

## Minutes of the QCA Secondary Markets Expert Group



**Held on:** Wednesday 13 June 2018

**Venue:** Peel Hunt LLP, Moor House, 120 London Wall, London, EC2Y 5ET

### **Present:**

Jon Gerty (Chair)	Peel Hunt LLP	JG
Mark Tubby (Deputy Chair)	finnCap	MT
Jeremy Phillips	CMS	JP
Katie Potts	Herald Investment Management Ltd	KP
Tim Ward	Quoted Companies Alliance	TW
Anthony Robinson	Quoted Companies Alliance	AR
Callum Anderson (minutes)	Quoted Companies Alliance	CA

### **In attendance:**

John Beresford-Pierse	Hybridan LLP	JBP
Lee Foulger	Financial Conduct Authority	LF
Richard McCulloch	W.H. Ireland Plc	RM
Andrew Palmer	Stifel	AP

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## **1. WELCOME TO LEE FOULGER OF THE FINANCIAL CONDUCT AUTHORITY (FCA)**

JG welcomed LF to the meeting.

LF briefly summarised the FCA's current priorities with regard to the EU withdrawal. He noted that these were primarily supporting a large number of firms with their contingency planning and the EU Withdrawal Bill currently being debated in the House of Parliament.

Regarding the Withdrawal Bill, LF explained that the main focus of the FCA's work was in transposing word-for-word where possible existing EU legislation for the UK context. Any amendments made would be where there are references to EU institutions.

He added that where an EU institution would delegate to the national competent authority (the FCA in the UK's case), then the text would be reflective of the fact that the FCA would be responsible for delegating such responsibilities. LF also added that Questions and Answers, and guidelines produced by ESMA would not be copied into UK law, but the FCA would still expect firms to follow the content contained within these documents.

LF mentioned that when the UK leaves the EU, legislation such as AIMFD and EMIR will not apply to the UK and that similar UK-derived would be required. He noted that preparatory work on this could only begin once the Withdrawal Bill had passed.

LF emphasised that providing continuity and certainty for firms – both those non-UK firms conducting business in the UK and UK firms conducting business in the EU – was the FCA's principal priority. He noted that, obviously, this involved sensitive discussions with the national competent authorities of the other 27 EU Member States.

There was an exchange of views regarding the scope for changing existing EU-driven legislation to suit UK capital markets.

The key message that LF conveyed was that in the case of a ‘Hard Brexit’ (whereby Britain leaves the EU without having negotiated a deal) then it would be possible to seek amendments to EU-driven legislation from April 2019. In such a case, the QCA should then direct its advocacy efforts towards HM Treasury.

However, if the UK successfully negotiates a deal, which by its nature would include the transition period up to 31 December 2020, then any operative EU legislation that comes into force until then will likely be carried into UK law (subject to the nature of the transitional period agreed).

Furthermore, LF mentioned that the FCA would be published a number of written statements for firms in the coming months; the QCA offered to support delivering this message to small and mid-size quoted companies and their advisor firms.

LF left the meeting.

**2. APOLOGIES**

Apologies were received from Jasper Berry Andrew Collins, Fraser Elms, William Garner, Mitchell Gibb, Keith Hiscock, Jack Phillips, James Stapleton and Stephen Streater.

**3. MINUTES OF LAST MEETING (10 April 2018)**

The minutes were approved.

**4. ISSUES FOR DISCUSSION**

	ITEM	ACTION
a)	<b>MiFID II</b>  The Expert Group noted that ESMA had updated Questions and Answers on the following topics: investor protection and intermediaries, transparency and market structures. It was agreed that none affected small and mid-size quoted companies.  The Expert Group also noted that ESMA had published its final guidelines on certain aspects of the MiFID II suitability requirements.	None.
b)	<b>CSDR</b>  The Expert Group noted that ESMA had updated its Questions and Answers on CSDR, with a new question on operational risks regarding prudential requirements, which the Expert Group agreed that none affected small and mid-size quoted companies.	None.

<b>c)</b>	<b>Short Selling Regulation</b>  The Expert Group noted that ESMA had updated its Questions and Answers on the Short Selling Regulation with respect to Easy-to-borrow list and locate arrangements.	None.
<b>d)</b>	<b>The FCA's '5 Conduct Questions'</b>  The Expert Group noted that the FCA had published its '5 Conduct Questions'.	None.
<b>e)</b>	<b>Brexit</b>  This was not discussed.	None.

## 5. COMMUNICATIONS AND FUTURE MEETINGS

	<b>ITEM</b>	<b>ACTION</b>
<b>a)</b>	<b>QCA Corporate Governance Code published</b>  The Expert Group noted the publication of the revised QCA Corporate Governance Code. CA mentioned that the QCA had held a successful Corporate Governance Forum on 12 June 2018 with 80 small and mid-size quoted company directors in attendance.  The Expert Group resolved to recommend the QCA Corporate Governance Code to their investee companies / corporate clients.	<b>ALL</b> to recommend the QCA Corporate Governance Code to their investee companies / corporate clients.
<b>b)</b>	<b>QCA/Peel Hunt Mid &amp; Small Cap Investor Survey published</b>  The Expert Group noted the publication of the QCA/Peel Hunt Mid & Small Cap Investor Survey.	None.
<b>c)</b>	<b>Policy Update (May 2018)</b>  This was tabled for information only and was not discussed.	None.
<b>d)</b>	<b>Guest invitations to future meetings</b>  It was suggested that inviting an officials from HM Treasury and/or the FCA to discuss their view on primary markets could be useful for the Expert Group.	<b>CA</b> to invite guests to an Expert Group meeting.

## 6. NEXT MEETING

Wednesday 12 September 2018, 4.30pm – 6.00pm, with Mark Northway, Mark Bentley and Cliff Weight, ShareSoc, to discuss retail investor perspectives of MiFID II (Venue: finnCap, 60 New Broad St, London, EC2M 1JJ).