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Dear FCA colleagues,

Consultation on the Public Offers and Admission to Trading Regulations regime (POATR)

We welcome the opportunity to respond to your consultation on the Public Offers and Admission to Trading Regulations regime (POATR).

The Quoted Companies Alliance *Primary Markets* and *Legal Expert Working Group* has examined the proposals and advised on this response from the viewpoint of small and mid-sized quoted companies. A list of Expert Group members can be found in Appendix A.

Overall, we support the majority of the FCA's proposals as part of its reforms to the public offers and admissions to trading regulations regime. In particular, we welcome the FCA's changes to:

1. Simplify the prospectus document

We believe that allowing cross-referencing and minimising the financial information required will reduce complexity for companies when producing a prospectus. The ability for companies to incorporate by reference into the prospectus is also a positive step in this regard. However, we request clarity from the FCA in this area as PRM 2.5.4R in the annex section is inconsistent with the consultation document itself in stating that the summary cannot incorporate information by reference.

2. Reduce the six-day offer period to the public for IPOs to three days

We strongly welcome this proposal as we believe that it should encourage companies to include greater participation among retail investors for the reasons given in the consultation paper.

3. Raise the threshold to 75% for secondary issuances

We broadly support the FCA's proposal to raise the threshold for producing a prospectus on secondary issuances from 20% to 75%. This is a marked improvement and one that should reduce the cost of raising capital for companies. Moreover, it places the UK market ahead of reforms in train in the EU where the

threshold is being raised to 30%. Nevertheless, we question why a threshold is maintained, as this still remains an arbitrary figure. Given the cost involved in producing a prospectus, particularly for smaller companies, we would like to see the FCA go further and remove the threshold outright. We note that no threshold exists on AIM, and secondary fundraising works effectively on that market.

4. Require an MTF admission prospectus and proposed exemptions

The FCA's proposed requirement for companies to produce an MTF admission prospectus for admissions to trading on an MTF is one we support on the grounds that it should enable greater participation in IPOs among retail investors. In addition, we are pleased to see the FCA adopt our recommendation made in Engagement Paper 6 to create an exemption from producing an MTF prospectus on admission for Aquis fast-track and AIM designated market admissions.

However, alongside our support for the aforementioned reforms, we raise a number of key concerns regarding the FCA's proposals relating to sustainability and climate-related risks, elements of the definition for protected forward-looking statements and its future adoption by companies, and the need for producing an MTF admission prospectus when issuing a new class of shares.

1. Sustainability and climate-related risks

At the QCA, we are cognisant of the importance of companies making appropriate climate-related disclosures in the pursuit of valuable social and environmental objectives. We are also aware of the relative size and environmental exposure of many smaller companies, which can be much more limited, and believe that the principle of proportionality should be applied when regulating this area. We argue that this could take the form of a market capitalisation threshold exempting smaller companies, alongside sector specific requirements for higher risk companies when making climate-related risk disclosures.

2. Definition of PFLS and its future use by companies

Overall, while we broadly agree with most of the FCA's proposed definition of a PFLS, we question the FCA basing part of that definition on *ex post* information contingent on a set of circumstances actually occurring. This gives the impression that a forward looking statement will only be protected if the outcome is sufficiently close to the original statement. If understood as such, this may limit the number of statements that ultimately fall within its criteria.

Moreover, companies may be fearful of market reaction if they do not meet a statement included under PFLS and may couch information as an 'ambition' rather than a forecast. We recommend that the FCA monitor the use and application of PFLS post-implementation to determine whether the proposal is having the desired impact, and to assess where improvements can be made.

3. Producing an MTF admission prospectus for new share class issuances

Given the cost and resources involved for companies when producing an admission document/prospectus, we consider that there should be an exemption for companies when issuing new classes of shares, provided these do not pertain to a change in the business and where these rights have been clearly established in a company's articles of association. In such instances, we argue in favour of a requirement for companies to produce an explanatory announcement to the market, instead of an admission prospectus.

If you would like to discuss our response in more detail, please do not hesitate to contact us.

Yours sincerely,



James Ashton
Chief Executive

Q1 Do you agree with our proposed approach to the new Handbook as described above? Y/N. Please give your reasons.

Overall, we welcome the FCA's proposed approach to the new Handbook. However, in the interests of greater simplicity, we would question the need to include new documents alongside the existing rules, such as the creation of further technical notes. In our view, a more straightforward approach would be to include all relevant information in the rules themselves.

