



## Minutes of the QCA Secondary Markets Expert Group

Held on: Wednesday 19 April 2017

Venue: Charles Russell Speechlys, 5 Fleet Place, London, EC4M 7RD

(Host: Andrew Collins)

### Present:

Mark Tubby (Acting Chairman)	finnCap	MT
Fraser Elms	Herald Investment Management Ltd	FE
Keith Hiscock	Hardman & Co	KH
James Stapleton	Winterflood Securities Ltd	JS
William Garner	Charles Russell Speechlys LLP	WG
Tim Ward	Quoted Companies Alliance	TW
Lisa Vainio	Quoted Companies Alliance	LV
Callum Anderson (minutes)	Quoted Companies Alliance	CA

### In attendance:

David Curran	Peel Hunt LLP	DC
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## 1. APOLOGIES

Apologies were received from Sunil Dhall, Jon Gerty, John Howes, Claire Noyce, Jeremy Philips, Peter Swabey and Andy Thompson.

## 2. MINUTES OF LAST MEETING (18 January 2017)

The minutes were approved.

## 3. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p><b>MiFID II – Implementation</b></p> <p>i. <u>Systematic Internalisers</u></p> <p>The Expert Group exchanged views on the expectations of buy-side and sell-side market participants regarding systematic internalisers. The Expert Group noted that if assisted trade reporting takes place on a venue, no systematic internaliser is required. The Expert Group agreed that almost all of their clients understood that they must conduct their own transaction reporting.</p>	None.

	<p><u>ii. Best Execution</u></p> <p>The Expert Group noted that all MiFID II firms will be required to aggregate best execution data. It was agreed that this would be a good opportunity for venues to illustrate their quality to issuers and investors.</p> <p><u>iii. Inducements</u></p> <p>The Expert Group discussed whether there was a requirement to pay for connections. It was noted that this did entail direct access to a fund manager, so therefore it should count as an inducement, although no one could recall whether this had already been clarified in an ESMA Q&amp;A.</p> <p>The Expert Group exchanged views on the wider implementation of research payment accounts (RPAs) and the implications on the future provision of investment research.</p> <p>The Expert Group also discussed whether market participants could supply and receive research if a third party had already paid for it and whether this would equate to a minor non-monetary benefit.</p> <p><u>iv. Product Governance</u></p> <p>MT noted that the QCA had responded to ESMA consultation on its draft guidelines for product governance. TW mentioned that the principal theme of the QCA's response had also been included in the ESMA's Securities and Markets Stakeholders Group. CA explained that ESMA's statement to the consultation responses had not yet been published.</p> <p><u>v. FCA Consultation Paper V</u></p> <p>The Expert Group agreed that no response was necessary.</p>	<p>None.</p> <p><b>CA</b> to check whether there is an ESMA Q&amp;A on inducements and connections.</p> <p><b>Expert Group</b> to draft Q&amp;A regarding minor non-monetary benefits.</p> <p>None.</p> <p>None.</p>
<p><b>b)</b></p>	<p><b>FCA Consultation – Reforming the availability of information in the UK equity IPO process</b></p> <p>MT briefly summarised the contents of the consultation. The Expert Group exchanged views regarding the extent that the FCA's proposals should apply to AIM. There was agreement that the QCA would generally reiterate the points made in its July 2016 response to the FCA – namely that the proposed reforms should not in any circumstances apply to AIM.</p>	<p><b>CA</b> to circulate draft response to the Expert Group.</p> <p><b>ALL</b> to send comments on draft response.</p>
<p><b>c)</b></p>	<p><b>Brexit</b></p> <p>TW noted that the QCA board's Working Group was continuing to assess how different EU-derived and EU-driven legislation could be modified (if needed) after the UK leaves the EU. He added that the Legal Expert</p>	<p><b>ALL</b> to send any observations regarding EU regulation relating to</p>

	Group had submitted a paper to assist with this. TW explained that the QCA was meeting regularly with the relevant government departments and that any thoughts of Expert Group would be relayed to the relevant officials.	the Expert Group to TW/ LV/CA.
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#### 4. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<b>FCA Policy Statement 17/05: MiFID II Implementation</b>  This was tabled for information only and was not discussed.	None to note
b)	<b>Policy Update (February 2017)</b>  This was tabled for information only and was not discussed.	None to note.
c)	<b>Guest invitations to future meetings</b>  It was suggested that Lee Foulger from the FCA attend a meeting to discuss the FCA's approach to Brexit.	<b>CA</b> to invite guest to meeting.

#### 5. ANY OTHER BUSINESS

TW mentioned that the QCA was currently exploring the potential for new IPO companies being allowed to list variable voting shares on the stock market as an alternative vehicle for public company investment.

The Expert Group exchanged views on whether this would be desirable. On the one hand, it was suggested that, if there was full disclosure, it would be up to the buyer to discount as they see fit (caveat emptor). However, the Expert Group noted that there is strong opposition to the concept by prospective investors; many had advised corporate clients against investing in companies offering multiple class shares or noted that investors had found the likely discount unacceptable.

**ALL** to send any views on variable voting rights to TW/LV/CA.

#### 6. NEXT MEETING

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