

17 January 2023 – Capital Markets Industry Taskforce (CMIT) meeting – Key points discussed

Introduction / Procedures

- Members approved the minutes.

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.

- The workstream has identified their key focus areas, including Solvency II, Direct Contribution pension schemes, the vehicles and infrastructure for investing capital, and changing the culture around long term investment.
- **Solvency II reform** – the Edinburgh reforms are welcome but further measures are required to ensure that these reforms increase allocations to private assets smoothly and meaningfully.
- **Direct Contribution pension fund schemes** – the workstream will explore methods of accelerating recent progress in driving consolidation, noting the benefits of international schemes, such as in Australia and Canada. The workstream noted the recent Government consultations on Local Government Pension Schemes and a new Value for Money framework as complementary avenues for change.
- **The vehicles and infrastructure for investing capital in private companies** – the workstream are considering what potential structures could be used for investment in UK private companies, including existing investment vehicles and organisations, and will identify the changes required to enable this investment activity.
- **Changing the culture around long term investment** – in the UK there is an excessive focus on avoiding losses and fees, rather than on potential returns. The workstream will consider the most appropriate avenues for change, including thought leadership and assessing international comparisons

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 spoken with several market stakeholders and the Financial Reporting Council and will continue to do so to support future reform. As part of these efforts, CMIT will write an open letter to the Chair of the FRC with recommendations for potential reforms
- The workstream has identified areas for further empirical research and will report back to CMIT in due course.

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 to help improve the environment in the UK for creating high growth, consequential companies, including ways to: increase support for entrepreneurs, change the attitude and playbook of domestic investors to risk and consequential business building, change attitudes to risk taking, business building and entrepreneurial success in the public and media.

- The workstream has drafted a longlist of recommendations for discussion with external parties and will commence external stakeholder engagement on those recommendations in due course. One initial focus area will be on ways to provide additional guidance and support to scaling companies in the UK.

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.

- The workstream provided an update on the proposed model for the venue and explained that there would be further stakeholder engagement on the proposal now that additional details have been defined by regulators. Members noted the importance of minimising costs to corporates whilst ensuring the appropriate level of information disclosure.