



Minutes of the QCA Secondary Markets Expert Group

Held on: Wednesday 18 January 2017

Venue: Charles Russell Speechlys, 5 Fleet Place, London, EC4M 7RD
(Host: Andrew Collins)

Present:

Jon Gerty (Chairman)	Shore Capital Group Ltd	JG
Mark Tubby (Deputy Chairman)	finnCap	MT
Andrew Collins	Charles Russell Speechlys LLP	AC
Sunil Dhall	Peel Hunt LLP	SD
Fraser Elms	Herald Investment Management Ltd	FE
Keith Hiscock	Hardman & Co	KH
Jeremy Phillips	Nabarro LLP	JP
Stephen Streater	Forbidden Technologies PLC	SS
Andy Thompson	Wealth Management Association	AT
Lisa Vainio	Quoted Companies Alliance	LV
Callum Anderson (minutes)	Quoted Companies Alliance	CA

In attendance:

Charlie Pugh	Euroclear UK & Ireland	CP
Dave Smith	London Stock Exchange	DS
William Lynne	Hybridan LLP	WL

1. WELCOME TO CHARLIE PUGH, EUROCLEAR UK & IRELAND, AND DAVE SMITH, LONDON STOCK EXCHANGE

JG welcomed CP and DS to the meeting.

CP gave a brief overview of the context and content of the Central Securities Depository Regulation (CSDR). He highlighted that CSDR seeks to review and standardise the regulation applying to all CSDs in the EU and their supervision, as well as the introduction of standardised settlement procedures in the EU. CP noted that the settlement discipline and buy-in regime is set to be applicable from mid-2019.

CP noted the benefits of CSDR for CSDs were a consistent regulatory approach to settlement processes and the licence to passport services into other EU Member States.

CP outlined the rationale and method of the current regime for settlement fines and collection. With regard to settlement discipline, he noted that the technical advice provided by ESMA in 2015 clarified that all securities were in scope of the regulation. However he highlighted that shares listed on SME Growth Markets would be levied at a lower rate than liquid shares vis-à-vis the MiFID definition. However, CP explained that ESMA were due to publish a full, definitive list in due course.

DS set out the London Stock Exchange's (LSE) concerns relating to CSDR. In particular, he noted that the regulation could have the unintended consequence of reducing the liquidity in smaller companies' securities, as well as preventing market makers from pursuing a profitable business

model. DS highlighted that the LSE had emphasised this point to the Bank of England's Working Group.

The Expert Group, CP and DS then exchanged views on the wider implications of the settlement regime on small and mid-size quoted companies. It was noted that likely outcomes of CSDR would be the companies coming to the market later than they would normally have done and / or seeking finance in public markets in a larger form.

CP and DS left the room.

2. APOLOGIES

Apologies were received from Sarah Bray, John Howes, Claire Noyce, Simon Rafferty, James Stapleton, Peter Swabey, Shreena Travis, Tim Ward and Ann Whitfield.

3. MINUTES OF LAST MEETING (16 November 2016)

The minutes were approved.

4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>MiFID II</p> <p>i) <u>Update</u></p> <p>CA noted that ESMA had updated its Q&As under MiFID II regarding market structure and investor protection topics.</p> <p>ii) <u>FCA Consultation CP16/43 – MiFID II implementation – Consultation Paper IV</u></p> <p>JG explained that the consultation contained little of relevance to the Expert Group and that it did not need to submit a response.</p>	None to note
b)	<p>Secondary Markets Expert Group work plan for 2017</p> <p>JG noted that MiFID II, CSDR and Brexit would be the biggest issues concerning the Expert Group in the coming year.</p>	None to note.
c)	<p>Secondary Markets Expert Group Terms of Reference</p> <p>The Terms of Reference were approved by the group.</p>	None to note.
d)	<p>Brexit</p> <p>LV explained that the QCA had held bilateral meetings with the Department for Exiting the European Union (DExEU), HM Treasury and the Department for Business, Energy and Industrial Strategy (BEIS) to raise awareness of the issues important to the small and mid-size quoted company community with respect to the upcoming Brexit negotiations.</p>	None to note.

	<p>LV noted that government departments were particularly interested in cross-cutting issues e.g. supply chains.</p> <p>LV added that Brexit was at the top of the QCA board's agenda for 2017 and that they were looking for Expert Groups to contribute to identifying the threats and opportunities of Brexit for small and mid-size quoted companies.</p>	
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5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<p>Policy Update (January 2017)</p> <p>This was tabled for information only and was not discussed.</p>	None to note.
b)	<p>Guest invitations to future meetings</p> <p>This was not discussed.</p>	None to note.

6. NEXT MEETING

Wednesday 1 March 2017, 4.30pm – 6pm (Venue: Charles Russell Speechlys, 5 Fleet Place, London, EC4M 7RD (Host: Andrew Collins))