

GOVERNMENT SETS OUT STALL TO MODERNISE LISTING REGIME AS UK MOVES TO ATTRACT MORE IPO CANDIDATES

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Legal Briefings

Treasury outlines streamlined prospectus regime as drive continues to bring marquee share listings back to London

In an increasingly multi-polar world economy, ensuring the City is well-regulated, attractive to business and competitive with other financial centres is a never-ending task. But a major step in that journey will be improving the regime for capital raisings and the UK's listing rules, especially coming after a decade in which London's share of public floats has plainly faltered. In this briefing, we review the UK Treasury's plans and provide a summary of recommendations aimed at rebooting the UK's stock markets.

Lord Hill's [UK Listing Review](#) was set up to look at reforms to the UK listing regime to attract the most innovative and successful firms and help companies access crucial growth capital. In particular, the review made a series of recommendations to bolster the UK's attractiveness for premium IPOs and modernise capital raising for companies on UK markets.

Recommendations included changing rules around the free float requirement and liability for forward-looking information, as well as an overhaul of the prospectus regime, specifically for further issuances by public companies.

Many of the reforms can be implemented by the Financial Conduct Authority (FCA) amending the Listing Rules, but others will require primary legislation and will likely take longer.

The review of the UK prospectus regime has garnered widespread support amid calls for a more flexible UK model able to respond to changing market dynamics. The Treasury has now published an initial consultation on fundamental reforms to the rules governing when a share prospectus must be published, and what should be in it.

The key proposals are:

- IPOs and secondary issues – Prospectuses will remain a key feature of an IPO in the UK. The FCA will be given discretion to determine when a prospectus is required on a subsequent issue but, for a listed issuer, a public offer to its existing shareholders would not generally require a prospectus.
- Prospectus contents – The overarching requirement for necessary information will be retained but the FCA will be given power to make the rules on the detailed disclosure requirements. This opens the door to a more proportionate disclosure regime, particularly for secondary issues (if a prospectus is required at all). The FCA will also have discretion to decide which types of prospectuses to review.
- Liability – Liability for forward-looking information in a prospectus will be aligned with other listed company published information, so liability is only incurred when those involved are reckless.

The Treasury has also launched the UK Secondary Capital Raising Review to look into updating the capital raising process for public companies in the UK including whether:

- the overall duration of the secondary capital raising process can be reduced (for example, by reducing, on a rights issue, the period during which shareholders can trade their rights);
- new technology can be used to ensure shareholders receive relevant information and exercise their rights more rapidly; and
- other fund-raising mechanisms are worth considering in the UK, including structures to facilitate retail investor participation in capital raisings.

These reviews are by far the most fundamental post-Brexit reforms seen to date. For a summary of the recommendations and the progress so far see our [short overview here](#).

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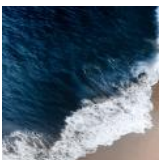
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