



Minutes of the Markets and Regulations Committee Meeting

held on Wednesday 30 March 2011 at 5.00pm
at Speechly Bircham, 6 New Street Square, London EC4A 3LX

**The Quoted
Companies Alliance**

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|-----------------------|-------------------------------|----|
| Present: | Stuart Andrews (in the Chair) | SA |
| | Katie Morris | KM |
| | Alexandra Hockenhull | AH |
| | Umerah Akram | UA |
| | Richard Everett | RE |
| | Martin Finnegan | MF |
| | Andrew Collins | AC |
| | Simon Rafferty | SR |
| | Chris Searle | CS |
| | Laurence Sacker | LS |
| | Philip Quigley | PQ |
| | Tim Ward | TW |
| | Kate Jalbert (minutes) | KJ |
| In Attendance: | Simon Redfern | SR |

1. Apologies

Apologies were received from Peter Allen, Richard Everett, Farook Khan, Linda Main, Richard Metcalfe, Peter Swabey and Mark Cleland.

2. Approve the minutes of the previous meeting (19 January 2011)

The minutes of the last meeting were approved.

3. Discussion Items

• Prospectus Directive

TW explained that the QCA held a SME Briefing for Maria Velentza on 28 March 2011, Head of Unit, Securities and Markets, DG-Markt, with two AIM companies and a PLUS company, Stuart Andrews, and Robin West at Winterflood Securities. TW noted that one aspect that came out was that there were some regulators who were not supportive of a proportionate prospectus regime and that the QCA would have some work in trying to work with ESMA to create an appropriate proportionate prospectus regime.

SA noted that the main opportunity is to get good input and representation around the proportionate prospectus. TW noted that there is some work too in showing that one set of rules for SME markets under MiFID may not be appropriate and that there should be flexibility – citing the difference needs that PLUS and AIM may serve to companies wanting to raise finance.

SA also noted that a challenge is trying to find a solution that works for all SMEs, particularly given the varying definitions and sizes of companies that could be part of this constituency.

KJ noted that the Legal Committee will be responding to the HM Treasury consultation on the early implementation on aspects of the Prospectus Directive, but any input from this committee on this and both the proportionate prospectus regime would be welcomed.

ALL

- **HM Treasury: A New Approach to Financial Regulation (RD: 14 April 2011) (+ Corporate Finance Advisors and Legal Committees):**

KJ noted that this consultation is follow-up on the structure of the new financial regulators in the UK and places the UKLA within the new FCA (previously CPMA). KJ explained that the consultation explores giving the UKLA additional powers and it was queried at the previous Corporate Finance Advisors Committee whether this committee should look at the overall effect of these proposals on the market. SA noted that he did not believe that it would have a significant effect; however, it is probably worth exploring it, maybe through the Legal Committee.

- **European Commission: Taxation and Customs Union Consultation Paper – Financial Sector Taxation (RD: 19 April 2011):**

KJ explained that this paper proposes a European level tax on financial transactions similar to the UK's Stamp Duty and that it would be good to get some input from this committee on the effects of this. KJ noted that primarily the Tax Committee would be responding.

- **Takeover Panel: Review of Certain Aspects of the Regulation of Takeover Bids – Proposed Amendments to the Takeover Code (RD: 27 May 2011):**

Committee members agreed that the proposed changes may not be conducive to providing finance for companies on the market. TW noted that the QCA has been approached by the BVCA who has expressed concern at some proposals – SA noted that some of the rules may work against a venture capital company from considering the acquisition of quoted company rather than a private one.

KJ explained that she is inviting Tony Pullinger to come to the 13 April committee meeting and will invite members of the Legal and Corporate Finance Advisors Committees. **KJ**

- **Delisting from London Markets – European Issuers:**

TW explained that some European jurisdictions are querying how their delisting regimes worked. KJ wanted to confirm that all that was required to delist from a London exchange was a 75% shareholder vote – committee members confirmed this.

4. Market Update

- **FSA**

TW noted that Mark Teasdale and Alexander Justham are attending the QCA Executive Committee meeting in June 2011.

- **Exchanges and other Market Organisations**

UA reported that the Exchange was pleased to see extensions of the EIS/VCT regime in the Budget and also noted that the AIM Conference took place with Mark Hoban MP as a speaker, where he was queried on why AIM shares could not be included in ISAs.

5. Other Updates

- **Terms of Reference and Objectives for the Committee 2011:**

SA noted that the old terms of reference had been circulated prior to the meeting. TW noted that SA and he would like to change the terms of reference to consider all matters pertinent to companies' ability to access capital through the orderly workings of the market. SA noted that the key aspect of the committee would be considering any issues that may prevent access to capital – e.g. is it that people do not have the appetite to invest in small and mid-cap quoted companies. TW noted that he would also like to potentially discuss bank

finance and non-equity finance in this committee. KM thought that this new approach was good in trying to pro-actively identify things that are wrong with the market.

It was agreed that the committee would look at whether the markets are acting efficiently for the purpose of raising finance and making it more pro-active in terms of suggesting changes and responding to consultations. The first point in the current terms of reference under activities is to be deleted and the third bullet under activities should be the ultimate objective.

KJ will amend the terms of reference accordingly and circulate a new draft for the next meeting.

KJ

- **HM Treasury- Securities Law Directive (Peter Swabey)**

This was carried forward as PS was not present.

- **Shareholder Voting Working Group**

This was carried forward as PS was not present.

- **Report of SME Briefing – 28 March 2011**

This was discussed earlier under the Prospectus Directive.

- **Review of the Small Business Act**

This was not discussed.

- **Retail Bond Market**

SA noted that Evolution Securities has done a number of bond issues recently that have been very successful. He noted that it would be useful to look at how smaller companies could maybe taken advantage of this type of fundraising more.

KM noted that she sees an opportunity for investors to get involved in a different market; however, there are two issues: legal documentation and how this is distributed and the time-scale. It would be useful to explore maybe creating some form of standardised documentation for this type of offer to help smaller companies and in terms of time scale, it would be useful to explore how the process could be shortened and adjusted. KM noted that it may be useful to set up a working group across this committee, the Legal Committee and the Corporate Finance Advisors Committee to look at the issues mentioned above. SA suggested having a meeting where people involved in this space came to discuss these issues, specifically Peter Smart and Chris Brand.

KJ/Chris Stapeley

6. Future Meetings

- **Guest invitations to future meetings**

KJ noted that Tony Pullinger has been invited to attend the April meeting. We will confirm if he is attending; if not the meeting will be cancelled.

7. AOB: Nothing to report.

8. Next Meeting:

17:00 Wednesday 13 April 2011 (at Speechly Bircham LLP) CANCELLED

17:00 Wednesday 27 April 2011 (at Speechly Bircham LLP) (with Tony Pullinger, the Takeover Panel, in attendance)

17:00 18 May 2011 (at Speechly Bircham LLP)

9. Action Points

| Actions | Person | Timing |
|--|-------------------|-----------------------------|
| Comments on the Proportionate Prospectus Regime document or the HM Treasury consultation on the early implementation of the Prospectus Directive to KJ | ALL | ASAP |
| Invite Tony Pullinger to the April meeting | KJ/Chris Stapeley | ASAP |
| Amend the terms of reference for the committee | KJ | ASAP (before April meeting) |