

Growth companies applaud FCA provisions on investment research

The Quoted Companies Alliance welcomes the FCA's decision to continue to allow fund managers to receive small cap research without payment where it has been commissioned and paid for by a smaller quoted company, including when issuing new shares. To reflect this position the FCA has created an additional provision in its [final rules](#).

Independent investment research on SMEs has experienced a significant drop since 2007 when the original MiFID I directive was introduced. During the revision process of MiFID, the Quoted Companies Alliance (QCA) highlighted on several occasions that the EU research unbundling proposals would further curtail distribution, and therefore production, of smaller company research. The economics of SMEs dictate that sponsorship of coverage is the only realistic means by which the market can be provided with quality investment research.

The European Commission accepted that SME research serves a very different purpose to large company research coverage, with the former being commissioned and paid for by the corporate issuer, not the investor or fund manager. It also accepted that, without an exemption, distribution of SME research might be severely curtailed, damaging the interests of issuers and investors alike and reducing competition in the SME funding sector.

In its final Policy Statement on MiFID II the FCA has confirmed its support of the Commission's approach and taken a step further to provide easements to support the continued production of SME research.

Tim Ward, Chief Executive of the Quoted Companies Alliance, said: "We have been campaigning consistently over the years on the importance of connected investment research for small and mid-size quoted companies. The new MiFID II rules on investment research have caused much concern in the small cap community. FCA's policy statement shows that they have understood the potential detrimental effects of the rules on smaller companies and have therefore created this targeted provision. We are pleased about this decision and also about the FCA's clarification of the type of acceptable minor non-monetary benefit that portfolio managers can accept. This will help to foster the distribution of existing investment research, but more needs to be done to encourage higher levels of research production."

- Ends -

Contact:

The Quoted Companies Alliance:

Tim Ward, Chief Executive +44 (0)20 7600 3745 tim.ward@theqca.com

Notes to editors:

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. We campaign, we inform and we interact to help our members keep their businesses ahead. Through our activities, we ensure that our influence always creates impact for our members. For more information please visit www.theqca.com.

Markets in Financial Instruments Directive II Implementation – Policy Statement II PS17/14 July 2017 (<https://www.fca.org.uk/publication/policy/ps17-14.pdf>)