

## Quoted Companies Alliance Policy Update – 20 October 2015

### Progress on key campaigns for 2015 - 2016

<b>1. Raise awareness of the sector</b>		
<b>Activity</b>	<b>Description</b>	<b>Activity Since Last Update</b>
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"> <li>• The wave 15 fieldwork has taken place and the report will be published on 24 November 2015.</li> <li>• The topic for wave 15 is corporate reputation.</li> </ul>
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"> <li>• The fieldwork for the 2016 report has started and the initial results will be available mid-November.</li> <li>• The 2016 report will be published at a launch event on 4 February 2016.</li> </ul>

<b>2. Improve liquidity and access to finance</b>		
<b>Activity</b>	<b>Description</b>	<b>Activity Since Last Update</b>
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"> <li>• We submitted our Budget Representations for 2016 on 16 October 2015, which included this proposal.</li> </ul>
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"> <li>• We submitted our Budget Representations for 2016 on 16 October 2015, which included this proposal.</li> </ul>
Capital Markets Union Action Plan	Ensure that the European Commission's work on Capital Markets Union (CMU) helps to facilitate access to public equity markets for growth companies.	<ul style="list-style-type: none"> <li>• The European Commission published its CMU Action Plan on 30 September 2015, along with five consultations on securitisation, Solvency II, venture capital and social entrepreneurship funds, covered bonds in the European Union and the EU regulatory framework.</li> <li>• We will be responding to the consultations on Solvency II and the call for evidence on EU regulatory framework for financial services.</li> </ul>

### 3. Reduce the burden of corporate disclosures

Activity	Description	Activity Since Last Update
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"> <li>• We have seen a leaked draft of the Commission’s proposals to amend the Prospectus Directive.</li> <li>• We have met with the team at the European Commission that is working on this to discuss some of the proposals in the leaked draft.</li> <li>• We are in the process of writing legislative amendments for the leaked draft to pass to the European Commission.</li> <li>• We have also set up a meeting with ESMA in December to discuss the various aspects that they will cover in implementing the revised Directive.</li> </ul>
MiFID II: SME Growth Markets, Deferred Publication Regime and Investment Research	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	<ul style="list-style-type: none"> <li>• ESMA released the final version of its Draft Regulatory and Implementing Technical Standards on MiFID II/MiFIR on 28 September 2015, which included a number of helpful changes on the classification of ADT bands (which makes the delayed publication regime work better for small and mid-size quoted companies’ shares) and the introduction of more granular tick sizes.</li> <li>• We are still awaiting the delegated acts from the European Commission, which will address the issue of inducements and investment research.</li> <li>• We also have been attending the Financial Conduct Authority’s (FCA) MiFID II Roundtable, which updates stakeholders on the implementation of MiFID II in the UK.</li> <li>• We have been in touch with HM Treasury to discuss the European Commission’s work on the delegated acts, which we expect to be published soon.</li> <li>• The FCA plans on publishing a consultation by the end of the year on the UK transposition of MiFID II.</li> </ul>

#### 4. Improve corporate behaviour

Activity	Description	Activity Since Last Update
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"> <li>• We are due to start the three-yearly review of our Code in 2016.</li> <li>• We are holding a roundtable event (Come Whine with Me about Corporate Governance) on the 11 November 2015 to find out more from members about their current governance challenges in order to help us with the review of our Code in 2016.</li> </ul>
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"> <li>• The fieldwork for the 2015 Review has been completed and the draft results were presented to and discussed with investors at a roundtable held on 12 October 2015.</li> <li>• We are launching the 2015 review at an event on 2 December 2015.</li> </ul>
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"> <li>• We have had another working group to discuss the first draft of the guide.</li> <li>• We are in the process of making amendments to circulate it for wider comment from the Corporate Governance and Share Schemes Expert Groups and external stakeholders.</li> <li>• A publication date is yet to be decided, although we are hopeful to have the text finished by the end of 2015.</li> </ul>

## **Issues being considered by the expert groups**

**Corporate Finance Expert Group** – last meeting on 23 July 2015 (w/ Legal Expert Group) [note that the October meeting was postponed]

1. Clare Cole, Toby Wallis, Jonathan Rees and Nike Trost of the Financial Conduct Authority attended the July meeting to discuss the FCA and the QCA responses to the European Commission consultation on the Prospectus Directive and way forward.
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 FCA's Quarterly Consultation No. 10 (RD: 5 November 2015).
4. The group is considering the London Stock Exchange's AIM Notice 42 - consultation on proposed changes to the AIM Rules for Companies (RD: 12 November 2015) with the Legal Expert Group.

