

<b>Present:</b>	Tom Shaw (in the Chair)	TS
	Gary Thorpe (Deputy Chair)	GT
	Ian Binnie	IB
	Susan Hollingdale	SH
	Hilary Owens	HO
	Julie Keefe	JK
	Bernard Wall	BW
	June Paddock	JP
	Donald Stewart	DS
	Tim Ward	TW
	Kate Jalbert	KJ
<b>In attendance:</b>	Jaspal Sekhon (Minutes)	JS
	David Hicks	DH
	Paul Arathoon	PA
	Ciaran Rooney	CR

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**ACTIONS**

**1. Apologies**

Apologies were received from Richard Beavan, Chris Barrett, Mebs Dossa, Mark Taylor, Ross Bryson, David Davies, Stephen Hamilton and Philip Lamb.

**2. Meetings**

**a) Approve the minutes of the previous meeting (28 March 2013)**

The minutes of the last meeting were approved.

**3. Current consultations and issues**

**a) ISA qualifying investments: consultation on including shares traded on small and medium-sized enterprise equity markets (Response date: 8 May 2013)**

KJ noted that the Tax Group was looking at this consultation. It was not thought there would be much of a difficulty in implementation - the definition of shares which qualify for inclusion in an ISA is proposed to be amended to "shares admitted to trading on a Recognised Stock Exchange in the EEA" so removing "listed" as a requirement.

In terms of further tax initiatives that would help small / mid-cap companies, TW would like to see more of a role for entrepreneurs relief (i.e. by removing the requirement that a person must own at least 5 per cent of a company to qualify) and bringing back dividend tax credits for institutions holding shares for more than 3 years.

**b) ICAP (ISDX): ISDX Regulatory Consultation (Response date: 13 May 2013) (with Corporate Finance Advisors Expert Group)**

KJ noted that the Corporate Finance Advisors Expert Group is preparing part of the consultation response but KJ is looking for assistance for some other sections. Some committee members had already highlighted a few issues, for example:

- The consultation only refers to the UK Corporate Governance Code and makes no mention of the QCA Corporate Governance Code which is the accepted standard for small to mid-cap companies. The QCA are already talking to ISDX about this point.
- There is a concern about whether the market will really work for high growth technology companies. Those companies meeting the criteria are likely to be reasonably well progressed in terms of financial backing, board composition and likely free float. It is difficult to see how many start-ups will qualify for the criteria.

GT noted that at the previous meeting, which Paul Haddock from ISDX attended, committee members had expressed a view that adopting a full admission document approach would add a significant burden to these companies.

JS agreed to prepare the response to the consultation and will liaise with KJ to progress this.

JS

**c) Packaged Retail Investments Products (PRIIPS): key information documents**

KJ had been alerted to this issue as a recent event that she and TW had attended. It relates to the proposed regulation on key information documents (**KIDS**) for investment products. KIDS are a proposed pan European pre contractual disclosure document that all retail investors should receive when they are considering purchasing PRIIPS. The proposed regulation lays down uniform rules on the format and content of KIDS. It sets out the overall principals on the approach and content of KIDS, and will be supported by detailed delegated and implementing acts. The main driver for this regulation is in relation to UCITS products where currently there is no standardised approach. Recently a French MEP tabled an amendment which would extend the regulation to offers of shares and bonds which would potentially cut across the Prospectus Directive. In effect, this would be an additional disclosure obligation on top of the Prospectus Directive. The big concern is that as this is a regulation as opposed to a directive, it can take effect much easier than a directive would and with less scrutiny. JP noted that in the UK we tend to avoid retail offers, whereas in Europe the approach tends to include a retail component which may explain the rationale of seeking to apply KIDS to issues of shares and bonds.

KJ and TW will speak to the Treasury to gauge their attitude towards this proposal and they will raise the issue with their French and German counterparts.

KJ/TW

KJ would also like somebody to take a look at this issue in more detail. TS agreed to follow up with his financial services colleagues as did BW. The aim would be to produce a short briefing paper on the potential impact which could then be circulated to interested parties.

