



Minutes of the QCA Secondary Markets Expert Group

Held on: Wednesday 4 September 2019, 4.30pm – 6.00pm

Venue: finnCap, 60 New Broad Street, London, EC2M 1JJ

Present:

Jon Gerty (Chair)	Peel Hunt LLP	JG
Mark Tubby (Deputy Chair)	FinnCap	MT
Miles Cox	Hybridan	MC
Nick Dilworth	Winterflood	ND
Fraser Elms	Herald	FE
Keith Hiscock	Hardman & Co.	KH
Jeremy Phillips	CMS	JP
James Stapleton	Winterflood	JS
Jack Marshall	Quoted Companies Alliance	JM

In attendance:

Michael Higgins	IPSX UK	MH
Roger Clarke	IPSX UK	RC

1. WELCOME TO Michael Higgins, Non-Executive Chairman, and Roger Clarke, Managing Director and Head of Capital Markets, at IPSX UK, as guest speakers.

JG welcomed MH and RC to the Secondary Markets Expert Group meeting.

Introduction to IPSX

MH gave a brief introduction to IPSX, stating that IPSX is currently the only stock exchange in the world dedicated to real estate.

RC highlighted the key aspects of IPSX. This included:

- IPSX allows you to list securitised single buildings/single assets;
- IPSX is fully regulated and approved by both the FCA and HMRC
- IPSX has many similar features to the London Stock Exchange, for example its listed shares are the same as LSE listed shares
- IPSX has MiFID II compliant equities.

RC explained that IPSX has been designed to be highly accessible for investors, as well as being a market that will have great appeal to investors. IPSX allows you to own a share of single CRE assets. RC mentioned that it was very difficult to secure RIE status, but that they have been able to do so now.

The intention with IPSX is to offer stabilised and safe income-producing assets, which, over a long period of time, can produce good returns. IPSX seeks to provide the platform to allow the offering of long-term stable returns due to the low volatility and low correlation of the real estate sector. Despite not being able to offer returns as high as equities, returns are higher than gilts and the standard deviation is significantly lower than bonds.

RC highlighted the key benefits of IPSX, which include:

- For owners:
 - Flexibility when considering exit options
 - Valuation, which, over time, is more transparent and yields positive results
 - Access to new investors and capital
- For investors:
 - Real estate return with liquidity of listed markets
 - Transparency
 - Access to new product
 - Regulation and protection, something of which you do not usually get in real estate.

Discussion

IPSX has a primary market function, whereby it has the ability to list companies on the exchange. Whilst IPSX is centred on single asset listings, it does allow for co-located assets. In the long-term, the intention is that IPSX will be one of a number of real estate exchanges operating throughout the world, such as in the Middle East and continental Europe.

A question was asked as to whether IPSX would operate a system of discount management. At present, it was unsure as to whether this would be appropriate, but that during the early stages this was not desired.

Other information:

- There will be an independent non-executive director per company board
- Non-executive fees will be in line with investment trusts
- Each property will have an auditor
- Asset management fees will not be as high as usually seen
- The Takeover Code applies
- Insider lists will take a different form
- The outcome of Brexit will determine the timeline for securing commitments from investors
 - IPSX is not looking to retrieve commitments early on from buy-side
- IPSX will operate two market segments initially: IPSX Prime and IPSX Wholesale.

JG thanked MH and RC for their time. MH and RC left the meeting.

2. APOLOGIES

Apologies for absence were received from Vadim Alexandre, Jasper Berry, Andrew Collins, William Garner, Mitchell Gibb, James Lynch, Jack Phillips, Katie Potts, Stephen Streater and Peter Swabey.

3. MINUTES OF LAST MEETING

The minutes of the last meeting were tabled and approved without amendment.

4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>Securities Financing Transaction Regime</p> <p>JG asked the group whether they had come across the Securities Financing Transaction Regime (STFR), which is due to take effect in April 2020. The STFR requirements are significantly more onerous than MiFID II as it is likely to require reporting of transactions related to stock borrowing and lending activities.</p>	None.
b)	<p>Cross-Border Distribution of Funds Directive/Regulation</p> <p>JG mentioned that the Cross-Border Distribution of Funds Directive (CBDF) will enter into the Official Journal before the end of the year and is likely to have a sizeable impact on investment company activity. JG explained that the CBDF defines pre-marketing. The definition means that if someone invests into a fund within 18 months of pre-marketing activities, they are considered to be marketing activities. This means that there will then be a 36 month black out period preventing further marketing of funds.</p>	None.
c)	<p>QCA roundtable on CSDR with HM Treasury, FCA and the Bank of England</p> <p>It was mentioned that the QCA had organised a roundtable with the Treasury, Bank of England and the FCA to raise awareness of the potential impact of CSDR and offer alternatives.</p>	None.
d)	<p>Invitation for Expert Group members to share views and experiences of the market.</p> <p>It was explained that there had been an article published in the Financial Times about AIM that was particularly negative.</p>	JM to send the link to the article.
e)	<p>Expert Group Stakeholder Map and future stakeholders to engage with the Secondary Markets Expert Group.</p> <p>Alasdair Haynes, CEO of NEX Exchange, was cited as a guest speaker the group would like to hear from.</p> <p>As well as this, it was mentioned that the FCA had recently published a report on measuring culture and that this could be an area of interest for the group.</p>	JM to contact potential guest speakers.

5. COMMUNICATIONS AND PUBLICATIONS

	ITEM	ACTION
a)	<p>The project for updating the QCA Audit Committee Guide has been completed and is due to be released at a launch event on Wednesday 11 September 2019.</p> <p>This was tabled for information only and not discussed.</p>	None.
b)	<p>Henley Business School have been commissioned by the QCA and Downing LLP to undertake a research project to understand the role that NEDs play in smaller growth companies. The results are due to be released at a launch event on Wednesday 4 September 2019.</p> <p>This was tabled for information only and not discussed.</p>	None.
c)	<p>Towards the end of July, the QCA published the results of two surveys of UK small and mid-caps in coordination with YouGov.</p> <p>i. The first survey analysed the extent to which small and mid-caps were managing the regulatory burden. The results indicated that 63% of these companies find regulatory compliance either excessive or demanding and 72% stated that they believe the reason why the number of companies on public equity markets in the UK has fallen is due to the increased regulatory burden.</p> <p>ii. The second survey analysed the impact of Brexit on small and mid-caps in the UK. The key findings include:</p> <ul style="list-style-type: none"> ○ The three years of Brexit preparations has negatively impacted companies ○ The information that the UK Government has provided to help prepare for Brexit has been inadequate ○ The majority of small and mid-caps are taking action to prepare for no deal ○ Small and mid-caps are most likely to favour remaining in the EU <p>This was tabled for information only and not discussed.</p>	None.
d)	<p>YouGov are surveying companies that adopted the QCA Corporate Governance Code to identify any ways in which we might be able to improve the Code and see if we can find evidence that following the QCA Code has helped companies. This is due to be released shortly.</p> <p>This was tabled for information only and not discussed.</p>	None.

6. ANY OTHER BUSINESS

None.

7. NEXT MEETING

Wednesday 27 November 2019, 4.30pm – 6.00pm (Venue: Peel Hunt LLP, Moor House, 120 London Wall, London, EC2Y 5ET)