



Quoted Companies Alliance

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27 June 2018

Dear Sirs,

### **Amendments to the NEX Exchange fast track rules**

We welcome the opportunity to respond to NEX Exchange's market consultation on amendments to the fast track rules.

The Quoted Companies Alliance Primary Markets Expert Group has examined the proposed amendments and advised on this response. A list of members of the Expert Group is at Appendix A.

### **We fully support the proposed changes to the Fast Track Rules contained in the NEX Exchange Growth Market – Rules for Issuers.**

However, we would also like to take this opportunity to draw your attention to paragraph 69 in NEX Exchange Growth Market – Rules for Issuers:

*"An issuer should have due regard for the principles laid down by the UK Corporate Governance Code published by the Financial Reporting Council, insofar as appropriate in relation to the nature and size of the issuer. In particular, there should be a clear allocation of responsibilities between the running of the issuer's board and the executive roles responsible for the running of the issuer's business. An issuer must have at least one wholly independent non-executive director".*

For us, good governance means companies explaining to stakeholders what their corporate governance arrangements are, why those arrangements are appropriate and how they support the business's long-term sustainable growth. We consider this approach more effective in influencing the development of a culture of good corporate governance behaviour than regulation. We also believe that good corporate governance is not complete until it has been effectively communicated.

The recently revised QCA Corporate Governance Code has become a valuable reference for smaller companies that wish to follow good governance practice. It is a practical, outcome-oriented approach to corporate governance for those quoted companies in the UK not obliged to apply the FRC's UK Corporate Governance Code – such as those companies quoted on NEX Exchange.

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

Amendments to the fast track rules

27 June 2018

Page 2

We therefore encourage NEX Exchange to amend the NEX Exchange Growth Market – Rules for Issuers and grant NEX Exchange issuers the flexibility to either have “due regard” or “adopt” any recognised corporate governance code, such as the QCA Corporate Governance Code<sup>1</sup>, in addition to the UK Corporate Governance Code. This will enable NEX Exchange issuers at different stages of development to adopt good corporate governance practice appropriate for their size.

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

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'TW', is positioned above the typed name of the signatory.

Tim Ward

Chief Executive

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<sup>1</sup> QCA Corporate Governance Code (April 2018): <http://www.theqca.com/shop/guides/143861/corporate-governance-code-2018-downloadable-pdf.html>

**Quoted Companies Alliance Primary Markets Expert Group**

<b>Richard Evans (Chair)</b>	<b>Strand Hanson Limited</b>
Nick Naylor David Worlidge	Allenby Capital Ltd
Chris Hardie	Arden Partners PLC
David Coffman	Cairn Financial Advisers LLP
Andrew Buchanan	Canaccord Genuity Ltd
David Foreman	Cantor Fitzgerald Europe
Stephen Keys	Cenkos Securities PLC
Peter Stewart	Deloitte
Stuart Andrews	finnCap
Samantha Harrison	Grant Thornton
Niall Pearson	Hybridan LLP
Richard Crawley	Liberum Capital Ltd
Tom Price	Northland Capital Partners Limited
Peter Whelan	PricewaterhouseCoopers LLP
Mark Percy	Shore Capital Group Ltd
Azhic Basirov	Smith & Williamson LLP
David Arch Stewart Wallace	Stifel
Andy Crossley	Stockdale Securities Limited
James Spinney	Strand Hanson Limited
Katy Mitchell	W H Ireland
Nicholas How	Zeus Capital