

held on Wednesday 11 February 2015 at 5.00pm  
at Charles Russell Speechlys, 6 New Street Square, London EC4A 3LX

<b>Present:</b>	Simon Rafferty (Chairman)	Winterflood Securities Ltd	SR
	Fraser Elms	Herald Investment Management Limited	FE
	William Garner	Charles Russell Speechlys	WG
	Jon Gerty	Shore Capital	JG
	Andrew Palmer	Peel Hunt	AP
	Jeremy Phillips	Nabarro LLP	JP
	Jessica Reed	Farrer & Co	JR
	James Stapleton	Winterflood Securities Ltd	JS
	Mark Tubby	finnCap	MT
	Peter Swabey	ICSA	PS
	Katie Potts	Herald Investment Management Limited	KP
	Claire Noyce	Hybridan LLP	CN
	Ian Wright	NUMIS	IW
	Kate Jalbert	Quoted Companies Alliance	KJ
	Maria Gomes (minutes)	Quoted Companies Alliance	MG
<b>In attendance:</b>	Damien Shanahan	FCA	DS
	Adam Wreglesworth	FCA	AW

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**ACTIONS**

**1. Welcome to Damien Shanahan and Adam Wreglesworth, FCA, to discuss ESMA's Technical Advice on inducements and the FCA's work on dealing commissions**

SR welcomed DS and AW and thanked them for coming to speak to the Group.

Regarding the current status of the process, AW explained that the Commission is currently engaging with external stakeholders to obtain views on ESMA's Technical Advice, in view to adapting it into legislative form later this year. AW added that it could be a regulation, which is directly applicable.

More specifically regarding the Advice, AW mentioned that ESMA took a cleaner view, different from the one published for consultation last summer: ESMA is allowing the maintenance of the ability to pay directly for the research and creating a research payments account with clear charges set up by the broker. The Commission would now be responsible for setting up guidelines on how this would be done.

DS explained that this is not intended to be a CSA; it is a ringfenced revenue to be paid out for research to the client. All the costs for research are taken from this segregated research account. DS added that ESMA's advice takes into consideration the concerns regarding SME research, which had come across quite heavily in the consultation responses.

KP mentioned that her biggest concern is the liquidity of the companies they own, which could be affected if people are not reading the research about those companies. She added that it is important to distribute it to people who are not paying for this research.

FE raised his concerns regarding the time and effort in informing people of these changes, which could translate in added costs. He added that the major impact on the client would be the commission, as well as a major impact on trading liquidity. He questioned whether ESMA has conducted sufficient analysis in this matter.

JS further pointed out that the scenario outlined by ESMA could be very costly and create a harsh environment to drive the liquidity and make it difficult for the members of the QCA to be traded.

AW mentioned that the research payment account is not meant to cut costs to clients but to make costs more transparent. The idea behind it is not to eliminate research, but to allocate less to duplicate covering and more to smaller companies or different companies.

DS added that the idea is to support primary markets, and that he believes that research will be available in this new environment.

JG mentioned that these proposals could be contradictory with ESMA's proposal on investment advice and removing distribution channels. AW mentioned that he would welcome some further information on this to look into this issue in more detail. JG kindly offered to follow up with AW and DS on this.

**JG/KJ**

AW mentioned that investment research should not be used to pay for corporate access. All transactions would be moved to execution transaction basis. He further explained that ESMA may chose to reflect cost on the annual management charge. The cost would be disclosed up front and agreed with the manager. He added that the NAPF would be supportive of this.

AW emphasised that the FCA is keen to promote more research on smaller companies. In terms of timeline, he explained that the FCA will publish a statement in a month's time and a consultation paper by the end of the year. This consultation paper will encompass most MiFID II aspects. The FCA will be looking to see how to amend the handbook to implement MiFID II.

SR thanked DS and AW and they left the meeting.

## **2. Apologies**

Apologies were received from Andrew Collins, Paul Arathoon, Andy Thompson and Tim Ward.

## **3. Minutes of the meeting on 30 September 2014**

The minutes were approved.

## **4. Minutes of the last meeting (28 January 2015)**

The minutes were approved.

## **5. Issues for Discussion**

### **• ESMA Consultation on Technical Standards under the CSD Regulation / ESMA Consultation on Technical Advice under the CSD Regulation**

KJ mentioned that we have shared our draft responses with European issuers and will try to obtain other countries' support for our views. MG mentioned that our responses are almost finalised and asked the Group to submit any final comments.

**ALL**

### **• Consultation on Guidelines on Access to a CCP or a Trading Venue by a CSD**

The Group decided not to submit a response to this consultation.

- **Consultation on MiFID II/MiFIR**

MG informed the Group that she will be attending ESMA’s Open Hearing and asked the Group to submit any particular comments or questions to be raised.

**ALL**

- **Final Report: ESMA’s Technical Advice to the Commission on MiFID II and MiFIR**

KJ mentioned that we are keen to discuss ESMA’s Technical Advice to the Commission on MiFID II and MiFIR with the European Commission, particularly on investment research, and will schedule a visit to Brussels on this as soon as possible.

## 6. Communications and Future Meetings

- **ESMA Open Hearing on MiFID II/MiFIR (19.02.2015)**

This was discussed with item 5 above.

- **Other issues for the group to consider**

This was not discussed.

- **Policy Update (December 2014) – for information only**

This was not discussed.

- **Guest invitations to future meetings**

This was not discussed.

## 7. AOB

This was not discussed.

## 8. ACTION POINTS

Action	Person	Date
Follow up with the FCA on investment advice	JG/KJ	ASAP [this has now been done]
Send any final comments on QCA draft responses to ESMA Consultation on Technical Standards and Technical Advice under the CSD Regulation	ALL	ASAP (before RD: 19 February 2015)
Send any particular comments or questions to MG ahead of the MiFID Open Hearing	ALL	ASAP (before 19.02.2015)

**Next meeting(s)** – Wednesday 22 April 2015, 4.30pm (Venue: Charles Russell Speechlys LLP, 6 New Street Square, London EC4A 3LX)