



Quoted Companies Alliance

6 Kinghorn Street  
London EC1A 7HW

**T** +44 (0)20 7600 3745

**F** +44 (0)20 7600 8288

[mail@theqca.com](mailto:mail@theqca.com)

EIOPA

European Insurance and Occupational Pensions Authority

Westhafenplatz 1

60327 Frankfurt am Main

Germany

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

A company limited by guarantee registered in England  
Registration Number: 4025281

[cp-19-006@eiopa.europa.eu](mailto:cp-19-006@eiopa.europa.eu)

Wednesday 15 January 2020

To whom it may concern,

### **Opinion on the 2020 review of Solvency II**

We are the Quoted Companies Alliance (QCA), the independent membership organisation that champions the interests of small to mid-size quoted companies. We seek to create an environment that allows smaller quoted companies to grow and fulfil their potential. To do so, we aim to ensure that any new legislative or regulatory action has regard for the smaller size and more limited resources of these companies, as well as balances the subsequent costs and benefits of any developments.

We welcome the opportunity to respond to your consultation paper on the Opinion on the 2020 review of Solvency II.

We have examined the proposals and advised on this response from the viewpoint of small and mid-size quoted companies.

Overall, the QCA supports measures to boost the robustness of banks and other financial institutions which form an essential part of the financial markets infrastructure. Financial institutions also play an invaluable role as investors in small and mid-size quoted companies, which make up the largest part of our membership. **The QCA favours measures which will encourage active investment in such companies and is opposed to proposals which might prove to be a disincentive to the flow of funds into the small and mid-size quoted companies segment of the market, which is enormously important to the UK economy.**

By way of illustration, there are around 1,250 small and mid-size quoted companies on the Main List of the London Stock Exchange and quoted on AIM and the NEX Exchange, totalling 93% of all UK quoted companies<sup>1</sup>. Collectively, these companies employ approximately 3 million people – representing 11% of private sector

---

<sup>1</sup> QCA/Hardman & Co., May 2019, How small and mid-cap quoted companies make a substantial contribution to markets, employment and tax revenues, <https://www.hardmanandco.com/wp-content/uploads/2019/05/How-small-and-mid-cap-quoted-companies-make-a-substantial-contribution-to-markets-employment-and-tax-revenues.pdf>

employment in the UK – and contribute over £26.5 billion annually in taxes<sup>2</sup>. The total market capitalisation of the small and mid-size quoted company sector in the UK is £428 billion<sup>3</sup>. This evidence highlights not only the significance, but also the value of the small and mid-size quoted company sector to the UK economy.

Accordingly, we are averse to any proposals to amend the Solvency II Directive that have the potential to discourage investment by financial institutions in small and mid-size quoted companies due to the possibility that this could result in significant consequences. Given that investments in UK equities in general are already underweight – and even more so in small-caps – changes to the Solvency II Directive that have the capacity to further depress the flow of investment are not going to deliver the required market upturn. Rather, a continued lack of investment – which has been one of the contributory factors in the recent decline in the use of public equity markets – will undoubtedly be exacerbated by any such proposals.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours sincerely,



Tim Ward  
Chief Executive

DRAFT

---

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

DRAFT