

## Minutes of the QCA Secondary Markets Expert Group



**Held on:** Wednesday 17 January 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
Sunil Dhall	Peel Hunt LLP	SD
Fraser Elms	Herald Investment Management Ltd	FE
William Garner	Charles Russell Speechlys LLP	WG
Mitchell Gibb	Stifel	MG
Darshan Patel	Hybridan LLP	DP
Jeremy Phillips	CMS	JP
Tim Ward	Quoted Companies Alliance	TW
Callum Anderson (minutes)	Quoted Companies Alliance	CA

### **In attendance:**

Stephen Hanks	Financial Conduct Authority	SH
Anne Mainwaring	Financial Conduct Authority	AM
Nick Dilworth	Winterflood Securities Ltd	ND
Paul Shackleton	Stifel	PS
Peter Swabey	ICSA: The Governance Institute	PSw
Gary Thorpe	Clyde & Co LLP	GT

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## **1. WELCOME TO STEPHEN HANKS AND ANNE MAINWARING, FINANCIAL CONDUCT AUTHORITY (FCA)**

JG welcomed SH and AM to the meeting.

SH briefly summarised how the FCA had been managing the UK's implementation of MiFID II since it came into force on 3 January 2018. He noted that the FCA was particularly interested to learn how different firms and other EU Member States were implementing certain provisions. SH acknowledged that the areas concerning costs and charges had been the most controversial area so far.

With respect to investment research, SH explained that most of the queries received from firms had been regarding pricing. He added that the FCA would be monitoring this in the coming months and would play a part in its subsequent supervisory work.

SH and the Expert Group had a wide-ranging discussion which included intermediation between different EU Member States, dual-listed securities and reference data.

The question was posed as to whether a broker is allowed to distribute research to an investment corporate client without a payment arrangement in place. SH responded that this would generally be permissible so long as there are clear barriers between the investment management side of the business and the non-

investment management side. He added that the investment research is only available for a corporate finance purpose and not an investment management one.

SH and the Expert Group discussed the general behaviour of fund managers with respect to investment research in recent weeks. It was noted that, unless a payment arrangement was in place, many were rejecting all forms of research – including corporate sponsored research - in fear that it would be seen as an inducement to trade. SH commented that it was not intended that MiFID II should have a negative effect on research on SMEs.

The Expert Group enquired about the upcoming MIFID II Terms of Reference which are set to be published by the European Commission. SH replied that the FCA's plans had not yet been finalised but confirmed that information would be collected with all market participants involved in the process. He added that this would happen in autumn 2018.

**JG and the Expert Group offered to collect and collate a range of observations from our members regarding MiFID II over the next few months and providing a written report later in 2018.**

SH and AM left the meeting.

## **2. APOLOGIES**

Apologies were received from Andrew Collins, John Howes, Claire Noyce, Jack Phillips and Stephen Streater.

## **3. MINUTES OF LAST MEETING (15 November 2017)**

The minutes were approved.

## **4. ISSUES FOR DISCUSSION**

	<b>ITEM</b>	<b>ACTION</b>
a)	<b>MiFID II Implementation</b>  This was covered in agenda item 1).	None.
b)	<b>London Stock Exchange consultation – Changes to AIM Rulebooks</b>  JG noted that London Stock Exchange had published a consultation on the AIM Rulebooks following its Discussion Paper in autumn 2017.  He explained that there were proposed changes regarding formalising the early notification process, guidance to nominated advisers on appropriateness consideration and London Stock Exchange's AIM Rule 9 powers and corporate governance.  The Expert Group noted that London Stock Exchange had decided not to take forward proposals at this stage relating to prescriptive criteria	<b>CA</b> to circulate draft response to the Expert Group.  <b>ALL</b> to provide comments to draft response by <b>29.01.18</b> .

	regarding free float, a minimum fund raise upon admission for AIM applicants and automatic fines for certain breaches of the AIM Rules.	
c)	<p><b>European Commission public consultation on building a proportionate regulatory environment to support SME listing</b></p> <p>JG explained that the consultation’s objective was to identify ways to cut red tape, whilst building a supportive environment for SMEs wanting to list their shares on SME Growth Markets, without jeopardising investor protection and market integrity.</p> <p>TW emphasised the importance for the QCA responding to this email. He summarised how the QCA had influenced the content of the consultation through its participation in a technical workshop on removing regulatory barriers for SMEs seeking to raise capital on public markets, which took place in November 2017.</p> <p>The Expert Group agreed to engage with the consultation and support the production of a response.</p>	<p><b>CA to contact Expert Group members</b> to request comments on the consultation.</p> <p><b>Selected Expert Group members and their firms</b> to help produce first draft response.</p> <p><b>CA</b> to circulate draft response to the <b>Expert Group</b>.</p> <p><b>ALL</b> to send comments to <b>CA</b> before <b>26.02.18</b> deadline.</p>
d)	<p><b>ESMA consultation – Amendments to Commission Delegated Regulation (EU) 2017/587 (RTS 1)</b></p> <p>The Expert Group agreed that no QCA response was required.</p>	None.
e)	<p><b>Brexit</b></p> <p>TW explained that he had attended an interesting dinner hosted by a German business association, where Brexit was a highly discussed topic. He added that the QCA would continue to engage with the relevant government departments, as well as the European Commission representation in London.</p>	None.

## 5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<p><b>ESMA updates on MiFID II Q&amp;As on transparency; market structures; investor protection and intermediaries; and post-trading issues topics</b></p> <p>This was tabled for information only and was not discussed.</p>	None.
b)	<p><b>ESMA updates on CSDR implementation</b></p> <p>This was tabled for information only and was not discussed.</p>	None.

c)	<p><b>Policy Update (January 2018)</b></p> <p>This was tabled for information only and was not discussed.</p>	None.
d)	<p><b>Guest invitations to future meetings</b></p> <p>The Expert Group suggested that Lee Foulger of the FCA and a HM Treasury official responsible for MiFID II be invited to future Expert Group meetings.</p>	<p><b>CA</b> to invite guests to future Expert Group meetings.</p>

## 6. NEXT MEETING

Wednesday 28 March 2018, 4.30pm – 6.00pm (Venue: finnCap, 60 New Broad Street, London, EC2M 1JJ)