

Present:	Gary Thorpe (in the Chair)	GT
	Ian Binnie	IB
	David Davies	DD
	Hilary Owens	HO
	Martin Kay	MK
	Donald Stewart	DS
	Tim Ward	TW
	Kate Jalbert	KJ
	Lorna Brady	LB
In attendance:	Jaspal Sekhon (Minutes)	JS
	David Hicks	DH
	Paul Arathoon	PA
	Paul Haddock	PH

ACTIONS

1. Welcome to Paul Haddock, Head of Business Development and Sales, ICAP Securities and Derivatives Exchange (ISDX) to speak about their Rulebook Changes Consultation and an update on the work of ISDX

GT thanked PH for attending the meeting.

*{PH gave a presentation to the group and a copy of the slides is attached. Please refer to the slides as well as these minutes. **Please note that the slides are confidential and PH asked that they are not to be circulated outside the expert group}***

Key points not covered in the slides were as follows:

- The consultation has not yet been published but it will be issued soon¹.
- In terms of market positioning, PH did not see ISDX as being a feeder fund for AIM but rather competing with AIM for certain companies. In particular they sought to distinguish themselves by providing various value-added services to support companies by enhancing their profile and attracting liquidity (e.g. promotional videos and financial health ratings for companies).
- After ICAP acquired PLUS it selected a dozen companies which met ISDX's proposed new standards and ISDX then heavily promoted them to corporate advisers and brokers. The three companies highlighted in the slide (Bioventix, One Media IP and Sprue Aegis) show that the trading volume increased significantly.
- PH said that the market is targeting fund raisings of £5m. They are also talking to retail brokers about getting them involved.
- ICAP has analysed existing PLUS companies and concluded that very few of them will meet the proposed new criteria. Those companies will be given 18 months to meet the criteria otherwise they will be forced to de-

¹ The consultation was published shortly after the meeting - <http://www.isdx.com/regulation/consultations.aspx> (see also the email that KJ sent to the group on 10 April 2013). The consultation response date is 13 May 2013.

list. This demonstrates that there is real desire on the part of ISDX to improve the quality of companies on the market.

- There will, however, be carve outs for investment vehicles and mineral exploration companies.
- The proposed comply or explain model under the corporate adviser framework will apply only in respect of the ISDX regulatory team rather than having to explain to the market generally.
- As regards existing PLUS advisers, ISDX are assuming that they are qualified to continue to act for ISDX companies.

GT asked about the listing document. PH noted that it would be more substantial than an existing PLUS admission document and more like an AIM admission document. IB noted that there will be an inherent cost associated with verification etc., which can be problematic for fledgling businesses. I.e. raising the listing document requirements will inevitably raise the costs.

IB asked about on-going suitability of ISDX companies. PH said there would only be a check at the listing stage for suitability but not on an on-going basis. PH noted that for investment companies there would be on-going requirements but as regards other companies, they are not proposing to monitor compliance with the suitability requirements. TW was surprised that there is no on-going compliance requirement. TW suggested that ISDX could, for example, have a period of, say, 3 years in which the company has to declare whether or not it has met the criteria.

TW queried why resource companies were included because it does not appear to sit in well with the high growth/technology story. PH said this is open to consultation but they had looked at the TSX/ASX approach which is obviously very focused on resource companies. TW suggested that it may be better to create a separate segment for natural resource companies so it does not cloud the rest of the market.

IB noted that as regards ASX/TSX, they have a very hands-on approach, for example, they employ their own geologists to scrutinise resource companies which is a very different approach from the UK. PH said that ISDX would not be taking that approach or the UKLA-style approach where the document is going back and forth between ISDX and the issuer. Instead it will be relying on more prescriptive rules.

TW asked if ISDX would be looking to attract international companies. PH thought that the market would be predominantly for UK businesses. ISDX is based near Old Street roundabout and there are a lot of high growth technology companies in that area which they will be targeting.

DD asked what relaxations had been considered for technology companies. PH said it had not yet been decided but they would welcome any feedback.

GT thanked PH again for attending and PH left the meeting.

