Existing market arrangements will be maintained during the Brexit transition period. However, until clear agreement is reached on the terms of any future free trade agreement, the possibility of a “cliff-edge” scenario in December 2020 or later remains and, given the short time periods involved, businesses need to be prepared for the possibility of a no-deal at that point.

Pursuant to the terms of the Withdrawal Act directly applicable and operative EU laws will be converted into UK law at the end of the transition period. The Market Abuse Regulation and Prospectus Regulation would be incorporated into UK law through this mechanism, as would national legislation implementing EU Directives. Over time, relevant legislation will be amended to give effect to the UK’s post-Brexit listing and prospectus regime. The shape of these amendments is likely to depend on the terms of any free trade agreement between the UK and the EU. We believe that UK regulators are likely to continue to require adherence to standards equivalent to the requirements imposed by the Prospectus Regulation, Transparency Directive and Market Abuse Regulation, in order to maintain the strength of the London Stock Exchange’s global brand. Substantial divergence away from these standards seems unlikely given: (i) the extent of the UK’s historic involvement in the development of the Single Market for EU financial services and in developing standards supported by international listing venues; (ii) that Switzerland, as an EFTA but non-EEA member, has recently overhauled its regulatory framework for capital markets to bring it closer into line with international standards, and in particular the Prospectus Regulation.

On the other hand, it is possible that the UK authorities could decide to change aspects of the regulatory regime, relaxing some provisions or making some more stringent, on the basis that choice of listing venue is determined by a number of factors, including access to potential investors, the valuation of similar companies listed on the exchange and liquidity. Choice of listing venue is not therefore driven solely by the level of continuing regulation and disclosure required and to a degree at least, removal of certain administrative burdens could make the UK more attractive as a listing venue.

The current passporting provisions for prospectuses prepared in the UK for use in the EU and vice versa will not continue after the end of the transition period unless any free trade agreement between the UK and the EU includes pressure to make changes in this area; and (iii) that Switzerland, as an EFTA but non-EEA member, has recently overhauled its regulatory framework for capital markets to bring it closer into line with international standards, and in particular the Prospectus Regulation.

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The capital markets regulatory regime after the end of transition remains unclear pending negotiation, particularly around equivalence and passporting.”

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