

Present: Simon Rafferty (Chairman)	Winterflood Securities Ltd	SR
Andrew Collins (Host)	Speechly Bircham LLP	AXC
Richard Everett	Lawrence Graham LLP	RE
Mitchell Gibb	Peel Hunt	MG
William Lynne	Hybridan LLP	WL
James Stapleton	Winterflood Securities Ltd	JS
Claire Noyce	Hybridan LLP	CN
Paul Arathoon	Speechly Bircham LLP	PA
Hilary Owens	Practical Law Company	HO
Jon Tilley	Practical Law Company	JT
Stephen Hamilton	Mills & Reeve	SH
Ross Bryson	Mishcon de Reya	RB
Tom Shaw	Speechly Bircham LLP	TS
David Hicks	Speechly Bircham LLP	DH
Jaspal Sekhon	Speechly Bircham LLP	JXS
Gary Thorpe	Clyde & Co LLP	GT
Tim Ward	Quoted Companies Alliance	TW
Kate Jalbert	Quoted Companies Alliance	KJ
Maria Gomes (Minutes)	Quoted Companies Alliance	MBG

ACTIONS

1. Welcome to Anand Sambasivan, CEO and Co-Founder of Darwin Strategic Limited, and Andy Dennan, Head of Structuring, Darwin Strategic Limited, to discuss equity lines of credit.

SR welcomed AS and AD to the meeting and everyone introduced themselves.

AS explained that Darwin Strategic is an entrepreneurial company offering risk mitigating investment structures. The company was initially designed as an EFF equity line company; however, as companies seek fundraising alternatives, it has recently been evolving into risk models and now offers upfront risk capital. The company has a new business model, only looking at the UK market. AS explained that in general, for EFFs, they charge a 5% commission fee on the convertibles, but some cases are negotiated with the companies. Their highest fundraise in terms of EFF was 3 million pounds, and the lowest 30 000£, whereas for bonds the highest was 2.7 million pounds and the lowest 500 000£.

The group thanked AS and AD for the presentation. AS and AD left the meeting.

SR asked the group about their thoughts on Darwin Strategic's presentation. WL commented that these models defeat the basic purpose of short selling. WL added that some institutions are not aware that these finance models are in place, and that they would not be interested in the company if one is in place. WL further explained that there is no transparency and that the FCA cannot handle all the different models as they are being named differently as they come up. Members agreed that these equity lines of credit are not helpful and discourage investment.

TW suggested that the QCA works on a short information sheet on the top 10 or 20 questions directors should ask when considering raising finance. TW further suggests that this is done in a straightforward manner, so to enable directors do their job better by obtaining more information about the market.

CN and WL agreed to put together a first draft and share it with the group for discussion.

CN/WL

2. Apologies

Apologies were received from Jon Gerty, Robert Scavera, Peter Swabey and Andy Thompson.

3. Minutes of the last meeting (20 November 2013) – The minutes were approved.

4. Issues for Discussions

- **Central Securities Depositories Regulations (CSDr)**
The trilogue agreement reached in December 2013 did not contain technical details on the 15-day settlement period for less liquid stocks. That draft is currently being finalised. JS noted that he has received an update from HM Treasury on this matter yesterday: the draft seems to have included the points expected by the QCA and which would be beneficial for small and mid-size companies.
- **MiFID II/MiFIR**
JS reported on the current situation regarding MiFID II. The compromise text has been finally published by the Council since the informal agreement was reached in January 2014. The FCA is asking practitioners which areas will be problematic. The foreseen implementation date is 2016.

5. Communications and Future Meetings

- Other issues for the group to consider

Market Abuse Directive: JS informed the group that the new Market Abuse Directive aims to impose criminal sanctions, with a minimum of 4 years of prison sentence, on individuals and firms guilty of intentional insider dealing and market manipulation. There could be significant issues for secondary markets in the future.

TW suggested that we should arrange for CIOs of fund management companies to be involved in the secondary markets group, in order to gain a better sense of the processes.

MBG/Chris Stapeley

- Policy Update (13 January 2014) – for information only

There was no discussion on this item.

- Guest invitations to future meetings

There was no discussion on this item.

6. AOB – There was no discussion on this item.

7. ACTION POINTS

Action	Person	Date
Information sheet: Top 10/20 questions directors should ask when considering raising finance.	CN/WL	Before the next meeting (16 April 2014)
Contact CIOs of fund management companies to be involved in the secondary markets group	MBG/Chris Stapeley	Before the next meeting (16 April 2014)

8. CONSULTATIONS – None to note.

9. NEXT MEETING(S)

17:00 Wednesday, 16 April 2014 (Venue: Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX)