



## PROPOSED AMENDMENTS TO THE RULEBOOKS FOR THE ISDX GROWTH MARKET

ICAEW welcomes the opportunity to comment on the consultation *Proposed amendments to the rulebooks for the ISDX Growth Market* published by ICAP Securities & Derivatives Exchange Market on 22 January, a copy of which is available from this [link](#).

This response of 20 February 2015 reflects consultation with the Corporate Finance Faculty's committees. Recognised internationally as a source of expertise on corporate finance issues and for its monthly *Corporate Financier* magazine, the Corporate Finance Faculty is responsible for ICAEW policy on corporate finance issues including submissions to consultations. The Corporate Finance Faculty's membership is drawn from professional services groups, advisory firms, companies, banks, private equity, law firms, consultants, academics and brokers.

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## COMMENTS ON SPECIFIC PROPOSALS

### Draft ISDX Growth Market – Rules for Issuers

#### Part 1 Applications for Admission to the ISDX Growth Market, Equity securities

1. We agree with the proposal to remove the ‘eligibility matrix’ for admission from the existing Rules. The proposed admission criteria will be less complex and more transparent and will also create less scope for conflict with the judgement of the Corporate Adviser.

#### Part 2 Continuing obligations of Issuers, Responsibilities of an Issuer

2. The amendment to Rule 28 provides that an issuer must seek advice from its Corporate Adviser ‘in respect of its wider legal and regulatory obligations’. This all-encompassing amendment is too wide-ranging in our view and clarification should be provided on the relevant rules and laws. See paragraph 5 for consequential clarification to Draft ISDX Corporate Adviser Handbook.

#### Part 2 Continuing obligations of Issuers, Administration and Management

3. We note the proposal to remove Guidance Note on Rule 69 which aimed at limiting the number of directorships held by directors at the same time, so that an issuer’s directors are enabled to dedicate sufficient time to their duties and to progress an issuer’s business. We agree with the proposal as the limitations were overly prescriptive and treated all executive or all non-executive appointments as demanding equal commitment.
4. We note however that, other than an obligation for an issuer to have at least one wholly independent non-executive director, ISDX does not propose other guidance regarding directorships. We think that some guiding principles to replace Guidance Note on Rule 69 would help the issuer and the Corporate Adviser provide potential directors with appropriate expectations as to the term and time commitment involved.

### Draft ISDX Corporate Adviser Handbook

#### Part 1 Applications to become an ISDX Corporate Adviser

5. A consequential clarification to that suggested in paragraph 2 may be necessary regarding the phrase ‘and applicable legislation’ in Rule 33.

#### Appendix C Standard issuer due diligence terms

6. We agree with the proposal to remove the prescriptive elements relating to due diligence from Appendix C and replacing them with a practice note. A risk-based approach, as advocated in the Draft Practice Note, is more appropriate than a list of minimum standards and more easily tailored to the circumstance of an individual applicant for admission.
7. The Draft Practice Note could be improved in view of the Corporate Adviser’s declaration to ISDX that, having made due and careful enquiry, the directors have established sufficient procedures, systems and controls to comply with the Rules for Issuers. The financial due diligence in the Draft Practice Note states that the Corporate Adviser must be satisfied, inter alia, that ‘financial reporting systems and controls review have been undertaken’. In our view, it would be better to align the Draft Practice Note with the relevant rule, Rule 68 of the Rules for Issuers. Rule 68 requires an issuer to establish sufficient procedures to ensure, inter alia, ‘a reasonable basis for making informed decisions about its financial position and prospects on an ongoing basis’.