

held on Wednesday 22 April 2015 at 5.00pm
at Charles Russell Speechlys, 6 New Street Square, London EC4A 3LX

Present:	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
	Neil Pearson	Hybridan LLP	NP
	Tim Ward	Quoted Companies Alliance	TW
In attendance:	Christina Fleming (Minutes)	Charles Russell Speechlys LLP	CF

ACTIONS

1. Apologies

Apologies were received from Andrew Collins, Andrew Palmer, Jeremy Phillips, Andy Thompson, Dalia Joseph, Claire Noyce, William Lynne, Peter Swabey, James Stapleton, Mark Tubby, Paul Arathoon, Jessica Reed, Clare Foster, Nick Anderson, Ian Wright, Maria Gomes and Kate Jalbert.

2. Minutes of the meeting on 11 February 2015

The minutes were approved.

3. Issues for Discussion

- **European Commission: Consultation on the Capital Markets Union (RD: 13 May 2015)**

TW noted that the paper is very focused on the primary rather than secondary markets, and debt finance rather than equity finance, i.e. how do banks lend more to SMEs?

TW informed the Group that the Treasury made a submission on 31 March 2015. The submission is available on the Cabinet section of the website.

- **Prospectus Directive**

TW mentioned that our response to the consultation on the revision of the Prospectus Directive has a number of key themes:

1. Introducing the concept of an IPO and Secondary Public Offer in the Prospectus Directive
2. Creating a Proportionate Prospectus for Secondary Public Offers on regulated markets
3. Ensuring that the Proportionate Prospectus for Secondary Offers applies to all types of secondary public offer
4. Addressing the process of the national competent authority approving a prospectus
5. Increasing the thresholds under which a prospectus does not have to be produced
6. Exempting offers carried out under the Takeover Regime from the prospectus regime

7. Creating a specific prospectus regime for SME Growth Markets

TW mentioned that the Capital Markets Union faces a political problem for this to be done on a pan-European basis. There needs to be the option for SMEs to access investors and raise money outside member states and outside investors should be able to invest through local markets. TW explained that we want to propose choice for SMEs as to whether they opt to meet the requirements to attract outside investors or alternatively choose only to seek local investment. Where the SME is seeking to attract investment from other Member States more stringent requirements would therefore have to be met if the SME opts to raise its profile on a pan-European basis.

TW added that he is chairing the European Issuers working group on the Prospectus Directive response.

SR suggested that the prospectus rules should be implemented according to market structure – by having an SME asset class. TW noted they have been pushing for an SME asset class for 4-5 years. The challenge is that if you define asset class to be sub-€250,000, then apply this to a smaller EU Member State, the entire stock market would be within the SME asset class. The solution is probably that the market is the vehicle.

- **FCA: Developing our approach to implementing MiFID II conduct of business and organisational requirements (RD:26 May 2015)**

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

- **HM Treasury: Transportation of the Markets in Financial Instruments Directive (RD: 18 June 2015)**

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

It was noted that there was a move towards all shares being traded on an MTF. OFTs are relevant for derivatives.

- **ESMA Questionnaire on the cost benefit analysis for its proposals under MiFID II/MiFIR (RTS 6 and RTS 7) (RD: 4 May 2015)**

SR mentioned that Winterfloods will complete a response to this proposal, as the proposed transaction reporting changes will increase costs significantly.

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

4. Communications and Future Meetings

- **Report of meeting with European Commission (07.04.2015)**

- SME Growth Market

TW reported that there was consensus that the Directive would not help the greater pan-European market for growth companies. SMEs need flexibility but choice if they want to passport up to the pan-EU level. TW mentioned that the QCA is drafting a briefing note on these issues.

- Prospectus Directive

This was discussed above.

- QCA Briefing Note on Deferred Publication Regime (DPR) and MiFID II

TW noted that the tables for liquidity thresholds do not take account of trading on AIM. TW has a call with Kay Swinburne on 1 May 2015. TW queries why 50% of a small cap company must be traded before publication of the transaction can be deferred, when it is only 35% for a large cap.

- QCA Briefing Note on ESMA's Technical Advice on the legitimacy of inducements in MiFID II

TW noted that the MEPs will reject the proposals if they are not happy with the protection of SME growth. Papers on MiFID II are welcomed as long as it does not challenge the primary law.

- **FCA Feedback Statement to DP14/3 on the use of dealing commission regime and market for research**

TW noted that market research on a particular company could induce a fund manager into trading a particular stock. In practice it is the fund manager rather than the company paying for the research. 20% of companies do not have a house broker producing the research. The FCA are now aware of the issue. MEPs are not happy with investment research being defined as an inducement. TW noted that contacts in Europe are against research being treated as an inducement. In France this includes the AMF, trade bodies and brokers (the same is true in Germany).

The ESMA are surprised by the ferocity of the response. Even if this is successfully challenged, it would be open to the FCA to "gold plate" what is prescribed by ESMA.

JW noted that ESMA must be requested by the Commission to produce technical advice. TW noted that the FCA have softened on their position and are aware of the French / German response. The FCA will find it difficult to go back on researchers being paid out of dealing commissions. A distinction can be drawn between each end of the market.

- **ESMA centralised data projects relating to MiFIR, MAR and EMIR**

This was not discussed.

- **FCA Market Abuse Regulation Briefing**

SR mentioned that the Market Abuse Regulation could determine that, in relation to primary market preliminary announcements, it is not possible to come out of the closed period until the accounts are published. This does not recognise the effect of the preliminary announcement, which was not what was intended.

- **Policy Update (16 February 2015) – for information only**

This was not discussed.

- **Guest invitations to future meetings**

This was not discussed.

5. AOB

This was not discussed.

6. ACTION POINTS

Action	Person	Date
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Circulate QCA response paper on Consultation on the Capital Markets Union	MG	ASAP (before due in date: 13 May 2015)
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Next Meeting(s) – Wednesday 17 June 2015 (Venue: Charles Russell Speechlys LLP, 6 New Street Square, EC4A 3LX).