However, it is important to state that not all members agreed with the view set out above in relation to the creation of further technical notes on the grounds that technical notes offer useful information and examples.

Q2 Do you agree with our proposed approach to maintaining the exemptions from the current regime in the future regime, as described above? Y/N. Please give your reasons.

Overall, we agree with the FCA's proposed approach in this area.

However, some QCA members did consider that the minimum time period (18 months) for the exemption for trading on a different market could be reduced in the interests of greater flexibility.

As a further clarificatory note, it would be useful for the FCA to provide information on what is considered as 'another summary' in the final bullet point of line 3.11 of this consultation.

Q3 Do you agree with our proposed approach to the takeover exemption as described above? Y/N. Please give your reasons.

We are broadly in favour of the FCA's proposed approach to the takeover exemption. However, we consider that the production of a guidance document in this area would be useful, and expect that for a takeover the exemption document would be the Takeover Code compliant offer document with whatever additional information is considered appropriate. In particular, we believe that it would be beneficial for the FCA to provide guidance on whether it is necessary for a working capital statement to be included in the exemption document for the exemption to apply.

Q4 Do you consider that we should publish guidance on what we consider should be the contents of exemption documents as described above in a Technical Note?

Yes – please see our response to Q3.

Q5 Do you agree with our proposed approach to the exemption for transfers between regulated markets as described above? Y/N. Please give your reasons.

Yes – we agree with the FCA's approach to the exemption for transfers between regulated markets.

Q6 Do you agree with our proposed approach to Public International Bodies as described above? Y/N. Please give your reasons.

As a general observation, the current approach has functioned well and we see no sufficient reason to change it.

Q7 Do you agree with our proposed approach to the scope of transferable securities as described above? Y/N. Please give your reasons.

In general, we question why some of the issuers of securities listed as excluded are not expected to use the new Public Offer Platform (POP) regime and its more enhanced disclosure requirements; in particular, those issuing securities that are riskier than others (such as local authorities). In these cases, a more general requirement to produce more disclosures as per the new POP regime, could be beneficial.

Q8 Do you agree with our proposed approach to expand the currently exempted securities from UK PR Art 1(2) to include instruments of Islamic finance where an appropriate credit support arrangement exists? Y/N. Please give your reasons.

We believe that detailed guidance would be needed in this area, in particular in relation to what arrangements would qualify and how to gauge equivalence between an Islamic financing arrangement and a sovereign guarantee.

Q9 Do you agree with our proposed approach of removing the exception for not-for-profit bodies? Y/N. Please give your reasons.

Yes – we agree with removal of the exception for not-for-profit bodies.

Q10 Do you agree with our proposed approach to revising the requirements for a summary as described above? Y/N. Please give your reasons.

We broadly welcome the FCA's proposals to allow cross-referencing and minimising the financial information required. We believe this will allow for a more streamlined approach compared to the current rules. For example, allowing for risk factors to be cross referenced will be particularly helpful as this is an area of the summary section, and prospectus more broadly, that is particularly repetitive.

We also welcome the FCA's intention to allow issuers to incorporate by reference into the prospectus as contained in paragraph 3.40 of this consultation. However, we request clarity from the FCA on this matter as PRM 2.5.4R in the annex section of the same document states that "the summary may contain cross-references to other parts of the prospectus but cannot incorporate information by reference."

We believe that it would be useful if the FCA were to provide guidance regarding the financial information that will remain in the summary section. For example, the Appendix 1 document provides quite detailed information in table form. It would be helpful if clarification is provided specifying the particular format that the FCA wants this information to be provided in.

Q11 Do you agree with our proposed approach to incorporation by reference? Y/N. Please give your reasons.

Yes – we agree with the FCA's approach to incorporation by reference subject to our comments in Q10. Allowing companies to decide to incorporate by reference will provide greater flexibility. Moreover, we believe that incorporating by reference will probably become standard market practice over time, particularly for smaller companies who will likely take advantage of producing a shorter document.

More broadly, we believe that some of the content requirements should be reviewed as to their usefulness. For example, the inclusion of information on shares is largely unnecessary except in cases where a special type of share is being listed.

Q12 Do you agree with our proposed approach to carry forward financial information requirements as described above? Y/N. Please give your reasons.

