

ISDX Regulation  
2 Broadgate  
London  
EC2M 7UR

[isdx-regulation@icap.com](mailto:isdx-regulation@icap.com)

27 June 2016

Dear Sirs,

**Proposed changes to the Growth Market Rules for Issuers and Corporate Adviser Handbook**

***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 EuropeanIssuers, which represents over 9,000 quoted companies in fourteen European countries.

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

***Response***

We welcome the opportunity to respond to this consultation. We welcome ISDX's initiative to consult on changes to the Growth Market Rules for Issuers and Corporate Adviser Handbook (together, the ISDX Rules) in advance of the Markets Abuse Regulation (MAR) coming into effect on 3 July 2016.

As an overarching comment, we are concerned with the notion that a company complying with MAR – part of a legally binding regulatory framework – does not necessarily indicate its compliance with Rule 32. This premise could potentially result in situations where companies are required to disclose inside information, when carefully considered legal requirement – thought to be sufficient – state that they do not, or to do so may prejudice the company's legitimate commercial interests, or one where ISDX Regulation takes disciplinary action against companies despite their compliance with MAR. We strongly believe that this could result in ISDX companies being in a conflicted position due to the uncertainty as to how to simultaneously follow both the legal requirements and the market rules.

We have responded below in more detail to the specific amendments from the point of view of our members, small and mid-size quoted companies.

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

**Amendments to ISDX Rules for Issuers**

**1. Rule 32 – Price sensitive information**

As a general comment, we believe that Rule 32, as drafted, may put many ISDX companies in a conflicted position, due to the similarities of scope of this rule and Article 17 of MAR. If ISDX Regulation is to retain Rule 32, then it should, through FAQs, give one or more examples of a circumstance in which an announcement is required under the Growth Market Rules for Issuers, but not MAR. If such examples are not identified so that they can be understood by small and mid-size quoted companies and their advisers, we believe that Rule 32 should not be retained once MAR comes into force.

Regarding Guidance Note b), we believe that it could be helpful for companies to include a provision requiring ISDX Regulation to inform them and their nominated advisers if the ISDX (the Exchange) has referred a potential breach of MAR to the FCA.

**2. Rule 71 – Code of dealing**

We support the amendment in Rule 71 that signposts an ISDX company's obligation under Article 19 of MAR and recognises that issuers can best develop their own appropriate policies to comply with MAR and the ISDX Rules.

However, as with our response to Rule 32, we are concerned with Guidance Note d) that stipulates that compliance with MAR does not mean that Rule 71 is complied with and vice-versa. We would strongly urge ISDX Regulation to issue, through FAQs, one or more examples of a circumstance in which an issuer and their corporate adviser has a code of dealing in place that it adheres to, which would comply with only one of MAR or ISDX Rules.

**Duration of closed periods**

With regards to the duration of closed periods, we support ISDX Regulation's approach of only considering making changes to the rules or issuing further guidance once ESMA or the European Commission clarify on whether under MAR a closed period should be imposed before the announcement of preliminary results, the year-end report or both.

If, after further guidance from ESMA or the European Commission is issued on this, the issuer is permitted to end its closed period through the publication of preliminary statements of annual accounts, we consider that it would be better for small and mid-size quoted companies if the ISDX Rules were then changed to introduce the concept of company preliminary statements (for companies that wish to produce them) and to explore what should be included in a company's preliminary statement so that a company could easily comply with Rule 43. We believe that this would introduce more transparency in the market and we would welcome further consultation on this issue in due course.

**3. Rule 43 – Disclosure of dealings by persons discharging managerial responsibility**

We do not support ISDX Regulation's decision to retain the existing requirement that all transactions by persons discharging managerial responsibility (including members of their families and connected persons) must be disclosed. We believe that this will create unnecessary confusion for ISDX companies. We would strongly urge ISDX Regulation to delete the current Rule 43 and signpost ISDX companies to Article 19 of

**Proposed changes to the ISDX Rules**

**27 June 2016**

**Page 3**

MAR in the new guidance to Rule 43 as the new legal requirement means that there is no longer a need for a specific market rule.

