

### **Questions companies should ask about MiFID II**

Capital Access Group (CAG), the UK's leading provider of corporate access to UK companies, today publishes its Q3 Investor Survey and poses questions all companies should ask about the status of their investor meetings under MiFID II.

UK companies rely on meeting shareholders and new investors to share information, maintain liquidity in their shares, reduce volatility in share prices and provide new capital when required. To date, these meetings have been arranged by a combination of stock brokers and independent providers such as CAG. Brokers may be compromised in their provision under the new rules.

These come into effect on 3<sup>rd</sup> January 2018. They promise to be the most significant change to the UK equity capital market since "Big Bang" in 1986. The new rules regulate the provision of services to fund managers by stock brokers. Where these are material, MiFID II requires that fund managers pay for them separately. These services include the provision of corporate access, both deal and "non-deal" meetings with investors.

CAG surveyed its fund management contacts in Q1 2017 and found that meeting companies was the most important element in their investment decision. However, its Q3 survey reveals today that there are very few fund managers that are prepared to pay brokers for these meetings and, where they are, the amount is small (less than £250 per meeting).

This contradiction has been further confused by several UK stock brokers suggesting that they can continue to support their corporate clients with investor meetings without payment from fund managers under the "broker exemption".

CAG believes that this is an extension of the exemption allowed under MiFID II for research and corporate access for new issuance (deal) where fund managers are not required to pay for these services. However, the rules are unclear as to whether this is applicable in the case of non-deal meetings.

As a result, CAG warns today that the uncertainty created by the "broker exemption" may cause fund managers to be less available to companies in 2018. Fully half of the Q3 survey admitted to being "unsure" as to whether they could participate in a meeting under this apparent exemption.

With investment research similarly constrained by the new rules, communicating financial performance and future strategy may become more difficult for UK plc, particularly in the important small to mid-cap company sector.

Therefore, CAG has outlined a set of questions which it recommends companies ask their broking advisors before committing to investor programmes in 2018;

- Will you charge investors for research or will it be distributed for free?
- How many investors have agreed to pay for your research?
- How many investors have agreed to receive your market commentary for free?
- Will you charge investors for meetings with your corporate clients?
- How many of investors have agreed to pay for meetings with corporate clients?
- How many investors have agreed to meet corporate clients without paying?

Commenting on the survey, Scott Fulton, Director, said

*“UK companies risk being shut out of the equity market by confusion around MiFID II and the so-called ‘broker exemption’. Our research shows that fund managers are not clear on whether they can use stock brokers to arrange meetings without payment. This uncertainty may reduce the communication between investors and UK companies. With less than 35 working days to go before the new regulations are implemented, we believe that there is a pressing need for more clarity on corporate access. That is why we have today posed a series of questions we believe companies should ask their advisors. We hope that the answers will provide sufficient clarity for the equity market to work efficiently for companies and investors alike under the new rules.”*

**--ENDS--**

## **Contacts**

### **Scott Fulton**

Director, Research

**Direct:** 020 3763 3405

**E-mail:** [scott.fulton@capitalaccessgroup.co.uk](mailto:scott.fulton@capitalaccessgroup.co.uk)

### **Ian Barbour**

Director, Sales & Marketing

**Direct:** 020 3763 3431

**E-mail:** [ian.barbour@capitalaccessgroup.co.uk](mailto:ian.barbour@capitalaccessgroup.co.uk)

## **Capital Access Group**

Capital Access Group is an investor relations adviser, specialising in bringing companies together with equity investors. It has been in existence for over 20 years and currently advises over 60 UK companies with market capitalisations ranging from £46bn to £10m.

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