Yes – we agree with the FCA’s approach in this area.

Q13 Do you agree with our proposal to clarify requirements relating to material uncertainty regarding going concern and other matters reported on by exception? Y/N. Please give your reasons.

Yes – we agree with the FCA’s proposal to clarify requirements relating to material uncertainty regarding going concern and other matters reported on by exception.

Q14 Do you agree that we should retain the current requirement for a working capital statement in a prospectus? Y/N. Please give your reasons.

Yes – we agree that the current requirement for a working capital statement in a prospectus should be retained.

Q15 Do you consider that we should allow issuers to disclose significant judgements made in preparing the working capital statement, including the assumptions the statement is based on and the sensitivity analysis which has been performed? Y/N. Please give your reasons.

Overall, we agree with the FCA’s approach in this area. It is important that investors are given sufficient information to interpret the working capital statement. Therefore, allowing companies to disclose significant judgements and assumptions made in the preparation of the working capital statement is welcome.

In addition, we believe that it would be beneficial to both companies and investors that, alongside the significant judgements that are provided, companies present additional information detailing why a company consider the judgements and assumptions to be reasonable, and how they connect to a company’s broader business strategy. This includes prospective financial information which should be tied to the working capital statement and justified.

Q16 Do you agree that we should allow issuers to base the working capital statement on the underlying due diligence performed for the purposes of viability and going concern disclosures in its annual financial statements? Y/N. Please give your reasons.

Yes, if it is appropriately updated and the due diligence produces the relevant information.

Q17 Do you agree with our proposed approach to give additional guidance for companies with a complex financial history? Y/N.

Yes – we believe that guidance in this area is useful, and would benefit from further and more varied examples being given, including actual scenarios and decisions that have previously been taken by the FCA on real cases (all suitably anonymised), with updates as appropriate.

For acquisitions, particularly in cases where no audit track record exists, building this information can be difficult. For example, separating costs or apportioning shared services and trying to create a clear financial track record can be challenging. Guidance from the FCA in this area would be beneficial.

Q18 How far do you consider the draft guidance attached to this CP would be useful for companies and their advisors? Y/N. Please give your reasons including any proposals you may have to change the draft guidance.

Please see our response to Q17.

Q19 Do you consider that we should include requirements related to the age of financial information in prospectus requirements? Y/N. Please give your reasons.

Yes – we broadly agree with the FCA’s approach in this area.

Q20 Do you agree with our proposal to largely retain the responsibility regime from the existing provisions? Y/N. Please give your reasons including any proposals.

Yes – we believe that this is a reasonable proposal.

Q21 Do you agree with our proposal to change the requirement that a prospectus be made available to the public for 6 working days for admissions of securities at IPO to 3 working days? Y/N. Please give your reasons.

We are strongly supportive of encouraging retail investors to take greater participation in IPOs and therefore welcome this proposal.

Q22 Do you agree with our proposal to raise the threshold for triggering the requirement to publish a prospectus for further issuances of securities already admitted to trading on a regulated market to 75% of existing share capital? Y/N. Please give your reasons.

Yes – we are broadly supportive of this proposal. However, we would question why the FCA does not go further. There are significant costs involved in producing a prospectus and the new requirement to secure a sponsor for secondary issuances, which will be particularly pronounced for smaller companies. As such, we believe there is a benefit in the FCA exploring the possibility of removing the threshold altogether.

The threshold does not exist on AIM and secondary fundraises have functioned efficiently on that market. In addition, there are a number of shareholder protections, including the rules relating to reverse takeovers and the requirement for shareholder authority for new issues and the disapplication of pre-emption rights. Overall, it is our position that, while 75% is a marked improvement, it still remains an arbitrary threshold.

Q23 Do you agree with our proposal to retain the requirement to use a simplified or full prospectus for further issuances of securities already admitted to trading on a regulated market, where not exempt or if issuers wish to produce a voluntary prospectus? Y/N. Please give your reasons.

Yes – please see our response to Q22.

Q24 Do you agree with a potential proposal to require issuers to notify us if the further issuance relates to rescue financing even if below the 75% threshold, based on which we may also require a prospectus? Y/N. Please give your reasons or provide any alternative approaches we could consider.

