the UK, number of employees in the UK). (This would act as a barometer for the UK economy and present a more valid index for investors to see UK company performance.)

What we have done this past month on it:

- No further action since last policy update.

c. SME Asset Class

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)) –we are proposing that this includes SMEs both on the Main List and AIM.
- 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:

- We responded to the European Commission Green Paper on Long-Term Financing of the European Economy (RD: 25 June 2013), highlighting the need for a SME Asset Class for quoted companies amongst other measures (to read our response visit: www.theqca.com/ecgreenpaper).

d. Are equity markets fit for purpose review

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:

- No further action since last policy update.

2. Improve liquidity and access to finance

a. Capital Gains Tax Reform – Entrepreneurs’ Relief

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:

- The Tax Expert Group has started to prepare our 2014 Budget Proposals, with an aim to submit them ahead of the Autumn Statement.

b. Non-bank lending and debt markets

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:

- No further action since last policy update.

c. Business Growth Fund

What we are proposing:

- For the Government-backed Business Growth Fund to invest in quoted companies, as well as private companies.

What we have done this past month on it:

- No further action since last policy update.

3. Reduce the burden of corporate disclosures

a. Proportionate IFRS

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:

- No further action since last policy update.

4. Improve corporate behaviour

a. A proportionate approach to corporate governance

What we are planning to do:

- Monitor uptake of our revised Corporate Governance Code for Small and Mid-Size Quoted Companies (May 2013).

What we have done this past month on it:

- We are working with an accountancy firm in the summer to look at AIM and ISDX companies and their compliance against the QCA Code.

Issues being considered by the expert groups

Corporate Finance Advisors Expert Group – 18 July 2013

1. The group is reviewing the guide - Are You Ready? A Brief Guide for a Company Aspiring to Go Public (May 2010).
2. The group is considering the FCA's Primary Market Bulletin No. 6 (RD: 10 September 2013).

Corporate Governance Expert Group – 16 July 2013

1. The group is starting to revise the Audit Committee Guide for Smaller Quoted Companies (February 2009).
2. The group is considering how to monitor the adoption of the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies and an accountancy firm is carrying out a corporate governance review of AIM and ISDX companies.
3. The group is considering how to encourage better engagement between proxy voting agencies and small and mid-size quoted companies.
4. The group is considering BIS's consultation - Corporate Responsibility: A Call for Views (Response Date: 27 September 2013).

5. The group is considering BIS's Discussion Paper: Transparency & Trust: Enhancing the transparency of UK company ownership and increasing trust in UK business (RD: 16 September 2013) with the Legal Expert Group.
6. The group is considering ICAS's paper 'Balanced and Reasonable: A discussion paper on the provision of positive assurance on management commentary' (RD: 31 October 2013) with the Financial Reporting Expert Group.
7. The group is considering the FRC's Exposure Draft: Guidance on the Strategic Report (RD: 15 November 2013) with the Financial Reporting Expert Group.
8. The group responded to the IIRC's consultation draft of the International Integrated Reporting framework (Response Date: 19 July 2013) with the Financial Reporting Expert Group.

Financial Reporting Expert Group – 11 June 2013

1. The group responded to the IASB's Exposure Draft: Financial Instrument: Expected Credit Losses (RD: 5 July 2013).
2. The group responded to the IIRC's consultation on the draft International Integrated Reporting Framework (RD: 19 July 2013) with the Corporate Governance Expert Group.
3. The group is considering the IASB's Leases Exposure Draft (RD: 13 September 2013).
4. The group is considering ESMA's Consultation Paper: ESMA Guidelines on enforcement of financial information (RD: 15 October 2013).
5. The group is considering ICAS's paper 'Balanced and Reasonable: A discussion paper on the provision of positive assurance on management commentary' (RD: 31 October 2013) with the Corporate Governance Expert Group.
6. The group is considering the FRC Invitation to Comment on IAASB Exposure Draft (July 2013): Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs) (RD: 1 November 2013).
7. The group is considering the FRC's Exposure Draft: Guidance on the Strategic Report (RD: 15 November 2013) with the Corporate Governance Expert Group.
8. The group is considering the IFRS Foundation's A Review of the Conceptual Framework for Financial Reporting (RD: 14 January 2014).

Legal Expert Group – 9 July 2013

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 considering BIS's Discussion Paper: Transparency & Trust: Enhancing the transparency of UK company ownership and increasing trust in UK business (RD: 16 September 2013) with the Corporate Governance Expert Group).
3. The group responded to ESMA's Draft Regulatory Technical Standards on specific situations that require the publication of a supplement to the prospectus (RD: 28 June 2013).
4. The group is considering the European Commission's legislative proposals for MiFID/MiFIR, the Market Abuse Directive/Regulation, and the Transparency Directive.

Markets and Regulations Expert Group – 17 April 2013

1. This group has now been renamed the Secondary Markets Expert Group and will focus on trading and liquidity issues for small and mid-size quoted companies.
2. New terms of reference have been produced and the first meeting of the new group is in September 2013.

Share Schemes Expert Group – 16 May 2013

1. The group is starting to revise Rewarding Enterprise II – Guidance for Companies on Employee Share Schemes (July 2009).
2. The group responded to HMRC's consultation on the Office of Tax Simplification's Review of Unapproved Share Schemes (RD: 16 August 2013)
3. The group is following the progress of the Finance Bill and provisions affecting share schemes and tax arrangements.

Tax Committee – 4 July 2013

1. The group had another success with the Budget announcement specifically on the removal of Stamp Duty on growth market shares from April 2014. They are liaising with HM Treasury on how this change will be implemented.
2. The group is starting to produce our 2014 Budget Proposals, with an aim to submit them ahead of the Autumn Statement.