

held on Wednesday 28 January 2015 at 4.00pm  
at Charles Russell Speechlys, 6 New Street Square, London EC4A 3LX

<b>Present:</b>	Simon Rafferty (Chairman)	Winterflood Securities Ltd	SR
	Andrew Collins	Speechly Bircham LLP	AC
	Fraser Elms	Herald Investment Management Limited	FE
	William Garner	Charles Russell Speechlys	WG
	Jon Gerty	Shore Capital	JG
	Andrew Palmer	Peel Hunt	AP
	Jeremy Phillips	Nabarro LLP	JP
	Jessica Reed	Farrer & Co	JR
	James Stapleton	Winterflood Securities Ltd	JS
	Mark Tubby	finnCap	MT
	Andy Thompson	WMA	AT
	Tim Ward	Quoted Companies Alliance	TW
	Maria Gomes (minutes)	Quoted Companies Alliance	MG
<b>In attendance:</b>	Derek Young	FCA	DY
	Hemant Bhatia	FCA	HB

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**ACTIONS**

**1. Welcome to Derek Young and Hemant Bhatia, FCA, to discuss the Central Securities Depositories Regulation**

SR welcomed DY and HB and everyone introduced themselves. DY explained that the FCA has been conducting presentations on the Central Securities Depositories Regulation to raise awareness on some of the issues raised in the ESMA's consultations papers, which could have impact the market and namely smaller issuers. DY urged everyone to read the consultation papers, identify the problems and submit responses offering alternatives.

DY explained that one of the most controversial areas is regarding the settlement discipline measures (Article 6 and 7 of the draft RTS). These rules will have an impact on investment firms, trading venues and CSDs and are to be enforced 18 months after the RTS are finalised (expected mid-June). This means that the systems should be up and running by 2016 – the FCA pointed out that this is very little time for these systems to be designed and implemented accordingly, as they cannot be created before the requirements are known.

The new regime is not only applicable to FTSE 350 companies, but will cover all markets including SME Growth Markets. HB explained that ESMA sees SME Growth Markets such as AIM as large markets and for that reason assume that the majority of its issuers are liquid. This has consequences particularly regarding the buy-in regime and extension periods, as ESMA has devised a disproportionate penalty system that effectively discourages trading in smaller caps.

DY highlighted that the draft rules on penalties are the most concerning for the FCA. The penalty for equities is set at 1 basis point, which is much higher than for corporate debt. Small companies can end up being fined for 15 days at 1 basis point, which would be unsustainable for liquidity providers in practice and would have a devastating effect on smaller companies and on the market.

DY mentioned that the European Commission and MEPs are aware of the FCA's concerns and encouraged the Group to contact them as well. He added that the EC and the EP would like the rules to

take a more proportionate approach. The FCA considers that asset types and liquidity as mentioned in Level I have not been taken into account by ESMA.

HB commented that ESMA may organise a possible follow up industry roundtable after the closing date for the consultations.

SR thanked DY and HB and the meeting was adjourned.

## 2. Apologies

Apologies were received from Claire Noyce, Peter Swabey, Ian Wright, Paul Arathoon and Kate Jalbert.

## 3. Minutes of the last meeting (30 September 2014)

This was not discussed.

## 4. Issues for Discussion

- **ESMA Consultation on Technical Standards under the CSD Regulation**
- **ESMA Consultation on Technical Advice under the CSD Regulation**
- **Consultation on Guidelines on Access to a CCP or a Trading Venue by a CSD**
- **Consultation on MiFID II/MiFIR**
- **Final Report: ESMA's Technical Advice to the Commission on MiFID II and MiFIR**

These issues were tabled to be discussed on 11 February 2015.

## 5. Communications and Future Meetings

- **ESMA Open Hearing on MiFID II/MiFIR (19.02.2015 – Registration until 25.01.2015)**

MG informed the Group that she will be attending ESMA's Open Hearing and asked the Group to submit any particular comments or questions to be raised.

**ALL**

- **Other issues for the group to consider**

This was not discussed.

- **Policy Update (December 2014) – for information only**

This was not discussed.

- **Guest invitations to future meetings**

This was not discussed.

## 6. AOB

This was not discussed.

## 7. ACTION POINTS

Action	Person	Date
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Send any particular comments or questions to MG ahead of the MiFID Open Hearing	<b>ALL</b>	ASAP (before 19.02.2015)
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**Next meeting(s)** – 11 February 2015, 5pm (with Adam Wreglesworth, FCA, as guest) (Venue: Charles Russell Speechlys LLP, 6 New Street Square, London EC4A 3LX)