We believe that there are inherent problems with requiring a company in financial difficulty to produce a prospectus. Consideration as to an alternative approach based on disclosure and a streamlined regulatory response from the FCA would be welcome in this area. Too often, a company enters liquidation before a regulatory solution is found and the process of producing a prospectus exacerbates the situation. Guidance, that provides information on what approach to disclosure should be taken, if a company enters financial difficulty, would be beneficial.

Q25 Do you agree with our proposal to retain the requirement to publish a prospectus for further issuances of funds already admitted to trading on a regulated market? Y/N. Please give your reasons.

Overall, we are comfortable with the FCA's approach in this area.

However, some QCA members consider that applications to trading for future shares is out-dated insofar as, if shares have been admitted to the Official List, there is limited purpose in having to register them for trading.

Q26 Do you agree with our proposal to raise the threshold for triggering the requirement to publish a prospectus for further issuances of securities by closed-ended investment funds already admitted to trading on a regulated market to 75% of existing share capital and to allow these funds the options to publish a voluntary prospectus? Y/N. Please give your reasons.

We have no comments.

Q27 Do you agree with our proposed approach to permit issuers to use future incorporation by reference of financial information, including the option for issuers to use supplementary prospectuses for this purpose? Y/N. Please give your reasons.

Yes – as a general point, incorporation by reference is positive. However, we would expect there to be rules on what type of information can be incorporated. If this information is financial, it should generally have been audited.

Q28 Do you agree with our proposed approach to give issuers of non-equity securities more flexibility in relation to supplementary prospectuses? Y/N. Please give your reasons.

Yes – we agree with the FCA's proposed approach.

Q29 Do you agree with us not carrying over the option to produce a simplified prospectus for further issuance of non-equity securities? Y/N. Please give your reasons.

Yes – we agree with the FCA's proposed approach.

Q30 Do you agree with our proposed approach raise the threshold to 75% for further issuances of non-equity securities already admitted to trading? Y/N. Please give your reasons.

Yes – we agree with the FCA's proposed approach.

Q31 Do you agree with the proposed climate disclosure rule to prompt relevant and financially material information to be included in prospectuses? Y/N. Please give your reasons. If not, what should be done differently?

At the QCA, we recognise the importance of climate-related disclosures. However, the cost implications for smaller companies of these proposals could be significant. For example, many smaller companies who may have very limited environmental exposure could be required to disclose against the proposed reporting requirements.

We believe that the FCA ought to consider the principle of proportionality in this area, alongside considerations of the sectors that are most likely to carry the largest climate-related risk. This will prevent smaller companies in low-risk sectors being burdened with the same requirements as larger companies and those operating in higher risk sectors.

Nevertheless, we understand that similar requirements are already contained within the Listing Rules and companies will need to consider this information in their annual reports and accounts. However, as we have raised with the FCA in previous instances, it would be beneficial for the FCA to explore introducing both a size criteria whereby companies below a certain market capitalisation would be exempt from producing this information alongside sector-specific requirements for climate-related risk disclosures.

Q32 How do you consider our proposed requirements on sustainability-related disclosures could affect the cost of producing a prospectus?

Please see our response to Q31. The same principles should apply.

Q33 Do you have any views on the importance that investors and other readers of prospectuses would place on the additional climate-related information disclosed under the proposed climate disclosure rule?

Please see our response to Q31. Investors will no doubt take into account the information, but we consider they will approve of a proportionate approach.

Q34 Do you agree that our proposed climate disclosure rule should apply to issuers of equity securities and issuers of depositary receipts only, with other securities addressed through the Technical Note? Y/N. Please give your reasons.

Yes - we are in favour of the current rules and endorse the FCA's reasoning in this area.

Q35 Do you agree with the proposed minimum climate-related disclosures in the prospectus annexes? Y/N. Please give your reasons. If not, what should be changed?

There are important cost implications for small and mid-sized quoted companies arising from the FCA's proposal for minimum climate-related disclosures in the prospectus annexes. For example, a company would require the use of external consultancy in order to comply with them. We consider that the same principles of proportionality should be applied to the specific proposals, as any material issues falling outside the proportionality parameters would be covered by the necessary information test.

Given that the information that would be required to be produced is already covered by the necessary information test, we believe this proposal risks duplication and the addition of unnecessary costs for companies.

Q36 Do you agree with our proposed approach to transition plans? Y/N. Please give your reasons. If your reasons relate to cost or other concerns, please provide further detail.

