

held on Tuesday 30 September 2014 at 5.00pm  
at Speechly Bircham, 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
	Jon Gerty	Shore Capital	JG
	Andy Thompson	WMA	AT
	Kate Jalbert	Quoted Companies Alliance	KJ
	Maria Gomes (minutes)	Quoted Companies Alliance	MG

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## **ACTIONS**

### **1. Apologies**

Apologies were received from Katie Potts, Claire Noyce, William Lynne, Jeremy Phillips, Peter Swabey, Mark Tubby, Paul Arathoon and Tim Ward.

**2. Minutes of the last meeting (11 June 2014)** – The minutes were approved.

### **3. Issues for Discussion**

- **Meeting with ESMA (11 August 2014)**

SR explained that the QCA met with ESMA in August following sending in our response to the MiFID/MiFIR consultation. SR noted that the QCA was ESMA's only meeting with stakeholders over the summer, and that in his view the outcome of this meeting was positive.

SR highlighted some of the key points of our response to the consultation which we explained during the meeting with ESMA:

- Regarding the proposals on legitimacy of inducements to be paid to/by a third person, we explained that these will have an adverse effect on small and mid-size quoted companies' ability to raise finance by reducing the research available on these companies. Smaller companies will see less trading and less coverage.
- Regarding the publication of data related to the quality of execution by trading venues for each financial instrument traded, we disagreed with market makers being categorised as execution venues, specifically in relation to equity markets. This may generate increased costs with no added liquidity or perceived benefits.
- Regarding pre- and post-trade transparency, we mentioned that there is a flaw in the calculations of the ADT bands, as ESMA's calculations have disregarded a significant number of small and mid-size quoted company shares throughout Europe which are admitted to trading on a MTF. ADT groups should be appropriately recalibrated.

SR commented that he thought that ESMA took on board most of our comments, especially regarding the need to include small and mid-size quoted companies on exchange regulated markets in ESMA's analysis to be used for ADT calculation purposes, and regarding the point made on market makers, which would probably benefit from a carve-out. There was more resistance regarding the comments on research, but ESMA stated that they were aware of our concerns.

KJ mentioned that the QCA has offered to provide ESMA with better data on small and mid-size quoted companies.

SR added that ESMA has circulated a follow-up questionnaire to companies as they are conducting an impact assessment on MiFID/MiFIR. KJ has explained that we sent this around to our advisor members.

- **FCA Consultation DP14/3 The use of the dealing commission regime**

The Group discussed the QCA draft response to this consultation and agreed to add a few more arguments as to why the unbundling of research would be detrimental for smaller companies (namely regarding research becoming partial and advertorial and more prone to abuse), as well as data on the already reduced number of analysts covering smaller companies. FE kindly offered to provide data on this.

**FE**

The Group agreed that it is risky for the UK that the FCA changes a fundamental aspect of what is the most successful market in the EU. This could bring changes in confidence in the markets which could additionally affect liquidity of small and mid-size quoted companies.

MG agreed to make the changes to the response as discussed and recirculate the final draft to the Group for comments.

**MG**

#### **4. Communications and Future Meetings**

- **Final text of the Central Securities Depositories Regulation (CSDR) – for information only**

There was no discussion on this item.

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

There was no discussion on this item.

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

There was no discussion on this item.

- **Guest invitations to future meetings**

The Group agreed that it would be interesting to invite someone from the FCA to attend one of our next meetings to discuss the proposed changes to the use of the dealing commission regime.

**MG/Chris Stapeley**

#### **5. AOB**

SR mentioned that the T+2S will soon be operating and that the prospects for a smooth transition look good.

JG asked whether the QCA would send a response regarding the Market Abuse Regulation consultation, as some aspects regarding market soundings would create a huge amount of work, unrealistic for the

small cap world. KJ confirmed that the QCA will submit a response touching upon this point and also regarding insider lists, which appear burdensome and disproportionate for small and mid-size quoted companies.

## 6. ACTION POINTS

Action	Person	Date
Provide data on the number of analysts covering smaller companies to include in our response to FCA Consultation DP14/3 The use of the dealing commission regime	FE	ASAP (before due in date – 10 October 2014)
Add comments and recirculate the QCA response to FCA Consultation DP14/3 The use of the dealing commission regime	MG	ASAP (before due in date – 10 October 2014)
Invite someone from the FCA to attend one of our next meetings re the use of the dealing commission regime	MG/Chris Stapeley	ASAP

**Next meeting(s)** – Dates TBC (Venue: Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX)