

28 April 2023 – Capital Markets Industry Taskforce (CMIT) meeting – Key points discussed

Introduction / Procedures

- Members approved the minutes.

UK capital markets of tomorrow report and CMIT Conference

- Members agreed the objectives of the Capital Markets of Tomorrow report, with an emphasis on looking at the overarching picture of reforms in the UK, bringing together much of the work that has already been completed (or is due to be completed), and setting out a cohesive end-vision that spans law and regulation, market practice, and cultural and mindset change. Members noted that cultural change and clearly communicating the benefits of capital markets to wider society will be essential for the success of these reforms.
- Members also agreed on logistics for the CMIT Conference, with stakeholders from across the market being invited to attend the 7 July event with the aim of drawing together concrete recommendations which can help inform the report.

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.

- Members discussed the positive engagement with Government and regulators regarding Solvency II reform, noting that there is a need to progress to detailed rules. One area of focus for CMIT is evolving the regime so that there is investment in assets beyond a focus on fixed cashflows.
- Further measures to unlock capital included ensuring that there is an emphasis on future net returns instead of purely costs, utilising comply or explain disclosure on whether a pension scheme uses their full fee budget, as well as examining market initiatives aimed at improving the infrastructure for deploying institutional assets.

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.

- Members discussed the preliminary analysis carried out on voting guidance used by proxy agencies when voting on UK listed company resolutions compared to guidance used when voting on the resolutions of companies listed in the US and EU. The analysis showed that the approach to UK company resolutions is far more restrictive than that applied in the other jurisdictions, including on remuneration expectations. Further work will be carried out to finalise this analysis.

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.

- Workstream members updated the group on a number of relevant initiatives including setting up a group of SaaS CEOs to share best practice and research into identifying the common characteristics of UK Unicorns.
- Members discussed the tailored model that is required to support companies in different sectors which will feed this into the Capital Markets of Tomorrow report. This may include:

- The work of the Secondary Capital Raising Review and the importance of follow on capital for high growth companies, especially in life sciences;
- The speed of regulatory licence approvals for fintechs, with a potential solution being a regulatory fast-track for innovative companies; and
- A switch in incentives to promote greater commercialisation of academic research.

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 noted ongoing engagement with the Government, the FCA and market participants to further refine the proposed regulatory framework.
- The workstream also noted the positive feedback received from private and public companies, VCs, PEs, institutional investors and banks.