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ICAP Securities & Derivatives Exchange  
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[ISDX-Regulation@icap.com](mailto:ISDX-Regulation@icap.com)

20 February 2015

Dear Sirs,

**ICAP Securities & Derivatives Exchange Market Consultation on Proposed Amendments to the Rulebooks for the ISDX Growth Market**

***Introduction***

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of European **Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Legal, Corporate Finance and Corporate Governance Expert Groups have examined your proposals and advised on this response. A list of members of the Expert Groups is at Appendix A.

***Response***

We welcome ISDX's initiative to review its Rules and ensure that these are fit for purpose for a SME Growth Market, particularly regarding making the standards and requirements more appropriate for companies seeking admission to a SME Growth Market.

We believe that having ISDX as an option for companies to access and raise capital is particularly beneficial to small and mid-size companies. It is important that any such market is founded on sound principles and listing standards.

The proposed admission criteria in the consultation replace the eligibility matrix from the existing rules and now require instead a minimum one year trading history for issuers. Overall, we are supportive of this change, as we expressed concerns in our response to the consultation in May 2013 about the increased costs to companies that a more prescriptive approach would bring, as well as the 'box-ticking' approach toward due diligence and risk assessment that the eligibility matrix could encourage.

We have outlined below our comments regarding changes to Rules 28, 33 and 69.

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

**ISDX**

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**Rule 28**

We question whether the ISDX Corporate Adviser is the correct person from whom the Issuer should be seeking advice in relation to its “wider legal and regulatory obligations”. It is questionable whether Corporate Advisers would envisage their role extending thus far, as this should normally be the job of the Issuer’s legal advisers.

**Rule 33**

The same point arises in relation to the proposed amendment to Rule 33 in the ISDX Corporate Adviser Handbook. Corporate Advisers ought to be able to determine whether, following admission, an issuer is complying with the ISDX Rules (because those rules are sufficiently certain and identifiable); however, we believe that to extend their remit to cover “applicable legislation” is far too wide an obligation.

**Rule 69**

We believe that reference to the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (QCA Code) (most recent edition May 2013) should be made, as it is a valuable benchmark for small and mid-size quoted companies wishing to implement good corporate governance.

Small and mid-size companies can and should follow best practices in corporate governance which are suited for that part of the market. The QCA Code is widely recognised as an industry standard for those growing companies for which the UK Corporate Governance Code is not applicable. The QCA Code adopts key elements of the UK Corporate Governance Code, current policy initiatives and other relevant guidance and then applies these to the needs and particular circumstances of small and mid-size quoted companies on a public market.

We note that there can be a cost implication for small and mid-size quoted companies on growth markets in using the UK Corporate Governance Code rather than the QCA Code for corporate governance purposes, as their auditors may have to provide an enhanced audit report.

Accordingly, companies admitted to trading on ISDX should be able to use and make reference to the QCA Code, which is considered a stepping stone to the full UK Corporate Governance Code.

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

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'T. Ward', with a stylized flourish at the end.

Tim Ward

Chief Executive

**Quoted Companies Alliance Corporate Governance Expert Group**

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