**Corporate Governance Expert Group** – last meeting on 20 October 2015 [note that the group also had a meeting on 15 September 2015]

1. Max Malagoni and Judith Frame from the Competition and Markets Authority attended the October meeting to discuss the importance of competition law, how it connects with corporate governance, and the level of awareness of competition law amongst businesses more generally.
2. The group is participating in BIS' working group and contributing to the development of guidelines for a Register of People with Significant control, in relation to the Small Business, Enterprise and Employment Act.
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 considering the Financial Reporting Council's Consultation: Enhancing Confidence in Audit (RD: 11 December 2015) with the Financial Reporting Expert Group.
5. The group is considering ESMA's public consultation on regulatory technical standards on the European Single Electronic Format (ESEF) (RD: 24 December 2015) with the Financial Reporting Expert Group.
6. The group is considering the FRC's new guidance to enhance reporting on risks and the going concern basis of accounting for non-listed companies (RD: 15 January 2015) with the Financial Reporting Expert Group.
7. The group responded to the Shareholder Voting Working Group Discussion Paper on potential progress in transparency (RD: 30 September 2015).

**Financial Reporting Expert Group** – last meeting on 22 September 2015

1. The group is revising its Corporate Reporting Charter.
2. The group is considering EFRAG's draft comment letter on the IASB's Exposure Draft ED/2015/6 Clarifications to IFRS 15 (RD: 22 October 2015).
3. The group is considering the IASB Exposure Draft - Conceptual framework for financial reporting (RD: 26 October 2015).

4. The group is considering the EFRAG document for public consultation on the IASB ED Conceptual Framework for financial reporting (RD: 26 October 2015).
5. The group is considering the IASB's consultation on the proposed clarifications to and transition reliefs for IFRS 15 Revenue from Contracts with Customers (RD: 28 October 2015).
6. The group is considering HMRC's draft regulations to implement country-by-country reporting (RD: 16 November 2015) with the Tax Expert Group.
7. The group is considering the IFRS Foundation's Trustees' Review of Structure and Effectiveness (RD: 30 November 2015).
8. The group is considering the Financial Reporting Council's Consultation: Enhancing Confidence in Audit (RD: 11 December 2015) with the Corporate Governance Expert Group.
9. The group is considering ESMA's public consultation on regulatory technical standards on the European Single Electronic Format (ESEF) (RD: 24 December 2015) with the Corporate Governance Expert Group.
10. The group is considering the IASB Agenda Consultation 2015 (RD: 31 December 2015).
11. The group is considering the FRC's new guidance to enhance reporting on risks and the going concern basis of accounting for non-listed companies (RD: 15 January 2015) with the Corporate Governance Expert Group.

**Legal Expert Group** – last meeting on 23 July 2015 (w/ Corporate Finance Expert Group) [note that the September meeting was postponed]

1. Clare Cole, Toby Wallis, Jonathan Rees and Nike Trost of the Financial Conduct Authority attended the July meeting to discuss the FCA and the QCA responses to the European Commission consultation on the Prospectus Directive and way forward.
2. The group is considering the issue concerning the new Market Abuse Regulation (MAR) relating to dealings by persons discharging managerial responsibilities (PDMR) and the prohibition to trade during a closed period. Note that ESMA published its final technical standards on the Market Abuse Regulation on 28 September 2015 and the group is reviewing the outcome of this.
3. The group is following the European Commission's review of the Prospectus Directive and assisting with the work outline above in the section 'Progress on key campaigns for 2015 – 2016'.
4. The group is considering the London Stock Exchange's AIM Notice 42 - consultation on proposed changes to the AIM Rules for Companies (RD: 12 November 2015) with the Corporate Finance Expert Group.

**Secondary Markets Expert Group** – last meeting on 17 June 2015 [note that the next meeting is due to take place on 18 November 2015]

1. Mark Griffin, Head of Secondary Markets and Market Infrastructure, HM Treasury attended the June meeting to discuss MiFID II issues, particularly regarding investment research, SME Growth Markets and deferred trade publication issues.
2. The group is reviewing ESMA's final technical standards on the Central Securities Depositories Regulation (CSDR) and MiFID II, which were both published on 28 September 2015.
3. The group is considering ESMA's consultation on technical standards for MIFID II regarding trading suspensions, data service providers and derivatives reporting (RD: 31 October 2015).

**Share Schemes Expert Group** – last meeting on 15 October 2015

1. A working group is revising Rewarding Enterprise II – Guidance for Companies on Employee Share Schemes (July 2009).
2. The group is reviewing the process of electronic registration and annual filing for tax-advantaged share schemes, which was introduced in April 2015.
3. The group is helping the Corporate Finance Expert Group with preparing a list of the AIM Rules that they would like to change in order to make the market run more efficiently and make it easier for companies to offer shares to their directors and employees.

**Tax Expert Group**– last meeting on 30 September 2015

1. Lizzie Arnold and Adam Terry from HM Treasury attended the September meeting to discuss the Government's work on private placements.
2. The group completed the Quoted Companies Alliance's Proposals for Taxation Reform – 2016 Budget and submitted them to HM Treasury on 16 October 2015.
3. The group is considering HMRC's draft regulations to implement country-by-country reporting (RD: 16 November 2015) with the Financial Reporting Expert Group.
4. The group is considering the European Commission's Re-launch of the Common Consolidated Corporate Tax Base (CCCTB) (RD: 8 January 2016).