Yes - we broadly agree with the FCA's proposed approach to transition plans. As stated in Q35, the FCA should consider the cost implications that this proposal could place on smaller companies.

Q37 Do you have any other comments on the design of our proposed climate disclosure rule?

We note that the FCA's comments about the TPT Disclosure Framework and related guidance materials being a useful source of information on the types of disclosures that it may be relevant to provide to investors will inevitably result in professional advisers regarding that guidance as being mandatory.

Q38 Do you agree with our proposed approach to addressing sustainability-related information beyond climate through the Technical Note?

As described in our response to Q35, we consider that the same principles of proportionality should be applied to the provisions in the Note, as any material issues falling outside the proportionality parameters would be covered by the general duty of disclosure.

In addition, we would also note that reference to the ISSB standards as a source of guidance could result in professional advisers and other market practitioners regarding their use as being mandatory. Clarity should be provided in the technical note on this point to avoid this eventuality.

Q39 Do you agree with the proposed areas for revision of the Technical Note in relation to sustainability-related disclosures? Y/N. Are there any other areas that we should seek to address?

Please see our response to Q38.

Q40 Should we provide additional guidance relating to climate disclosures for mineral companies (including mining and oil and gas)? Please give your reasoning, and if so, how should we do so?

We consider that guidance in this area would be helpful. However, we would like to raise concerns around the reasoning that may be applied when producing this guidance. In particular, paragraph 6.47 of this consultation includes recommendations on producing a competent person report required in order to meet a new 'atmospheric viability' requirement. In effect, this could require companies to consult an expert to determine the impact the use of these resources will have at a macro level. We are concerned that this will impose additional regulatory burdens on companies subject to the new requirement's scope, and create unnecessary costs for companies, particularly smaller companies, who will be required to consult experts in order to comply with the regulations.

A competent persons report already requires the inclusion of environmental factors and climate and water risks. However, this analysis is intended to assist in understanding the immediate economic implications of a particular project rather than to address the wider (and arguably more imprecise) implications for the planet as a whole. The FCA's proposals, would be likely to require companies to consult external experts to determine the impact the use of these resources will have at a macro level.

We are concerned that this will impose additional regulatory burdens on companies subject to the new requirement's scope, and create unnecessary costs for companies, particularly smaller companies, who will be, as stated previously, required to consult experts in order to comply with the regulations.

Furthermore, if the FCA proceeds with this proposal, it risks compromising the competitiveness of the UK market in this sector. For example, the UK's main international competitors in this sector, Canada, Australia,

and the EU, do not enact and enforce standards as far-reaching as those being suggested in the guidance, and as such, junior mining issuers – of which the London markets have many - may decide to list elsewhere.

Moreover, AIM applies the JORC (Australian) standards, and these proposals risk divergence not just internationally but also domestically.

Q41 Do you agree with the proposed new disclosure requirement and set of voluntary additional disclosures we are proposing to mitigate information gaps between bond frameworks (or similar documents) and prospectuses? Are there other disclosures that you think we should consider?

Yes - we believe that aligning the content of debt and equity in prospectuses is a positive step.

Q42 Do you agree with the additional voluntary disclosures we are proposing to introduce in prospectuses for UoP bonds? Are there other disclosures that you think we should consider?

We have no comments.

Q43 Do you agree with the additional voluntary disclosures we are proposing to introduce in prospectuses for SLBs? Are there other disclosures that you think we should consider?

We have no comments.

Q44 Do you agree with our overall approach to specifying the kinds of statements that can be protected forward-looking statements? Y/N. Please give your reasons.

We agree with the FCA's approach in this area. However, clear delineation is vital in order for companies to understand what constitutes a PFLS. Guidance in this area would be welcome.

Q45 Do you agree with our proposed general definition for protected forward looking statements? Y/N. Please give your reasons.

Yes - overall we agree with most of the criteria contained in the FCA's proposed general definition for protected forward looking statements (PFLS). However, we question the principle that a forward-looking statement can only be considered a PFLS, if the verification as to the truth, correctness, and completeness of the statement can only be carried out by reference to an event or set of circumstances that occurs after the forward-looking statement has been published. Also, that a statement relates to the future if its veracity can only be determined by events that occur at a later date. This suggests that a forward-looking statement will only be "protected" if the outcome is sufficiently close to the statement.

