

Minutes of the meeting held on: Thursday 23 July 2015 at 8.45am
Charles Russell Speechlys LLP, 6 New Street Square
London EC4A 3LX

Present:	Gary Thorpe (Chairman)	GT
	Ross Andrews	RA
	Paul Arathoon	PA
	Ian Binnie	IB
	Philippa Chatterton	PC
	Michael Conway	MC
	Richard Crawley	RC
	Kristy Duane	KD
	Richard Evans	RE
	Stephen Hamilton	SH
	Chris Hardie	CH
	Samantha Harrison	SH
	David Hicks	DH
	Mark Howard	MH
	Dalia Joseph	DJ
	Amerjit Kalirai	AK
	Stephen Keys	SK
	Jane Mayfield	JM
	Simon McLeod	SM
	Richard Metcalfe	RM
	Maegan Morrison	MM
	Nicholas Narraway	NN
	Hilary Owens Gray	HO
	June Paddock	JP
	Niraj Patel	NP
	Laurence Sacker	LS
	Jaspal Sekhon	JS
	Donald Stewart	DS
	Kate Jalbert	KJ
	Maria Gomes (minutes)	MG

In attendance:

Clare Cole	(Financial Conduct Authority)	CC
Jonathan Rees	(Financial Conduct Authority)	JR
Nike Trost	(Financial Conduct Authority)	NT
Toby Wallis	(Financial Conduct Authority)	TW

1. Welcome to Clare Cole, Nike Trost, Toby Wallis and Jonathan Rees, Financial Conduct Authority (FCA)

GT welcomed CC and her colleagues to the combined Corporate Finance and Legal Expert Groups meeting to discuss the FCA and QCA proposals to reform the Prospectus Directive (PD). CC thanked the QCA for the opportunity to come speak to the Groups.

CC explained that the FCA welcomed the Commission's review of the Prospectus Directive (PD) and that the FCA had advocated a relatively significant re-structuring of the Directive. The FCA response was based on the premise that appropriate, well-designed investor protection fosters market confidence, attracts investment and issuers and creates a virtuous circle that benefits all participants.

CC added that there is recognition within the Commission that the PD needs to be proportionate, effective and more relevant to the size of the issuer. She emphasised that there is a real appetite for change within the EU.

She added that the Commission understands that the PD needs to be connected and work in conjunction with the Transparency Directive (TD) and the Market Abuse Directive (MAD). CC explained that the FCA supports the view that publically available information arising from compliance with TD and MAD should be effectively incorporated by reference. This would result in significantly shorter, simpler and more "fit-for-purpose" further issuance documents which investors would want to read. She explained that these documents would, in effect, look more like a securities note under the present regime. TW mentioned that this view has received broad support across European regulators.

The FCA is also concerned that the PD has had a "wider function than intended" and the FCA has therefore argued that it should only relate to admission of securities to regulated markets. The FCA and HM Treasury would wish to see a new regime apply to public offerings of securities by private (including AIM) companies. This view has not yet, however, gained universal traction within the EU.

Regarding disclosure, TW commented that there seems to be greater acceptance of a move towards more high level disclosure requirements (as opposed to prescriptive ones) and a focus on "necessary information" disclosure rather than a one-size fits all.

NT mentioned that particularly regarding further issues, there is the desire to have a lighter document and reducing the annex disclosures could be a solution. The FCA supports the view that the disclosure should be of necessary information in light of what is known to the market. She added that this is one of the areas most debated in Brussels.

JR mentioned that, regarding the exemption thresholds, it seems unlikely that the EUR 5m / 150 investors limits are raised as for some smaller EU jurisdictions, this would probably remove almost their whole market from pre-vetting by the relevant competent authorities.

RE asked whether the possibility of eliminating pre-vetting of further issue prospectuses was likely if there was the possibility of much shorter, "more factual", documents being required. CC explained that the FCA opposes this and it was not really supported elsewhere in Europe, so this would be an unlikely change.

CC added that the FCA supports acceptance of the principle that the relevant approving competent authority for prospectuses should always be the destination regulated market where the shares will be admitted rather than the home Member State of the issuer. CC mentioned that there should be a

requirement in place so that all waivers granted by competent authorities across the EU should be registered with ESMA to facilitate consistency of approach.

The Group mentioned that the EU also needs to address the issue and consistency of the financial promotions regime, as this was effectively the biggest obstacle to fundraising outside the Prospectus Directive at present.

Broadly, in the UK, retail investors being invited to participate in non prospectus fundraisings are protected by the financial promotions regime. This requires an offering document to be *accurate, fair, clear and not misleading* and, unless an exemption applies, the offering document must be approved by an FCA authorised person. Such a regime does not exist in all EU Member States; the principal form of investor protection being the prospectus regime.

There was a discussion around "risk factors". CC explained that the FCA, reviewed this section of the prospectus carefully during the vetting process. There was a general recognition that "risks factors" were becoming too long and formulaic (often repeated from previous precedents) and professional judgements of a conservative nature were being applied when assessing what risk factors are relevant and significant whether generally or in relevant to the company and the offer.

In terms of timeline and next steps, TW explained that the next meeting of the Commission and the regulators would be on 9 September 2015. He mentioned that it is anticipated that proposals would be issued in October 2015 or November 2015, and added that there is a possibility that these would be restricted to the "quick wins" (e.g. necessary information test, risk factors, summary, waivers, thresholds and employee share schemes), where there was a strong consensus within the EU. The more radical, structural, proposals could end up being pushed back for a later stage following a more detailed review. He emphasised that no options have been ruled out for the time being.

GT thanked CC and her colleagues for coming to speak to the Groups and welcomed the opportunity to stay in touch on these issues.

2. Apologies

Apologies were received from Simon Cox and Julie Keefe.

3. Next meeting

8.45am Thursday 24 September 2015 (Venue: Charles Russell Speechlys LLP)