TS/BW

DS suggested this issue would be a good example to cite in the response to the public consultation on the coherence of EU financial services legislation (referred to below).

**d) ESMA Paper: Draft Regulatory Technical Standards on specific situations that require the publication of a supplement to the prospectus (Response Date: 12 June 2013)**

IB and HO have been looking at this and will report more fully at the next committee meeting. IB highlighted a number of preliminary issues as follows:

- Change of control: i.e. what that could mean under the Code in respect of management. Furthermore, there are a number of factors that are outside the control of an issuer during an offer period. I.e. factors

about the company itself as opposed to its share capital. That distinction is not adequately addressed in the consultation. TW suggested this could also be another example for the consultation on the coherence of EU legislation.

- Another issue related to shelf registration documents (which we do not tend to use here).
- The consultation does not consider the distinction between debt and equity offerings. I.e. a debt prospectus will be focused more on covenants and therefore different factors will be relevant for a supplementary prospectus for debt than it would for an equity offering.

TW noted that the background to this proposal is that many European jurisdictions are effectively playing catch-up with established UK market practice. They do not have sophisticated market practice and therefore need a very prescriptive approach to content requirements and standards. KJ also noted that in Germany they issue a lot more bonds with retail cascades and there is an on-going debate about when a supplementary prospectus should be issued.

**e) Economic and Monetary Affairs Committee - European Parliament - Public consultation on the coherence of EU financial services legislation (Response date: 14 June 2013)**

KJ explained that the background to this consultation is that the European and Monetary Affairs Committee seem to be sympathetic to the fact that legislation is not being made in the best way. TW would like to see a more co-ordinated and long term approach towards the various proposals. For example, there needs to be a separate directive for SME markets, as well as a primary markets directive (analogous to the Financial Services Directive).

KJ, TW and DS agreed to produce the initial response to the consultation.

**KJ/TW/DS**

**4. Communications**

**a) Guest invitations**

TW had so far been unsuccessful with the Business Growth Fund and it was agreed that TW and TS will take this off-line.

TW explained that he and KJ had become concerned that the various Expert Groups are not as enthusiastic about engaging with QCA activities as they have been in the past. As a way of helping to generate more interest among Committee members, TW wondered whether there were any guests or particular topics that the QCA could offer or help arrange which would be beneficial to Expert Group members and help them do their job. The QCA has significant clout which can be leveraged to help the Expert Groups.

TS noted that he had lunch with Xavier Rolet the previous day. Xavier talked about there being an “ocean of cash being held back by a damn of fear”. TW explained that the Treasury are looking at ways of setting up an effective conduit between investors and pre-IPO companies.

The expert group agreed that inviting somebody from BIS to talk about growth measures would be very useful.

Other suggestions were fund managers as well as nomad/brokers.

All expert group were asked to let KJ and TW know if they had any suggestions for future guest invites.

**All**

**5. Review of actions from the last meeting (to the extent not already covered)**

N/A

**6. Any other business**

None

### Information for noting

- Consultation Update – Responses submitted:
  - FSA Primary Market Bulletin (Response Date: 8 April 2013)
- Next meeting(s)
  - 8.45am Thursday 23 May 2013 (Venue: Speechly Bircham LLP)

### 7. Actions

Action	Person	Timing
Prepare the response to the ISDX Regulatory Consultation	JS	Consultation response date: 13/05/13
Speak to the Treasury to gauge their attitude towards the KIDS/PRIPS proposal and follow up with their French and German counterparts	KJ/TW	ASAP
Follow up with their financial services colleagues about producing a short briefing paper on the potential impact of marking share and bond issues subject to the proposed KIDS/PRIPS regulations.	TS/BW	[TBC]
Produce response to the consultation Economic and Monetary Affairs Committee - European Parliament - Public consultation on the coherence of EU financial services legislation	KJ/TW/DS	Consultation response date: 14/06/13
Pass any suggestions for future guest invites to TW/KJ.	All	Next meeting