



Minutes of the Markets and Regulations Expert Group

held on 21 November 2012 at 5.00pm
at Speechly Bircham, 6 New Street Square, London EC4A 3LX

Present:	Stuart Andrews (Chair)	FinnCap	SA
	Martin Finnegan (Deputy Chair)	Causeway Law	MF
	Umerah Akram	London Stock Exchange plc	UA
	Andrew Collins (Host)	Speechly Bircham LLP	AXC
	Richard Everett	Lawrence Graham LLP	RE
	William Garner	Speechly Bircham LLP	WTG
	Jon Gerty	Shore Capital	JG
	Alexandra Hockenhull	Xchanging plc	AH
	Amerjit Kalirai	Field Fisher Waterhouse LLP	AK
	Robin O'Donnell	Numis Securities Ltd	ROD
	Charlotte Pearce (Minute-taker)	Speechly Bircham LLP	CYP
	Deepak Reddy	Hybridan LLP	DR
	James Stapleton	Winterflood Securities Ltd	JS
	Peter Swabey	Equiniti	PS
	Tim Ward	The Quoted Companies Alliance	TW

ACTIONS

1. WELCOME TO NEW MEMBERS

Due to the presence of a few new members to the Markets and Regulations Committee, each attendee introduced himself/herself to the group. New Members to the group are: Robin O'Donnell of Numis Securities Ltd; William Garner of Speechly Bircham LLP; and Jon Gerty of Shore Capital.

2. APOLOGIES

Mitchell Gibb	(Peel Hunt)	(New Member – Sunil Dhall)
Paul Haddock	(ISDX)	(New Member)
Michelle Holt	(Capita Registrars Ltd)	
Kate Jalbert	(The Quoted Companies Alliance)	
Linda Main	(KPMG)	
Brian McDonnell	(Olswang)	
Richard Metcalfe	(Mazars LLP)	
Laurence Sacker	(UHY Hacker Young)	
Chris Searle	(BDO LLP)	
Philip Quigley	(Smith & Williamson Limited)	

3. MINUTES OF LAST MEETING (19 SEPTEMBER 2012)

The minutes of the last meeting were not discussed.

4. TERMS OF REFERENCE AND EXPERT GROUP CAMPAIGNERS

As there were a few new members present, SA ran through the Committee's Terms of Reference, in particular, the aims and objectives and the activities. The group meets every two to three months, or more regularly if desired.

5. EUROPEAN REGULATION/DIRECTIVES

5.1 Short selling Regulation update

UA gave a comprehensive overview on the progress of the implementation measures taken by the London Stock Exchange (**LSE**) and London Clearing House (**LCH**) following the implementation of the short selling regulations on 1 November 2012. In particular, UA mentioned that the LSE has been working with the LCH, and that the fees imposed for not meeting settlement deadlines are now to be much lower than originally intended. The LSA is working on an issuer by issuer basis to include a market makers exception in relation to the automated buy-in procedures. The LSE is also looking to carry out a further consultation to see if market-wide change is required. UA will update the group as to when the consultation ends.

SA asked if any market makers have seen a reduction in liquidity following the implementation of the short selling regulations.

JS replied that Winterflood *have* seen a slight change in behaviour, and indeed have worked out what they *would* have been fined already, had they not stuck to the imposed settlement timetables. However, JS said it is still too early to be able to give an informed view on the full effects of the short selling regulations. JS thought that Winterflood will probably look at this in more detail once the post-implementation dust has settled.

5.2 Regulation of the European Parliament and of the Council on improving securities settlement in the European Union and on Central Securities Depositories (CSDs) and amending Directive 98/26/EC

There was discussion regarding the progress of the CSD regulations currently being proposed by the Commission. PS highlighted that there is concern that the Commission has published what *it* thinks is right. There have been some moves in parliament to push back on parts of the proposed CSD regulations, but PS warned that it does not look like these will be successful. The UK seems to be the only member state to object, and PS noted that the Commission do not seem to be that concerned by the UK's reservations.

TW mentioned that there is talk of a separate directive for SMEs to get them away from these issues brought about by the most liquid stocks.

5.3 MiFID II/MiFIR (Briefing Note/Final Versions of text adopted by European Parliament - 26 November 2012

Discussion was had on MiFID II. However, WTG highlighted that this is far from done - it is anticipated that lots of change is still to come.

There are currently amendments going through the Economic and Monetary Affairs Committee.

TW highlighted that it is important to get people like Kay Swinburne alive to the need for these amendments.

6. CONSULTATIONS

6.1 FSA consultation CP12/2 - Listing Rules - consultation on proposed amendments and feedback on CP12/2 (CP12/25)(RD: 2 January 2013) - joint working group with the Legal and Corporate Finance Expert Groups

There was a discussion regarding the latest FSA consultation paper, CP12/25. UA briefly explained that it looks at the Listing Rules and whether free float standard requirements can be reduced.

UA also highlighted that on 20 September 2012, the government announced that it would be working with the LSE on developing a new route to market to tackle the current barriers to market. This initiative will hopefully make it easier for tech start-up companies to list. UA explained that the LSE have been taking part in extensive discussions with the Government and the Treasury regarding why so many UK start-ups choose to list on NASDAQ rather than staying in the UK.

UA said there is currently a population of around 40-50 companies that could look to this new route to market - these will be companies that aspire to be premium companies and eventually be included on indices over time. This initiative is about encouraging long-term change.

7. AOB

7.1 TW recommended the book, 'Broken Markets: How High Frequency Trading and Predatory Practices on Wall Street are Destroying Investor Confidence and Your Portfolio', by Sal L. Arnuk and Joseph C. Saluzzi. In particular, he highlighted the chapter by David Weild (currently at Grant Thornton US).

7.2 A few members of the meeting were attending a meeting at ESMA in Paris the following day. TW highlighted that should anyone have any thoughts they wish TW to raise at the meeting, to let him know during the course of the following morning.

7.3 TW announced that the treasury have asked for the legal committee to come up with a view on hedging instruments and ring-fencing. He is looking for someone to volunteer for this and asked the members to let him know if they know of anyone who might be interested.

7.4 SA highlighted that the level of knowledge in quoted companies and corporate finance teams is limited. He thinks it may be useful to produce a 4-5 page guide to trading screens, which will explain what it all means. UA said that the LSE actually run courses on this subject.

8. NEXT MEETING(S)

The meeting dates for 2013 are set out in a list that was circulated to the group prior to the meeting.

The next meeting will take place on Wednesday 20 February 2013 at Speechly Bircham LLP, 6 New Street Square EC4A 3LX.