



Quoted Companies Alliance

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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

Friday 4 October 2019

To whom it may concern,

Draft Guidelines on disclosure requirements under the Prospectus Regulation

We welcome the opportunity to respond to your consultation on the Draft Guidelines on disclosure requirements under the Prospectus Regulation.

We are the Quoted Companies Alliance (QCA), the independent membership organisation that champions the interests of small to mid-size quoted companies. The value of our members is significant. Within the UK there are approximately 1,250 small and mid-size quoted companies operating on the stock exchanges, representing 93% of all UK quoted companies. These companies employ around 3 million people (11% of private sector employment), and contribute over £26 billion in taxes annually. They play a fundamentally important role in the UK economy and it remains crucial for regulation to remain appropriate for small and mid-size quoted companies across the UK and throughout the European Union in order to create an environment that allows these companies to grow and fulfil their potential.

At the forefront of our operation remains the principle of proportionality. We strive to ensure that any new regulatory or legislative action is proportionate, having regard to the smaller size and more limited resources of these companies, as well as balancing the costs and benefits of these developments.

The QCA's *Legal Expert Group* has examined the proposals from the viewpoint of small and mid-size quoted companies. A list of Expert Group members can be found in Appendix A. We have also had the benefit of being able to review the response of EuropeanIssuers to the consultation.

Rather than provide a response to each individual question within the consultation, we instead support and endorse the response of EuropeanIssuers which more than adequately addresses our concerns. We ask that our response be treated as emphasising the importance of the issues raised by EuropeanIssuers to the same extent as if we had provided a separate but identical response.

In addition, we would mention the following which we would like to be fully taken into account for the purposes of your review and preparation of the final Guidelines:

1. The Guidelines should not create excessive additional burdens for issuers beyond those to which they are already subject, and, in particular, must not disproportionately impact smaller issuers.
2. As a general principle, we believe that all significant issues regarding the financial position of a company are disclosed in the annual financial statements and management reports of issuers and any requirement to include additional information (other than to update the position since the year end where there have been material changes) should be deemed unnecessary.
3. It is important that prospectuses are succinct and clear and we are opposed to any proposals which are likely to increase the length of a prospectus without a compelling reason. This includes the proposal for the inclusion of a separate non-financial report in some cases, which is currently set out in draft Guideline 4.
4. The cost of the application of each of the draft Guidelines has to be carefully considered in order to ensure that any consequential additional costs imposed on the persons responsible for the prospectus are proportionate. For instance, Guidelines 3 and 4 are both likely to increase costs considerably (particularly through additional consulting and auditing costs) and the benefits accruing are unlikely to match that increase. Proposals like this are likely to impact smaller companies the greatest as they typically have fewer resources. For this reason, it is critical that a cost-benefit analysis of the cost of the application of the draft Guidelines is undertaken to examine whether the perceived benefits to investors are sufficient to justify the additional costs burden for issuers, including in particular small and mid-size issuers.
5. We are opposed to the expansion of the pro forma scope of application in draft Guideline 18 to situations where the issuer is involved in multiple transactions which collectively constitute a 25% variation to the size of the issuer's business and we maintain that such situations should be assessed on a case by case basis.
6. We disagree with the content of the draft Guidelines regarding related party transactions due to the substantial burden it places on issuers and the limited value it adds for investors.

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

Appendix A

The Quoted Companies Alliance *Legal Expert Group*

Mark Taylor (Chair)	Dorsey and Whitney
Maegen Morrison (Deputy Chair)	Hogan Lovells International LLP
Danette Antao	Hogan Lovells International LLP
Paul Arathoon	Charles Russell Speechlys LLP
Daniel Bellau	Hamlins LLP
Naomi Bellingham	Practical Law Company Limited
Ross Bryson	Mishcon De Reya
Andrew Chadwick	Clyde & Co LLP
Philippa Chatterton	CMS
Paul Cliff	Gateley
Simon Cox Julie Keefe	Norton Rose Fullbright LLP
Tunji Emanuel	LexisNexis
Kate Francis	Dorsey and Whitney
Claudia Gizejewski	LexisNexis
Francine Godrich	Focusrite Plc
Stephen Hamilton	Mills & Reeve LLP
Sarah Hassan	Practical Law Company Limited
David Hicks	Charles Russell Speechlys LLP
Kate Higgins	Mishcon De Reya
Alex Iapichino	Majestic Wine Plc
Nichols Jennings	Locke Lord LLP
Martin Kay	Blake Morgan
Jonathan King	Osborne Clarke
Nicola Mallet David Willbe	Lewis Silkin
Nicholas McVeigh	Mishcon De Reya
Catherine Moss	Shakespeare Martineau LLP
Kieran Rayani	Stifel
Jaspal Sekhon	Hill Dickinson LLP
Donald Stewart	Kepstorn
Gary Thorpe	Clyde & Co LLP
David Willbe	Lewis Silkin