**4. Rule 75 – Website**

We support the decision to include the MAR requirement that any inside information announced by an issuer must be retained on the company's website for five years, in a special section of the website and presented in chronological order.

**5. Rule 44 – Financial Reporting**

We support ISDX's decision to delete Rule 48 and include the word "audited" in Rule 44.

**6. Reverse takeovers**

We welcome ISDX's decision to clarify the wording in the Rules regarding where a transaction occurs that leads to a fundamental change to the business, board or voting control that is not an "acquisition".

**7. Information for an admission document**

We have no comment on the information for an admission document.

**8. Other comments**

We believe that for the sake of consistency and harmonisation with MAR it would be useful to replace references to "directors" in Rules 6, 23, 25, 70, 72 and 75, Guidance Notes on Rules 55, 70 and 71, and the appendices with "persons discharging managerial responsibility"

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 'T. Ward', with a stylized flourish at the end.

Tim Ward  
Chief Executive

**Quoted Companies Alliance Corporate Finance Expert Group**

<b>Richard Evans (Chairman)</b>	<b>Strand Hanson Limited</b>
David Worlidge Nick Naylor	Allenby Capital Ltd
Chris Hardie	Arden Partners PLC
Chris Searle	BDO LLP
David Foreman Amerjit Kalirai	Cantor Fitzgerald Europe
Stephen Keys	Cenkos Securities PLC
Sean Geraghty	Dechert
Stuart Andrews	finnCap
Simon McLeod	Goodman Derrick LLP
Colin Aaronson	Grant Thornton UK LLP
Nicholas Narraway	Hewitson Moorhead
Robert Darwin Maegen Morrison	Hogan Lovells International LLP
Richard Crawley	Liberum Capital Ltd
Simon Charles	Marriott Harrison
Richard Metcalfe	Mazars LLP
Lesley Gregory	Memery Crystal LLP
Kristy Duane	Nabarro LLP
Richard Thomas	Numis Securities Ltd
Jonathan King	Osborne Clarke
Sandra Bates	Pillsbury Winthrop Shaw Pittman LLP
Leighton Thomas	PricewaterhouseCoopers LLP
Niraj Patel	Saffery Champness
Bidhi Bhoma Mark Percy	Shore Capital Group Ltd
Azhic Basirov	Smith & Williamson LLP
Neil Baldwin Mark Brady	SPARK Advisory Partners Limited
Dalia Joseph	Stifel
Laurence Sacker	UHY Hacker Young
Paul Shackleton	W H Ireland Group PLC
Rod Venables	Western Selection Plc
Catherine Moss	Winckworth Sherwood LLP
Ross Andrews	Zeus Capital Limited

## Quoted Companies Alliance Legal Expert Group

<b>Gary Thorpe (Chairman)</b>	<b>Clyde &amp; Co LLP</b>
Maegen Morrison (Deputy Chairman)	Hogan Lovells International LLP
David Davies	Bates Wells & Braithwaite LLP
Martin Kay	Blake Morgan
Paul Arathoon	Charles Russell Speechlys LLP
Andrew Collins	
David Hicks	
Tom Shaw	
David Fuller	CLS Holdings PLC
Mark Taylor	Dorsey & Whitney
June Paddock	Fasken Martineau LLP
Ian Binnie	Hamlins LLP
Donald Stewart	Kepstorn
Nicola Mallett	Lewis Silkin
Tara Hogg	LexisNexis
Jane Mayfield	
Stephen Hamilton	Mills & Reeve LLP
Ross Bryson	Mishcon De Reya
Kate Higgins	
Nicholas McVeigh	
Philippa Chatterton	Nabarro LLP
Jo Chattle	Norton Rose Fulbright LLP
Simon Cox	
Julie Keefe	
Sandra Bates	Pillsbury Winthrop Shaw Pittman LLP
Naomi Bellingham	Practical Law Company Limited
Sarah Hassan	
Hilary Owens Gray	
Ben Warth	PricewaterhouseCoopers LLP
John Burnand	Winckworth Sherwood LLP