

13 December 2022 – Capital Markets Industry Taskforce (CMIT) meeting – Key points discussed

Introduction / Procedures

- Members approved the minutes.

Broader financial services developments

- Members welcomed the recently announced financial services reforms, including the Edinburgh proposals to reform the pension fund framework and Solvency II. They are keen to help the government progress this agenda and address any gaps to improve the UK ecosystem.
- One member noted the relevance of the Patient Capital Review in 2017 to the recent reforms. The appetite for change and policymakers' focus on ensuring future economic success present a good opportunity for the Taskforce to consider whether any of the 2017 recommendations ought to be revisited.
- Members were also supportive of a number of the recent proposals put forward as part of the Labour Party's Start-Up, Scale-up report.
- The Taskforce also took note of international developments, including the EU's recently announced listing reforms and the US Inflation Reduction Act.

Workstream 1: Unlocking additional sources of capital for UK companies, including from pension funds and insurance

Chairs: Peter Harrison, Andy Briggs

Leads: Jon Symonds, Klaus Hommels, Kay Swinburne

Focus: Making it easier for capital to flow in the direction which generates greatest benefit, supporting UK companies and providing pension and policy holders and savers with strong long-term returns.

- Solvency II reforms are very welcome, we now need to clarify how the changes will be operationalised.
- The recent Liability Driven Investment crisis has meant that DB funds feel overallocated to illiquid assets. It will be difficult to change Trustees' mindset from being "risk-off" in the current climate. Additionally, it was noted that Trustees have concerns about both accounting and regulatory capital rules.
- Members also discussed Defined Contribution (DC) schemes. The key aspect to address at this end of the market is scale, and enabling investment in suitable opportunities.
- The right balance needs to be found between consumer protection and risk taking. Consumers are not truly being protected if the regulatory environment prevents them from saving a sufficiently sized pension pot and being exposed to growth opportunities in less liquid assets.
- Further changes should be explored. For example, employee autoenrollment provisions may be revisited. There may also be levers to encourage consolidation of schemes. Long Term Asset Funds (LTAF) could also be a vehicle for further investment.

Workstream 2: Corporate governance code and stakeholder engagement reform

Chair: Jon Symonds

Leads: Mark Austin, Peter Harrison, Andy Briggs, Kay Swinburne

Focus: Improving the relationship between companies and investors in a way that provides quality governance and clear accountabilities, enabling UK companies to compete and grow effectively to the benefit of all their stakeholders.

- The workstream has coalesced around a number of priority areas.
- The Tulchan report was helpful in bringing together a large array of viewpoints and raising the profile of issues in this space. The Taskforce can add value by supporting the discussions stemming from

the report (e.g. on ESG and remuneration) as well as the empirical work required to complement the report.

- Questions that need to be addressed include the disparity of standards applied to international companies and what good shareholder engagement looks like. A key aspect will be studying other markets. The workstream noted that the work in this space would be longer-term and more empirical evidence was required.

Workstream 3: Creating the best environment for the UK to produce high growth, consequential companies

Chair: Matthew Scullion

Leads: Mark Austin, Jon Symonds, Kay Swinburne, Klaus Hommels

Focus: Create a series of recommendations which improves the environment for the business building, including the culture, attitude, and playbook for growing UK companies.

- The workstream is working on a longlist of recommendations which needs to be discussed with external parties before being presented to the group.

Workstream 4: Development of Intermittent Trading Venue (ITV) to provide secondary liquidity

Chair: Julia Hoggett

Leads: Klaus Hommels, Matthew Scullion

Focus: Support the development of a new class of venue, which would operate on an intermittent trading basis and act as a bridge between public and private markets, boosting the UK as a destination for all companies to gain access to the investment they need to create jobs and grow.

- Members noted that exploring the development of a crossover venue was included within the Chancellor's Edinburgh reforms. The working group continues to refine a potential model for the venue type.