Instead, the requirement should be that the statement be based on appropriate assumptions and current factual information, the truth, correctness and completeness of which should be ascertainable at the time the statement is made. Indeed, many statements which issuers would currently regard as "forward looking" are based on events or circumstances which have already happened but the outcome of which is currently uncertain. Defining a forward-looking statement as such will likely reduce the number and type of statements that will fall within its parameters.

Q46 Do you agree with our proposed criteria for financial information that can be considered to be protected forward looking statements? Y/N. Please give your reasons.

We are broadly in favour of the new protected-forward looking statements regime and the proposed criteria for financial information when considering PFLS. However, to ensure that the reform has the desired effect, we believe that the FCA should monitor its use by companies. In particular, there is a significant possibility that companies will adopt a more risk-free approach by framing financial information as an ambition rather than a forecast due to concerns around market response if later they do not meet the statements included under PFLS. For example, concerns over investor reaction and share price response may temper the use of PFLS among companies.

As such, monitoring the take-up of PFLS in the prospectus post-implementation will enable the FCA to consider any further interventions that may be needed to make the proposal more attractive to companies.

Furthermore, the role of the sponsor in producing these types of statements is important as only large companies will likely be able to cover the costs of a reporting accountant. The FCA should consider how sponsors can be reassured on their legal liability when advising on producing a PFLS as this will impact on the degree to which they are utilised by companies.

Q47 Do you agree with our proposed criteria for operational information that can be protected forward looking statements? Y/N. Please give your reasons.

Please see our response to Q46.

In addition, we would observe that the requirement that information be “prepared in a manner that faithfully represents the issuer’s actual and expected performance, strategies, plans, and risk analysis” is likely to be interpreted by professional advisers as being on par with a “true and fair” audit analysis. If this becomes an accepted norm, the advantage of a PFLS regime is likely to be lost as PFLS statements will effectively become understood to require an audit equivalent level of sign-off.

Q48 Do you agree with our proposed exclusions for the type of information that can be considered as protected forward looking statements linked to existing required prospectus disclosures for regulated markets? Y/N. Please give your reasons.

We consider that the approach would be broadly acceptable, provided that the exclusion is by reference to specific requirements and would not apply to information required by the additional necessary information test. The purpose of a PFLS is to invite new disclosures, not to provide a safe harbour for existing statements already made to the market that a company is required to report on.

Q49 Do you agree with our proposal to include profit forecasts in the definition of PFLS even where our rules require an issuer to include a profit forecast in their prospectus? Y/N. Please give your reasons.

We agree with the general statement that “it would be confusing for investors [to create] a distinction between voluntary and mandatory profit forecast disclosures”. However, we also see that it will be equally confusing to create a distinction between “profit forecasts” and “profit estimates” with the former qualifying as a PFLS and the latter failing to qualify but which, to the average investor, look largely similar.

We have mentioned in our answer to Q45 above that further thought needs to be applied before PFLS statements can be defined solely by reference to events and circumstances which have not yet happened. It would appear particularly opaque to investors that a prediction about profits would fall inside the regime

when it relates solely to an accounting period which has not yet started but fall outside the regime because it relates to a current accounting period.

Q50 Do you agree with our proposed approach to exclusions to protected forward looking statements for MTF admission prospectuses? Y/N. Please give your reasons.

Yes, subject to the comments in our response to Q48.

Q51 Do you agree with our overall approach to the presentation of PFLS in a prospectus? Y/N. Please give your reasons.

Yes – we agree with the FCA’s approach in this area.

Q52 Do you agree with our proposed requirements for the general accompanying statement for protected forward looking statements? Y/N. Please give your reasons.

Yes – we agree with the FCA’s proposed requirements for the general accompanying statement for protected forward looking statements.

Q53 Do you agree with our proposed requirements for the specific accompanying statement? Y/N. Please give your reasons.

We believe that it would be helpful for the specific accompanying statement to allow for storing the required information in one section and allow companies to cross reference this information. In addition, we believe that there is a risk that companies will include an excessive amount of information to meet the proposed requirements. Therefore, the FCA should provide guidance for companies that clearly sets out the information the proposed requirements are addressing, and a statement that they are not seeking blanket disclosures of factors such as possible variants and market movements.

Q54 Do you agree with our proposal to require an MTF admission prospectus for all initial admissions to trading and admissions of enlarged entities resulting from reverse takeovers? Y/N. Please give your reasons.

