

SECONDARY CAPITAL RAISING REVIEW RECOMMENDATIONS

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The recommendations of the [UK Secondary Capital Raising Review](#), which looked at the regime for secondary capital raisings by listed companies in the UK and how it can be improved, have been published.

The Review was launched in response to a recommendation of the Lord Hill UK Listing Review. Our updated summary of the status for the Hill Review recommendations is available [here](#).

The Review makes a number of specific recommendations which, if taken forward, would make secondary capital raises much quicker, easier and cheaper.

Those of most interest include:

- Facilitating bigger placings – The Review recommends that the Pre-Emption Group change their [Statement of Principles](#) on disapplications of pre-emption rights to allow, as standard, AGM resolutions seeking a disapplication authority in respect of up to 20% (rather than 10%) of a company’s share capital. This will enable companies to raise more cash via a non-pre-emptive placing. It recommends that companies should be able to issue up to 10% of their share capital to raise cash for general purposes and use the additional 10% only for acquisitions/specific capital investments. Issuers that utilise the disapplication should then disclose certain details about the placing to the market.
- No prospectus for most rights issues – The threshold in the UK Prospectus Regulation for when a prospectus is required for an admission of shares to trading should be increased from 20% of a company’s existing share capital to 75%. Alongside the proposed amendments to the definition of “offer to the public” – which will exclude offers to existing shareholders from the definition – as part of the ongoing prospectus regime reform, this will mean most secondary capital raises will not need a prospectus, nor require a sponsor or FCA involvement.

- Timetable for a fundraising – The Companies Act 2006 notice period for shareholder meetings other than AGMs should be reduced to seven clear days, to reduce the timetable for capital raisings where shareholder approval is required. The period for which an offer must be kept open should also be reduced to seven business days (from the current ten business days), which will also require an amendment to the Companies Act.
- Retail investors – Due consideration should be given to retail investors on all capital raisings and how to involve them in an offer as fully as possible.
- Dematerialisation – All shareholders should hold their listed company shares in dematerialised/digitised form to make all listed company actions, including capital raises, quicker and easier.

Some of these recommendations could be implemented immediately (and the Review recommends that they are); others will take longer. The Chancellor of the Exchequer confirmed in his Mansion House speech this week that he has accepted all the recommendations in full. It is now for the Pre-emption Group, Financial Reporting Council (FRC) and FCA, as well as BEIS and the Treasury, to implement them as appropriate.

The Review says it has been working with the Pre-Emption Group and it expects shortly to publish an updated version of its Statement of Principles, alongside revised template resolutions and various other documents.

The Treasury has published [terms of reference](#) for a digitisation taskforce to drive forward the modernisation of the UK's shareholding framework and Sir Douglas Flint has been appointed to chair the taskforce.

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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