

**Present:**

Simon Rafferty	Winterflood Securities Ltd	SR
Jon Gerty	Shore Capital Group Ltd	JG
Andrew Collins	Charles Russell Speechlys	AC
David Cooper	Centos Securities PLC	DC
Keith Hiscock	Hardman & Co	KH
Claire Noyce	Hybridan LLP	CN
Jeremy Phillips	Nabarro LLP	JP
Katie Potts	Herald Investment Management Ltd	KP
James Stapleton	Winterflood Securities Ltd	JS
Andy Thompson	Wealth Management Association (WMA)	AT
Tim Ward	Quoted Companies Alliance	TW
Maria Gomes	Quoted Companies Alliance	MG
Callum Anderson (minutes)	Quoted Companies Alliance	CA

**In attendance:**

Derek Young	Financial Conduct Authority	DY
Mark Griffin	HM Treasury	MGr

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**ACTIONS****1. WELCOME TO DEREK YOUNG, FINANCIAL CONDUCT AUTHORITY (FCA) AND MARK GRIFFIN, HM TREASURY TO DISCUSS MARKET INFRASTRUCTURE ISSUES AND DISTRIBUTED LEDGER TECHNOLOGY DEVELOPMENTS**

SR welcomed DY and MGr to the meeting.

DY gave an overview of the remit of his role at the FCA, explaining that one of his responsibilities is to work on distributed ledger technology (DLT) developments in the market infrastructure world and its components, e.g. trading, clearing, settlement, custody or corporate action processing. He explained that while the FCA was committed to encouraging innovation, it would not do so at the cost of non-compliance with regulatory requirements and appropriate levels of consumer protection not being met.

DY noted that much of his work links with the Central Securities Depositories Regulation (CSDR) and, in particular, the issue of share dematerialisation. He explained that the FCA would work closely with industry to ensure that any regulation was effective and proportionate. He welcomed the opportunity to meet with the Expert Group and hear the views of issuers on these matters.

The Expert Group noted that it was difficult to establish and apply new technologies effectively to the UK's equity markets. This would particularly be the case for small cap companies, whose securities tend to be less liquid than for larger caps. The Expert Group agreed that it was important for regulators to make this distinction.

DY highlighted that harnessing technology to enable faster and more efficient between companies and investors effectively could yield potential benefits.

DY explained that 'smart' securities, whose features could include coded security measures and automatically paying dividends, were also on the agenda. The Expert Group noted that it was essential

that any element of this should be critically assessed to ensure that small companies were not deterred from seeking entry onto public equity markets.

SR thanked DY and MGr, who left the meeting.

## 2. APOLOGIES

Apologies were received from Nick Anderson, Paul Arathoon, Sunil Dhall, Fraser Elms, Clare Forster, Dalia Joseph, William Lynne, Andrew Palmer, Peter Swabey and Shreena Travis.

## 3. MINUTES OF THE LAST MEETING (15 JUNE 2016)

This was not discussed.

## 4. ISSUES FOR DISCUSSION

	Item	Action by SMEG
a)	<p><b>Market Abuse Regulation (MAR) – Discussion on implementation issues.</b></p> <p>The Expert Group agreed that there was a significant need for more guidance regarding the implementation of MAR. Particular areas the Expert Group identified where more guidance would be welcomed were market soundings, the disclosure of inside information and making investment recommendations.</p> <p>The Expert Group noted that although there was, on several occasions, a distinct lack of clarity regarding the appropriate path to take, one positive effect of MAR was that market participants were now giving greater consideration to how they conduct business, particularly with regards to how they disclose inside information.</p>	None to note.
b)	<p><b>MiFID II</b></p> <p>- <u>General update</u></p> <p>CA explained that, during the autumn, ESMA would issue Q&amp;As regarding investor protection and intermediation and draft Guidelines for consultation on product governance. He added that the FCA would also, in parallel, issue a Consultation Paper on the conduct of business and product governance in the autumn.</p> <p>- <u>FCA Consultation – CP16/19: Markets in Financial Instruments II Implementation (RD: 28 October 2016)</u></p> <p>This was not discussed.</p>	None to note.

## 5. COMMUNICATIONS AND FUTURE MEETINGS

	<b>Document</b>	<b>Action by FREG</b>
<b>a)</b>	<b>Policy Update (June 2016) – for information only</b>  This was not discussed.	None to note.
<b>b)</b>	<b>Guest invitations to future meetings</b>  This was not discussed.	None to note.

**Next meeting** – Wednesday 16 November 2016, 4.30pm (Venue: Charles Russell Speechlys, 5 Fleet Place, London, EC4M 7RD)