Yes – we agree with the FCA’s approach in this area and endorse their reasoning insofar as it should enable greater participation in IPOs among retail investors.

Q55 Do you agree with the proposed exceptions to requiring an MTF prospectus on admission for AQSE fast-track and AIM designated market admissions? Y/N. Please give your reasons.

Yes – we strongly welcome the FCA’s proposed exceptions to requiring an MTF prospectus on admission for Aquis fast-track and AIM designated market admissions. We recommended this proposal in our response to the FCA’s Engagement Paper 6 and are pleased to see that it has been adopted by the FCA.

Q56 Should we consider any additional exceptions to the requirement to produce an MTF admission prospectus? Y/N. Please give your reasons.

We believe that there should be an exception for new shares issued with different rights to those already admitted to trading. For certain classes of shares, we believe that other forms of disclosures are sufficient without the need to produce an admission prospectus. In instances where the issuance of the new shares

does not relate to a change in the business and whose rights will be clearly set out in a company's articles of association, a more appropriate means of disclosure would be an explanatory announcement to the market.

For example, Aquis provides companies an announcement template that sets out on the information that is required to produced.

Finally, for the introduction of a new class of shares, a company would need to produce a shareholder circular to amend the articles of association which would be subject to the common law requirement to include sufficient information to allow shareholders to make informed decisions about the proposals to be put to them at the relevant shareholder meeting. We see this as providing sufficient protection and the production of a prospectus in such instances would be unnecessarily burdensome for companies.

Q57 Do you agree with our proposal for further issuances by Primary MTF issuers? Y/N. Please give your reasons.

Yes – we agree with the FCA's proposal in this area. It supports the existing environment on AIM and Aquis which we believe works well.

Q58 Do you agree with our proposal to not take forward in our rules the concept of a UK Growth prospectus? Y/N. Please give your reasons.

Yes – we agree with the FCA's proposal to not take forward the concept of a UK Growth prospectus.

Q59 Do you agree with our proposed requirements for supplementary prospectuses that relate to MTF admission prospectuses? Y/N. Please give your reasons.

Yes – we agree with the FCA's approach in this area.

Q60 Do you agree with our proposed requirements for the circumstances and manner in which withdrawal rights may be exercised in relation to offers by Primary MTF issuers? Y/N. Please give your reasons.

Yes – we agree with the proposed requirements for the circumstance and manner in which withdrawal rights may be exercised in relation to offers by Primary MTF issuers. However, we query why investors on a regulated market should be given two working days to withdraw but the equivalent period for an MTF investor is seven working days.

Q61 Do you agree with our proposal for who should be responsible for an MTF admission prospectus and supplementary prospectus? Y/N. Please give your reasons.

We request that the FCA provide greater clarity on who is responsible in this area between the NOMAD or Aquis Corporate Adviser and directors regarding liability for PFLS, as a NOMAD or Corporate Adviser will encounter the same issues as sponsors in this area (please refer to our response to Q46).

Q62 Do you agree with our proposed requirements for advertisements in relation to the admission of transferable securities to trading on a Primary MTF? Y/N. Please give your reasons.

Overall, we believe the FCA's proposed changes in this area to be broadly positive. Given that the main objective of treating the new admission prospectus as equivalent to a prospectus document is to attract retail investors, we would propose that the requirements for advertisements in relation to the admission of

transferable securities to trading on a Primary MTF are much less onerous, and we question whether the additional requirements are necessary at all in light of the safeguards provided by the financial promotion regime.

Q63 Do you have any comments on our cost benefit analysis?

We have no comments.

Appendix A

The Quoted Companies Alliance *Primary Markets and Legal Expert Working Group*

Mark Taylor (Chair)	Dorsey & Whitney (Europe) LLP
Paul Airley	Fladgate LLP
Caroline Chambers	Simmons & Simmons LLP
Paul Cliff	Gateley
Gabrielle Cordeiro	First Sentinel Corporate Finance
Jonathan Deverill	DAC Beachcroft LLP
Stephen Hamilton	Mills & Reeve LLP
Samantha Harrison	Grant Thornton UK LLP
David Hicks	Simmons & Simmons LLP
Martin Kay	Blake Morgan
Catherine Moss	Shakespeare Martineau LLP
Jaspal Sekhon	Hill Dickinson LLP
Donald Stewart	Kepstorn Solicitors
Nick Williams	DMH Stallard LLP