



The Quoted
Companies Alliance

Minutes of the Markets and Regulations Committee Meeting

held on Wednesday 19 January 2011 at 5.00pm
at Speechly Bircham, 6 New Street Square, London EC4A 3LX
(with Sarah Wilson and Alan Brett, Manifest, in attendance)

Present:	Tim Ward (in the Chair)	TW
	Katie Morris	KM
	Alexandra Hockenhull	AH
	Peter Swabey (via conference call)	PS
	Umerah Akram	UA
	Richard Everett	RE
	Martin Finnegan	MF
	Brian McDonnell	BM
	Richard Metcalfe	RM
	Peter Allen	PA
	Andrew Collins	AC
	James Stapleton	JS
In Attendance:	Sarah Wilson, Manifest	SW
	Alan Brett, Manifest	AB
	Abigail Nott (minutes)	AN

1. Welcome to Sarah Wilson and Alan Brett, Manifest

TW welcomed SW and AB to the meeting. TW then asked SW to tell the committee about Manifest.

SW said that she had not come with a fixed agenda as there have been many changes in the regulatory market recently which may prompt questions from the committee.

SW said that Manifest are not like other proxy voting agencies because they:

- Are independent and impartial: they do not take money from issuers;
- Don't make generic, "off the cuff" recommendations;
- Offer an integrated agency service;
- Have created an electronic interface for clients in complete confidence and do not "sell" votes to anyone. (SW said that Manifest think this is market abuse and has prima facie evidence that Company Secretaries have been approached to sell votes);
- Will let companies know when they have written about them; this won't necessarily be before publication, but they are happy to enter into a dialogue if a company thinks that what's been written is inaccurate;
- Have no house policy per se, but adopt the policy of whichever company they are working for; and
- Are a "facilitator", as opposed to an "agitator". This is Manifest's overall philosophy and approach.

SW said that Manifest are currently covering around 1100 companies, of which about 800 are AIM companies, and there are generally 200-300 active at any one time.

During proxy season, Manifest produces about 100 reports per week, and all the research is done in the UK. They use a data collection team in India so that the team can work overnight. SW said that the busiest time of the year is in April.

SW said that she was here to take questions and she suggested some thought-provoking topics:

1. Board succession and diversity: SW noted that smaller companies are better able to address this as they are often more nimble and family friendly. For many Nordic companies it is second nature to ensure that their companies' boards are diverse. SW noted that companies are asking where they can find women to join their board.
2. Remuneration: SW noted that clients were frustrated with there being good disclosures on Key Performance Indicators (KPI) and Environmental, Social and Corporate Governance (ESG) policies, but not on remuneration. The interface between performance and remuneration should be made more transparent.
3. F&C: SW noted that the GM is approaching for F&C but to date there has been no statement from the protagonists as to why shareholders should vote for management. There has also been no circular supporting the GM, just a notice from the company defending it.
4. Audit: SW noted that many clients are concerned by the quality of accounting, including small cap companies. There is still a notion that the Big 4 are the only audit firms which can offer a high standard of accounting and expertise in specific areas, which should be dispelled.
5. Stewardship code: SW noted that this has changed people's voting habits and is likely to bring challenges.

TW queried whether corporate governance was worse in smaller companies and SW said that the disclosure requirements tend not to be adhered to fully, and board attendance and frequency of meetings will depend on the particular company. SW said that she finds it surprising that companies often don't publically state which directors they consider to be independent.

TW thanked SW and AB for prompting a helpful discussion. There were no further questions from the committee.

2. Apologies

Apologies were received from Stuart Andrews, Linda Main, Simon Rafferty and Chris Searle.

3. Approve the minutes of the previous meeting (10 November 2010)

The minutes of the last meeting were approved.

4. Discussion Items

• MiFID Consultation Review (Response Date: 2 February 2011)

TW noted that the MiFID consultation paper introduced the concept of specialised SME markets; although on the face of it this is a good thing, it is hard to be sure as there is no background as to what is an SME specialised market. TW noted that as the response date is 2 February, committee members should consider, over the next week, how the proposals in the consultation paper would affect their own firm and group.

BM noted that he was concerned by the trade report regime, on which he would respond. He noted that there was no definition of collective undertaking investment and generally the paper was broad in scope does not clearly define concepts throughout.

UA said that she did not agree with the tiered regime within regulatory markets in terms of the SME markets proposal, as it goes against attracting investors, when the focus should be on how the regime should be positively used to attract investors. This is difficult to legislate for, however.

KM noted that the section of the review on underwriting and placing seemed onerous on corporate departments and she did not think it was appropriate to delve into such detail.

RE noted that in an earlier meeting with the Treasury they had said that it helps if people give specific examples of any negative effects or downsides, when responding to a consultation paper.

TW noted that, in summary, the consultation paper had added to the committee's confusion. He noted that Kate Jalbert would be contacting some members of the committee regarding particular aspects of the paper. He thought that it would have the biggest impact on companies raising money in order to grow to create more jobs.

KJ

- **European Commission: Consultation on the Single Market Act (Response Date: 28 February 2011)**

There was nothing to report.

- **Prospectus Directive Working Group- Proportionate Prospectus**

TW noted that ESMA had been formed as a successor to CESR. Donald Stewart had agreed to put his name forward for ESMA's Stakeholder Group.

- **Government's Growth Review**

TW noted that as part of the Growth Review, the Department of Business, Innovation and Skills was having an accounting and audit profession workshop and a legal workshop.

MF reported that he had attended the legal profession workshop and that the idea was to put comments in for review. He noted that they were particularly interested in the response to the Bribery Act as it appears that there is concern that it could put the UK at a competitive disadvantage.

5. Market Update

- **FSA**

TW noted that Mark Teasdale and Alexander Justham are attending the QCA Executive Committee meeting in June 2011.

- **Exchanges and other Market Organisations**

There was nothing to report.

6. Other Updates

- **HM Treasury's A new approach to financial regulation: Summary of Responses (for info only)**

PS reported that he had heard from someone at the FSA that it is not likely that anything concrete will be put in place until the end of the parliamentary session; this is not high on the government's agenda as MiFID and the budget submission are priorities.

- **HM Treasury- Securities Law Directive (Peter Swabey)**

PS noted that the consultation is out and the responses are due this week. He noted that one of the key concepts of the Securities Law Directive is to ensure that the ultimate account holder enjoys equal rights with the registered shareholder. PS noted that he is trying to push against this proposal as it would increase costs for issuers.

- **Shareholder Voting Working Group**

It was reported that the meeting had not happened and that there was a conference call with one of the registrars. The custodians are blaming everyone else for the problems in the voting chain.

7. Future Meetings

- **Guest invitations to future meetings**

It was suggested that Tony Pullinger (Takeover Panel) be asked to return to speak at a future meeting.

MF noted that Nabarro is having someone in to speak about independent board evaluation. TW noted that this is a really interesting subject and MF said he would let TW know the details of the speaker.

8. **AOB:** Nothing to report.

9. **Next Meeting:**

17:00 Wednesday 16 February 2011 (at Speechly Bircham LLP) – CANCELLED

17:00 Wednesday 16 March 2011 (at Speechly Bircham LLP) – MOVED TO 17:00 30 MARCH 2011

10. Action Points

Actions	Person	Timing
Follow up on drafting the QCA Response to MiFID	KJ	ASAP (before 2 February 2011)