Minutes of the QCA Secondary Markets Expert Group



<u>Held on:</u> Wednesday 5 July 2017 <u>Venue:</u> Charles Russell Speechlys, 5 Fleet Place, London, EC4M 7RD (Host: Andrew Collins)

Present:

	Jon Gerty (Chairman)	Peel Hunt LLP	JG	
	Mark Tubby (Deputy Chairman)	finnCap	MT	
	Simon Charles	Marriott Harrison	SC	
	Fraser Elms	Herald Investment Management Ltd	FE	
	William Garner	Charles Russell Speechlys LLP	WG	
	Keith Hiscock	Hardman & Co	КН	
	James Lynch	Downing LLP	JL	
	Katie Potts	Herald Investment Management Ltd	КР	
	Lisa Vainio	Quoted Companies Alliance	LV	
	Callum Anderson (minutes)	Quoted Companies Alliance	CA	
In atte	In attendance:			
	Lee Foulger	Financial Conduct Authority	LF	

1. WELCOME TO LEE FOULGER, THE FINANICAL CONDUCT AUTHORITY (FCA)

JG welcomed LF to the meeting.

LF briefly summarise the remit of the FCA's international affairs department. He noted that Brexit was a significant workstream. He explained that the Brexit workstream had been split into three parts:

- i) Providing internal technical advice outlining the potential positive and negative impacts of regulatory approaches after the UK has left the EU with respect to the FCA's policy objectives;
- ii) Formulating contingency plans regarding the impact of Britain's negotiations with the EU on the FCA's future supervisory role; and
- iii) Preparing regulatory management for the UK's first days after it has left the EU ("Day One").
 This primarily covers the Great Repeal Bill to be laid before Parliament shortly as well as implementing any necessary changes to the FCA's Handbook.

LF and the Expert Group exchanged views on the potential scope for the FCA to adjust EU-driven legislation, such as CSDR and MAR. There was also a discussion about the complexity of the Great Repeal Bill legislation. LF noted that it was not merely a 'copy and paste' exercise; an assessment regarding how the competencies currently held by ESMA would be distributed between the FCA and HM Treasury.

The Expert Group noted that there are a number of requirements contained within EU-driven legislation that could be adjusted to suit UK needs. LF explained that once Britain's new relationship with the EU has been settled ("Day Two"), the FCA – alongside other relevant stakeholders – can then consider what regulation should apply in domestic markets such as AIM.

LF left the meeting.

2. APOLOGIES

Apologies were received from David Cooper, John Howes, Claire Noyce, Jeremy Phillips, James Stapleton, Peter Swabey, Tim Ward and Ann Whitfield.

3. MINUTES OF LAST MEETING (19 April 2017)

The minutes were approved.

4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	MiFID II	
	- <u>FCA Policy Statement</u>	
	JG noted that the FCA had published its second Policy Statement on MiFID II implementation. The Expert Group noted the FCA's decision to continue to allow fund managers to receive small cap research without payment, where it has been commissioned and paid for by a smaller quoted company, including when issuing new shares.	None to note.
	The Expert Group noted that the FCA would permit a three month trial of research provision before there is a charge.	
	It was also noted that if firms are conducting non-independent research, they will not be required to separate those analysts from other employees at the firm.	
	- Final ESMA Guidelines on MiFID II product governance	
	JG noted that ESMA had published the final guidelines on MiFID II product governance. MT mentioned that, having conducted a dummy target market assessment, the guidelines ensured that markets such as AIM maintained its compatibility with the criteria for a mass retail market.	None to note.
	- Updated ESMA Q&As	
	The Expert Group noted that ESMA had updated its Q&As on investor protection, market structure and transparency topics.	None to note.

	 European Commission's request for comments – Amending the MiFID II Delegated Regulation with respect to systematic internaliser definition JG noted that the European Commission was seeking views on its draft Delegated Regulation regarding the definition of systematic internaliser. The Expert Group agreed that it did not to respond. 	None to note.
b)	Fourth Money Laundering Directive JG noted that the Fourth Money Laundering Directive had been in effect since 26 June 2017.	None to note.
c)	Brexit This was discussed with LF.	None to note.

5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION	
a)	Policy Update (June 2017)		
	This was tabled for information only and was not discussed.	None to note.	
b)	Guest invitations to future meetings		
	JG informed the Expert Group that no future guests had been invited at this stage.	ALL to suggest potential future guests to CA .	

6. NEXT MEETING

Wednesday 6 September 2017, 4.30pm – 6.00pm <u>(Venue:</u> Charles Russell Speechlys, 5 Fleet Place, London, EC4M 7RD (Host: Andrew Collins))