

## Minutes of the QCA Secondary Markets Expert Group

Held on: Wednesday 23 January 2019, 4.30pm – 6.00pm

Venue: Peel Hunt LLP, Moor House, 120 London Wall, EC2Y 5ET

### Present:

- Jon Gerty, Peel Hunt
- Mark Tubby, finncap
- Darshan Patel, Hybridan
- William Garner, Charles Russell Speechlys
- Katie Potts, Herald Investment
- Jack Philips, Cenkos
- Mitchell Gibb, Stifel
- Anthony Robinson, QCA

### In attendance:

- Stephen Hanks, FCA
- Mark Taylor, Dorsey & Whitney
- Andy Crossley, Stockdale Securities
- Norman Gould, Arden Partners
- Chris Hardie, WH Ireland
- Alkesh Mistry, Peel Hunt
- Daniel Demirel, Peel Hunt

---

### 1. Welcome to Stephen Hanks, Markets Policy, FCA

The FCA are currently undertaking supervisory work following the implementation of MiFID II. Workstreams have been running since summer 2018 focused on two areas:

1. Research
2. Equity markets

On research, the FCA did a survey of firms in August/September 2018 and conducted a number of supervisory visits to firms. It is planned that the findings will be published in mid-2019. The FCA are looking at the impact on the price of research and research providers, the use of brokers, the buy side etc. The European Commission also has a project ongoing to look at the impact on research.

On equity markets there are two bits of work:

1. Looking at periodic auctions. There has been an increase in activity seen here. ESMA published a consultation paper in 2018. This may lead to a Q&A or legislation.

2. Looking at systematic internalisers. Tentative conclusions have been drawn and an FCA committee is to decide on any future actions.

Work is also being done on transaction monitoring as well as the impact of different Brexit scenarios (including the granting of temporary powers for the FCA in the event of a no-deal exit). In relation to transaction reporting, the FCA considers that it is important to accurately report the key elements of the transaction, such as price, date and quantity. The FCA may apply some regulatory forbearance in relation to the accuracy of certain other elements of transaction reporting, such as the short selling flag.

The FCA do not yet see quantitative evidence of a reduction in liquidity as a result of MiFID II but this may still be working its way through. They are working with others in Europe to monitor this.

Expert Group members suggested that there should be clarity given by the FCA on making broker research available to retail investors on websites. Currently it seems as though the regulations do not allow this, but some firms are doing it. It was also noted that ESMA and FCA guidance seems to be in conflict on this. Corporates need guidance on whether that can publish broker research on their own company on their website. Stephen Hanks suggested that this could be something on which the FCA could provide clarity.

The FCA are also looking at issues around post-trade data that is reported to the market as there has been an increase from around 20 data fields to around 80 fields required.

## **2. APOLOGIES**

Apologies were received from Vadim Alexandre, John Beresford-Pierse, Jasper Berry, Andrew Collins, Fraser Elms, Keith Hiscock, James Lynch, Claire Noyce, Jeremy Phillips, James Stapleton, Stephen Streater, and Peter Swabey.

## **3. MINUTES OF LAST MEETING (14 November 2018)**

The minutes were approved.

## **4. ISSUES FOR DISCUSSION**

### **a) Update on efforts to influence the Financial Services Bill in the event of a 'no deal' Brexit**

Mark Tubby outlined how the QCA and finncap have been working with Lord Leigh of Hurley to draft an amendment to the Financial Services (implementation of legislation) Bill in the House of Lords to try and give HMT a wider remit to tailor EU financial services regulation to the UK market in the event of a no-deal Brexit.

The proposed amendment reads:

- (i) *“ensure that financial markets in the United Kingdom and their participants are in no worse competitive position than if the UK had not withdrawn from the EU, and*
- (ii) *take a proportionate approach to smaller companies affected by financial services regulation.”*

Lord Leigh gave the example of the application of CSDR settlement discipline to smaller companies be disproportionately damaging.

The process is ongoing in the House of Lords.

**b) ESMA consultation Integrating sustainability risks and factors in MiFID II (deadline: 19 February 2019)**

No response needed from the group.

**c) FCA CP18/40 Consultation on proposed amendment of COBS 21.3 permitted links rules (deadline: 28 February 2019)**

No response needed from the group.

**d) FCA consultation on DP18/10 Patient Capital and Authorised Funds (deadline: 28 February 2019)**

No response needed from the group.

**e) Guests for future meetings**

Suggestions were:

- Megan Butler, FCA, on conduct risk
- Someone from the FCA on the Senior Managers and Certification Regime (SMCR). Possibly also a law firm on the same subject.

**5. NEXT MEETING**

Wednesday 10 April 2019, 4.30pm - 6.00pm (Venue: finnCap, 60 New Broad Street, London, EC2M 1JJ)