



Minutes of the QCA Secondary Markets Expert Group

Held on: Wednesday 10 July 2019, 2.00pm – 3.30pm

Venue: Peel Hunt LLP, Moor House, 120 London Wall, London, EC2Y 5ET

Present:

Jon Gerty (Chair)	Peel Hunt LLP	JG
Mark Tubby (Deputy Chair)	FinnCap	MT
Nick Dilworth	Winterflood	ND
Fraser Elms	Herald	FE
Keith Hiscock	Hardman & Co.	KH
William Garner	Charles Russell Speechlys	WG
Niall Pearson	Hybridan	NP
James Stapleton	Winterflood	JS
Tim Ward	Quoted Companies Alliance	TW
Anthony Robinson	Quoted Companies Alliance	AR
Jack Marshall	Quoted Companies Alliance	JM

In attendance:

Nike Trost	FCA	NT
Reena Dattani	FCA	RD
Babatunde Carew	FCA	BC

1. WELCOME TO Nike Trost, Babatunde Carew and Reena Dattani of the FCA, as guest speakers.

JG welcomed NT, RD and BC to the Secondary Markets Expert Group meeting.

FCA issuer event

RD explained that the FCA are planning on organising an event for issuers during the first week of December 2019. The overarching aim of the event would be to increase contact and provide guidance in order to help issuers understand regulation. The event would target AIM and smaller listed companies and is being proposed to cover some of the following areas/topics:

- Disclosure Guidance and Transparency Rules;
- MAR – systems and controls;
- SME regulations;
- Brexit;
- Monitoring
- Delayed disclosures and enforcement; and
- Common areas of non-compliance.

The following were proposed as potential guest speakers at the event:

- Takeover Panel;
- CMA; and
- AIM.

It was suggested that the event would also be suitable for Nomad and Sponsor firms who could in any event be used to promote the event to their clients. The attendees agreed they would be happy to provide further input on the proposed event if this would be helpful.

In terms of the SME growth market domestically, what is possible within this space in the short to medium term is contingent on Brexit. NT gave an update on recent developments at the European level. She explained that European growth market regulations have been introduced to simplify rules for SME's, but that these developments have only been limited in nature. It was mentioned that there had been some developments in relation to MAR, which included:

- Lightened disclosure of inside information;
- Decreased requirements for the maintenance of insider lists;
- The removal of bonds from the market soundings regime;
- Making available liquidity contracts on all growth markets; and
- Simplified prospectuses for companies transitioning from SME markets to main markets.

In regards to the prospectus regulation, the developments have only been made to a limited extent. However, it was mentioned that there were two projects currently being undertaken by the EU that would look to bring in reforms.

Firstly, ESMA have been mandated to conduct a technical review of MAR. The review will establish whether the definition of inside information is fit for purpose, whether the scope of PDMR reporting is appropriate and will determine the usefulness of insider lists. Secondly, there will also be a review into MiFID II, whereby both bond transparency and section RTS 1 on transparency requirements for trading venues and investment firms will be reviewed.

It was mentioned that 'growth' needs to be acknowledged within the FCA's objectives and that the FCA will look for quick-wins in this area following Brexit. The FCA are open to working in conjunction with issuers and advisers on what the outlook should look like. It was explained that it is important to distinguish between SME's and growth companies, as the definitions of the two are often conflated.

JG thanked NT, RD and BC for their time. NT, RD and BC left the meeting.

2. APOLOGIES

Apologies for absence were received from Vadim Alexandre, Jasper Berry, Andrew Collins, Mitchell Gibb, James Lynch, Jack Phillips, Jeremy 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>AIM Disciplinary Notice 22 and Oozi Katz</p> <p>MT announced that AD22 had been issued to Telit Communications for a public censure and fine of £350,000, which, given the circumstances, was waived. The public censure relates to the actions of the former CEO of the company, Oozi Katz.</p> <p>The notice is intended for the purpose of educating the market on the expected standards of conduct for AIM companies under the AIM Rules, including directors and proposed directors under the AIM Rules.</p>	None.
d)	<p>Future meetings and speaker priorities for 2019.</p> <p>The group expressed interest in having the following groups/people as guest speakers for future meetings:</p> <ul style="list-style-type: none"> • NEX Exchange – Alasdair Haynes; and • IPSX – Michael Higgins. 	JM to contact potential guest speakers.

5. COMMUNICATIONS AND PUBLICATIONS

	ITEM	ACTION
a)	<p>The results of the biannual QCA/YouGov <i>Small & Mid-Cap Sentiment Index</i> has been published. The latest edition reveals that small and mid-cap companies remain positive about their own prospects, despite this optimism being at its lowest point since 2012. Many companies cite Brexit and political uncertainty as continuing to contribute to the neutral outlook on the economy. The key findings are as follows:</p> <ol style="list-style-type: none"> i. 76% of small & mid-caps are expecting to increase jobs, but 19% anticipate decreasing employment – up from 10% six months earlier. ii. 37% of surveyed companies are planning to raise capital - down from 47% when asked six months earlier. iii. Companies predict average sales growth of 17%, down from 19.2% a year earlier. <p>This was tabled for information only and not discussed.</p>	None.
b)	<p>The project for updating the QCA Audit Committee Audit Guide is progressing and is on course for release over the summer.</p> <p>This was tabled for information only and not discussed.</p>	None.
c)	<p>YouGov are surveying companies that adopted the QCA Corporate Governance Code to identify any ways in which we might be able to</p>	

	<p>improve the Code and see if we can find evidence that following the QCA Code has helped companies. This will be published over the summer.</p> <p>This was tabled for information only and not discussed.</p>	None.
d)	<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 planned to be released in September.</p> <p>This was tabled for information only and not discussed.</p>	None.

6. ANY OTHER BUSINESS

7. NEXT MEETING

Wednesday 4 September 2019, 4.30pm – 6.00pm (Venue: finnCapp, 60 New Broad Street, London, EC2M 1JJ)