

FCA CONSULTATION ON RESTRUCTURING THE UK LISTING REGIME

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Legal Briefings

The Financial Conduct Authority (FCA) has published a discussion paper ([DP22/2](#)) in which it is seeking further views on the structure of the UK listing regime.

In March 2021 the Government published the outcome of the [Review of the UK listing regime](#) undertaken by Lord Hill. It made a number of recommendations to seek to improve the attractiveness of the UK listing regime. The FCA has already made a number of rule changes in response to the Review to address perceived barriers to listing (see our [corporate update 2021/22](#) for further details) and the other recommendations made by the Review are being taken forward by the Treasury and expert working groups. Our updated summary of the status of all of the Hill Review recommendations is available [here](#).

In response to one of the other Hill Review recommendations around the status of the different UK market segments, the FCA sought views in a discussion chapter of [CP21/21](#), published in July 2021, on four potential models for the UK listing regime going forward, possibly merging, or at least rebranding, the premium and standard segments, and amending the eligibility and continuing obligations accordingly. Following the feedback received, the FCA has now published DP22/2, a more detailed consultation on its plans.

The FCA is proposing that there be a single listing segment for equity shares in commercial companies, with companies in that segment then opting to comply either with a set of minimum standards only or with the minimum standards and some additional, supplementary standards. The FCA is also looking at changes to the class 1 transaction regime, the sponsor regime and the eligibility requirements for listing.

New single “UK Listing”, with mandatory and supplementary continuing obligations

The FCA suggests that the current premium and standard segments be collapsed into a single segment, to be referred to as a “UK Listing”. All listed companies would have to comply with a minimum standard of continuing obligations (labelled “mandatory”). These are the continuing obligations that currently apply to the standard segment but adding compliance with:

- the Premium Listing Principles;
- the sponsor regime;
- the Listing Rule 11 regime on related party transactions; and
- reporting against the UK Corporate Governance Code (on a comply or explain basis).

The FCA considers that these are set at such a level so as to ensure an appropriate baseline of transparency and investor protection.

Companies could then also choose to opt in to “supplementary” continuing obligations, including the Listing Rule 10 significant transaction regime.

A company would have to decide during its IPO process whether it will opt in to the supplementary regime. If it wants to move in or out of the regime at a later date, it will require shareholder approval.

The FCA recognises that moving all existing premium listed companies to either the mandatory or mandatory and supplementary continuing obligations is unlikely to be appropriate. The FCA may therefore require a shareholder vote of each existing premium listed company to determine whether compliance with the supplementary continuing obligations is appropriate for the company.

Other proposals

- Class 1 transactions– The FCA asks if the threshold for a class 1 transaction, triggering the requirement for shareholder approval under Listing Rule 10, should be raised from its current 25% level.
- Sponsor regime – All companies with a UK listing would be subject to the sponsor regime (not just those opting into the supplementary continuing obligations). The FCA asks a number of questions around the precise scope of the role in the new listing regime. It recognises though that inefficiencies may exist in the current regime. It therefore also asks a number of questions on streamlining the record keeping requirements of sponsors and sponsor fees.

- Revised eligibility requirements on financial track record – To attract a broader range of high growth and acquisitive companies, the FCA proposes that the current admission requirements in relation to revenue track record, historical financial information and the requirement for a clean working capital statement be replaced by disclosure in prospectuses. It says that this is not intended to reduce standards but will allow investors to consider the characteristics of each issuer on an individual basis.
- Existing standard listed companies – The FCA will likely make transitional provisions to allow existing standard listed companies to maintain their listing in the standard listing segment. Alternatively, existing standard listed companies could undergo an eligibility assessment with the FCA and move to the new UK Listing if appropriate.
- Inclusion in FTSE and other indices – The FCA recognises that providers of indices will need to set their criteria for inclusion following the changes outlined in the paper. It says that, whilst setting the criteria for inclusion is not within the FCA’s control, it has taken into account how index providers may react to these changes and is in dialogue with them about the proposals.

The consultation closes on 28 July 2022 and the FCA then expects to consult on the relevant rule changes in due course.

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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