

**Quoted Companies Alliance Policy Update – 25 August 2015**

**Progress on key campaigns for 2015**

<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 14 PULSE report was published on 21 July 2015.</li> <li>• The wave 15 fieldwork will take place in September 2015 and the report will be published on 24 November 2015. 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 will take place in October, with initial results coming through in late 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 are preparing our Budget Representations for 2016, which will be submitted in October 2015, and this will be included.</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>• See above under 'Costs of Raising Equity to be Tax Deductible'</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 met with other stakeholders (CBI, AFME, ICAEW, AIC) to discuss our proposals for SME Growth Markets and the prospectus directive review.</li> <li>• We held a joint Legal and Corporate Finance Expert Group meeting with the FCA to discuss the QCA and FCA responses to the European Commission consultation and next steps.</li> <li>• We are in contact with HM Treasury to follow up on more detailed information regarding our proposals.</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>• We have responded to ESMA's consultation on MiFID II/MiFIR (Feb 2015).</li> <li>• Following the publication of ESMA's technical advice (Dec 2014), we have met with the European Commission to discuss the three key points of the QCA representations: SME Growth Markets, investment research and deferred publication regime.</li> <li>• We had a conference call with Kay Swinburne MEP and met with HM Treasury and London Stock Exchange to discuss these same points.</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 planning a roundtable event for 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 is taking place in</li> </ul>

		<p>August and September 2015.</p> <ul style="list-style-type: none"> <li>• We are holding a roundtable with small and mid-cap investors to discuss the results in October 2015.</li> <li>• We plan to launch 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 are currently reviewing and completing a full draft of the guide.</li> <li>• We are reviewing the results of our survey to institutional investors on remuneration.</li> <li>• We aim to have the Corporate Governance Expert Group review a first draft in October or November.</li> <li>• The publication date is to be announced.</li> </ul>

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

### **Corporate Finance Expert Group – last meeting on 23 July 2015 (w/ Legal Expert Group)**

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 Takeover Panel Consultation on amending the definition of voting rights (RD: 11 September 2015) with the Legal Expert Group.
4. The group is considering the Takeover Panel Consultation on additional presumptions to definition of acting in concert (RD: 11 September 2015) with the Legal Expert Group.
5. The group responded to the Takeover Panel – Consultation Paper issued by the Code Committee of the Panel - Dividends (RD: 12 June 2015) with the Legal Expert Group.

### **Corporate Governance Expert Group – last meeting on 14 July 2015**

1. The group is assessing its key drivers for 2016 and revising its Terms of Reference.
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 Shareholder Voting Working Group Discussion Paper on potential progress in transparency (RD: 30 September 2015).
5. The group responded to the BIS consultation on the draft regulations for the register of people with significant control (RD: 17 July 2015).
6. The group responded to ESMA's consultation on best practice principles for voting research 2014 (RD: 27 July 2015).
7. The group responded to the FRC discussion paper on improving the quality of reporting by smaller listed and AIM quoted companies (RD: 31 July 2015), with Financial Reporting Expert Group.

### **Financial Reporting Expert Group – last meeting on 9 June 2015**

1. The group is revising its Corporate Reporting Charter.
2. The group is considering the IASB Exposure Draft - Conceptual framework for financial reporting (RD: 26 October 2015).
3. The group is considering the FRC Invitation to comment on IAASB Exposure Draft (July 2015) Proposed amendments to the IAASB's International Standards – Responding to Non Compliance with Laws and Regulations (RD: 19 September 2015).

4. The group is considering the IASB Exposure Draft on the effective date of amendments to IFRS 10 and IAS 28 (ED/2015/7) (RD: 9 October 2015).
5. The group is considering the EFRAG document for public consultation on the IASB ED Conceptual Framework for financial reporting (RD: 26 October 2015).
6. The group is considering the IASB consultation on clarifications to the revenue Standard (RD: 28 October 2015).
7. The group is considering the IASB Agenda Consultation 2015 (RD: 31 December 2015).
8. The Group responded to the IASB consultation on IFRS 15 – proposal to defer effective date of revenue standard (RD: 3 July 2015).
9. The group responded to the FRC discussion paper on improving the quality of reporting by smaller listed and AIM quoted companies (RD: 31 July 2015), with Corporate Governance Expert Group.

**Legal Expert Group** – last meeting on 23 July 2015 (w/ Corporate Finance Expert Group)

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.
3. A working group prepared a briefing note on PDMRs and the prohibition to trade during a closed period that was sent to the European Commission and MEPs.
4. The group is considering HM Treasury’s consultation on the draft Transparency Regulations 2015 (RD: 4 September 2015).
5. The group is considering the Takeover Panel Consultation on amending the definition of voting rights (RD: 11 September 2015) with the Legal Expert Group.
6. The group is considering the Takeover Panel Consultation on additional presumptions to definition of acting in concert (RD: 11 September 2015) with the Legal Expert Group.
7. The group responded to the Takeover Panel consultation on dividends (RD: 12 June 2015) with the Corporate Finance Expert Group.

**Secondary Markets Expert Group** – last meeting on 17 June 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. A working group had a conference call with Kay Swinburne MEP to discuss the use of dealing commissions to pay for research and ESMA’s Technical Advice for MiFID II regarding inducements, SME Growth Markets and deferred trade publication issues on 1 May 2015.
3. The group provided HM Treasury with an estimate for the amount paid for research in the smaller quoted end of the market.

4. The group responded to ESMA's Consultation on Draft Regulatory Technical Standards on the CSD Regulation (RD: 6 August 2015).

**Share Schemes Expert Group** – last meeting on 16 July 2015

1. A working group is revising Rewarding Enterprise II – Guidance for Companies on Employee Share Schemes (July 2009).
2. The group is starting to consider possible measures to include in the Quoted Companies Alliance's Budget Representations 2016.
3. A working group is drafting considerations on the tax treatment of clawback to include in the Quoted Companies Alliance's Budget Representations 2016.

**Tax Expert Group**– last meeting on 16 July 2015

1. The group is considering 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 September 2015 ahead of the Autumn Statement.
2. A working group drafted a letter to the Chancellor of the Exchequer resubmitting our proposals for taxation reform 2015 (which we originally submitted ahead of the Autumn Statement 2014 and Budget 2015) and highlighting other key aspects (which are to be developed in our Budget Representations for 2016).
3. The group is considering the European Commission public consultation on further corporate tax transparency (RD: 9 September 2015).
4. The group is considering the HMRC consultation on Intermediaries Legislation (IR 35) (RD: 30 September 2015).
5. The group is considering the HMRC consultation on sanctions for serial tax avoidance (RD: 14 October 2015).
6. The group is considering the HMRC consultation on simplifying tax and NICs on termination payments (RD: 16 October 2015).