



Financial Conduct Authority publishes final UK listing rules

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United Kingdom

Why should I read this?

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On 11 July 2024, the Financial Conduct Authority (FCA) [published](#) the final new UK Listing Rules (UKLR) Sourcebook, together with a [Policy Statement](#) detailing the approach to the new regime. The final rules set out fundamental changes to the UK listing regime, and broadly follow the approach set out in [Consultation paper \(CP23/31\)](#) published in December 2023 (subject to certain changes noted below).

The rationale for the changes has been well documented. The new rules aim to make the UK a more accessible, effective and competitive environment for companies to list, whilst retaining high standards of disclosure to enable shareholders to exercise stewardship.

The new rules remove the current 'premium' and 'standard' listing segments and create a new 'commercial companies' category for equity share listings. The rules also see a shift to a disclosure-based regime, including removing the requirements to obtain shareholder approval for major transactions undertaken by listed companies.

The new rules take effect from 29 July 2024.

What is changing?

At the core of the new rules is the creation a single category for UK listings of equity shares in commercial companies (the **commercial companies category**). This replaces the premium and standard listing segments for commercial companies with or seeking a new 'primary' equity share listing on the main market in the UK.

Commercial companies that have an existing standard listing of equity shares (and are not shell companies or secondary listed international issuers) will move to a new closed transition category.

There are separate listing categories for sovereign controlled-companies, closed-ended investment funds, open-ended investment companies, shell companies and special purpose acquisition companies (SPACs), a new international secondary listing category and discrete categories for non-voting shares, depository receipts, debt securities, securitised derivatives, and warrants and miscellaneous instruments.

New commercial companies category: what do I need to know?

The key changes to the new rules for the commercial companies category, compared to the premium segment, include the following.

— Eligibility

The new rules introduce a reduced eligibility criteria for listing.

There is no requirement for historical financial information, a three-year revenue track record and a clean working capital statement at admission. Prospectuses will still require disclosure of a financial track record of up to three years and a working capital statement.

The rules include a sponsor requirement for new applicants, requiring declarations similar to existing declarations, including that an issuer has met its prospectus obligations and has a reasonable basis for the working capital statement within it.

— Eligibility and continuing obligations

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- **Control and independence:** The new rules remove the current eligibility and ongoing requirements that a company has an independent business and has operational control over its main activities.
- **Controlling shareholders:** The rules retain a requirement for independence from a controlling shareholder. The rules include amended guidance on factors indicating non-independence, and (departing from the consultation) remove the current requirement for a controlling shareholder agreement. Instead, there will be a new mechanism for directors to give an opinion on a shareholder resolution proposed by a controlling shareholder where the resolution is intended to circumvent the proper application of the listing rules. Certain voting controls will also be retained.
- **Dual/multiple class share structures:** The new rules permit issuers to have dual/multiple class share structures at admission. Enhanced voting rights can be held by specified natural persons, but without mandated time-based sunset clauses, while retaining voting restrictions on certain matters, including dilutive transactions, and cancellation of listing. In a change from the consultation, pre-IPO institutional investors will be allowed to hold enhanced voting rights for a maximum ten-year period.

— Continuing obligations

Continuing obligations for the commercial companies category will be simplified compared with those currently applicable to premium listed companies.

- **Significant transactions:** A disclosure-based regime will replace a prior shareholder vote for transactions meeting the current class 1 threshold of 25% based on the class tests. The profits test has been removed and the rules include new guidance on what constitutes ‘ordinary course of business’.
- **Notifications:** Enhanced market notifications will be required for ‘significant transactions’ meeting the current class 1 threshold of 25%. There have been some adjustments to the timing and content of disclosures in relation to significant transaction compared to the consultation. Notifications will have to include certain specified key information, but the final rules do not require financial information or fairness statements for acquisitions. As set out in the consultation, working capital statements or re-stated historical financial information will not be required.

In terms of timing, the final rules provide further flexibility around the notification of certain pieces of information. A post-completion notification will be required when a transaction is completed.

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- **Related party transactions:** Where a transaction involves a related party and meets the 5% threshold based on the class tests, it will require board approval, a market notification, and a sponsor ‘fair and reasonable’ opinion.
- **Reverse takeovers:** The new rules will continue to require a FCA approved circular and prior shareholder approval for transactions where class test ratios are 100% or more, or which involve a fundamental change of business.
- **Share buy-backs, non pre-emptive discounted share issuances and cancellation of listing**
: Will still require a shareholder vote under the new rules.
- **Annual reporting:** Issuers will be required to make comply or explain disclosures against the UK Corporate Governance Code, report on climate-related matters (TCFD) and diversity, and otherwise maintain most premium listing annual disclosures as they do under the current regime.

— Listing Principles

The new rules are underpinned by a single set of six Listing Principles. These combine the existing Listing Principles for premium and standard listed companies, making some revisions to promote good corporate governance and accountability.

Sponsor regime

The new rules apply the sponsor regime to admission and to certain limited actions within the commercial companies category, as well as the closed-ended investment funds category and the shell companies category.

Post-initial listing, going forwards sponsor involvement is targeted at circumstances where an issuer is facing a fundamental change, such as a reverse takeover. Otherwise, the ongoing role will be limited broadly to significant further issuance listing applications requiring a prospectus, sponsor fair and reasonable opinions for related party transactions or where companies seek guidance, modifications and waivers to the FCA rules (including on the class tests). This will reduce the number of instances when listed companies are required to appoint a sponsor.

Certain changes to the [Sponsor competence regime](#) came into force in April 2024. In summary, the changes:

- **Extended the requirement for a sponsor to have submitted a sponsor declaration to the FCA from within the previous three years to within the previous five years.**
- **Allow competence to be demonstrated through experience gained from providing corporate finance advisory services in the previous five years to issuers with (i) securities admitted (or proposed to be admitted) to a UK recognised investment exchange; and (ii) a market capitalisation of, in the case of commercial companies, at least £30 million.**

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Alongside the new rules, the FCA have published [Primary Market Bulletin 50](#) consulting on further Technical Note guidance in relation to the sponsor regime.

What's next?

The new rules take effect on Monday 29 July 2024 after a very short period of just over two weeks.

The rules include transitional provisions for in flight transactions.

The FCA have proceeded with the changes to the UK listing regime largely as set out in the December 2023 consultation paper, subject to certain modifications as highlighted above. The FCA acknowledge that feedback to the some of the key new rules was mixed, particularly as regards moving towards a disclosure-based regime and removing the shareholder vote for significant transactions.

The changes are significant, both for companies considering a UK listing and the continuing obligations for companies already listed. If you would like to discuss the rule changes in more details, please get in touch with our PLC Advisory Team.

As well as the listing regime, the previous UK Government and the FCA have also put in place steps to reform the UK prospectus regime. The FCA has previously stated its intention to publish for consultation new draft prospectus rules in Summer 2024. Whilst the FCA stated it would not be publishing any significant consultations during the election period whilst Parliament was dissolved, now that the final revised listing rules have been published, we may see further developments in this area.

Further reading

[UK Financial Conduct Authority sets out detailed proposals for listing reform](#)

[UK's FCA publishes further draft UK Listing Rules](#)

[Policy Statement PS24/6 - Primary Markets Effectiveness Review: feedback to CP23/31 and Final UK Listing Rules](#)

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