{Following the meeting, PH said that if any members of the expert group had any questions or comments they are very welcome to get in touch and his contact details are:

Paul Haddock | Head of Business Development and Sales, ICAP Securities & Derivatives Exchange Limited, an ICAP Group Company | ICAP plc | 2 Broadgate, London EC2M 7UR | paul.haddock@icap.com | Direct +44 (0)20 7050 7644 | Mobile +44 (0)7525 986906 | Department +44 (0)20 7050 7650 | www.icap.com}

2. Apologies

Apologies were received from Tom Shaw, Susan Hollingdale, Mark Taylor, Ross Bryson, Maegan Morrison, June Paddock, Simon FT Cox, Anthony Turner, Richard Beavan, Phillip Lamb, Christian Lewis, Christopher Owen, Mebs Dossa, Carol Kilgore, Richard Beavan, Madeleine Cords and Stephen Hamilton.

3. Meetings

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

The minutes of the last meeting were approved.

4. **Current consultations and issues**

a) **Terms of Reference**

GT thought the terms of reference were broadly fine but he has refined it slightly.

All expert group members were asked to let KJ have any comments on the terms of reference by the end of April.

All

b) **FSA Primary Market Bulletin (Response date: 8 April 2013)**

This was included for information only. The corporate finance expert group has provided comments on the technical note and there is no action for the legal expert group.

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

KJ had not looked through the consultation in any great detail yet, however, the tax expert group is looking at it. KJ circulated the consultation because the Treasury is having difficulty working out an appropriate definition for "Growth Market" which would sufficiently cover AIM and ISDX. There are also issues around state aid rules and various other EU rules which cannot be excluded.

PA suggested that the Treasury could maintain a list of approved markets but apparently they are reluctant to maintain a list and would prefer to use the EU definition of "SME Growth Market".

KJ would welcome feedback on the definition from a legal perspective and all expert group members were asked to look into this before the next meeting.

All

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)**

DS noted that the consultation is considering whether there should be a supplementary prospectus regime. ESMA appeared to be struggling with the concept of what is a 'material change' and they have come up with examples of situations that would lead to a supplementary prospectus being published (e.g. when new accounts are prepared). HO highlighted that this would not work well with the UK Takeover Code. IB agreed to speak to the Takeover Panel about this issue.

IB

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

KJ noted that this is a very unusual consultation in that it has come directly from The European Parliament as opposed to the European Commission. The consultation is extremely broad. TW thought a useful approach would be to highlight a few specific examples of incoherence. For example, the fact that the Prospectus Directive - which introduced the concept of reduced disclosure - took effect before MiFID which cut across the definition of SME in the Prospectus Directive.

All expert group members were asked to think about other relevant issues for the consultation response in time for the next meeting.

f) Budget 2013 - Removal of stamp duty on growth market shares

TW noted that the changes will not be coming in until next year due to the fact that technical changes to CREST settlement are required. There will be a consultation on this issue.

5. Communications

a) Guest invitations

TW has been trying to secure a meeting with the CEO and of the Business Growth Fund but without success. He may try to approach the shareholders of the BGF instead (i.e. the banks).

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

N/A

7. Any other business

None

Information for noting

- Consultation Update – Responses submitted:
 - LSE high Growth Segment - Draft Rulebook (Response Date: 8 March 2013)
- Next meeting(s)
 - 8.45am Thursday 25 April 2013 (Venue: Speechly Bircham LLP)

8. Actions

Action	Person	Timing
Provide KJ with any comments on the Legal Expert Group Terms of Reference	All	End of April
Provide KJ with any comments on the ISA qualifying investments consultation on including shares traded on small and medium-sized enterprise equity markets (Response date: 8 May 2013)	All	Consultation response date: 08/05/2013
IB to speak to the Takeover Panel about the potential impact on the ESMA paper on the Draft Regulatory Technical Standards on specific situations that require the publication of a supplement to the prospectus	IB	Consultation Response Date: 12/06/2013
Consider any issues and relevant examples to respond to the Economic and Monetary Affairs	All	Next meeting: 25/04/2013

Committee - European Parliament - consultation on the coherence of EU financial services legislation		
--	--	--