



FCA announce new UK Listing Rules coming into force on 29 July 2024

18 July 2024

On 11 July 2024, the Financial Conduct Authority (**FCA**) published the final version of the UK Listing Rules, and announced that these will come into force on 29 July 2024. This marks the most significant reform in over a decade, and aims to simplify and modernise the UK listing regime, in response to a decline in the number of companies listing on the London Stock Exchange's main market. According to the UK Listing Review, which was launched by the then Chancellor, Rishi Sunak, in 2020, the number of listed companies in the UK has fallen by approximately 40% from a modern-day peak in 2008.

The FCA's final position is broadly the same as set out in consultation paper CP23/31, with certain amendments in response to feedback. The key changes being brought in by the UK Listing Rules on 29 July include:

- The replacement of the two-tier structure (premium and standard listing categories) with a single equity shares (commercial companies) (**ESCC**) listing category.
- Introduction of a single set of Listing Principles, replacing the previous two sets.
- A shift in the focus of rules applying to companies in the ESCC category, which the Financial Conduct Authority state are designed to “*remove frictions to growth once companies are listed, while continuing to place an emphasis on disclosure that puts information in the hands of investors to inform their investment decisions*”. They include:
 - Simplification of eligibility obligations, such as no longer requiring three years of historical financial data or a clean 12-month working capital statement. However, when the proposed new prospectus regulation comes into force, a prospectus will require disclosure of the company's financial track record up to the last three years and a working capital statement.
 - Removal of the cap on the total number of warrants or options.
 - Relaxation of rules for Class 1 transactions, focusing on enhanced market notification and disclosure, and removal of the rules relating to Class 2 transactions. Class 1 transactions will no longer require shareholder approval.
 - Changes to the related party transactions rules, whereby a related party transaction does not need the approval of the issuer's independent shareholders. The threshold at which a substantial shareholder becomes a related party will also increase from 10% to 20%.
 - Retention of the ability for issuers to have dual/multiple class share structures at admission, with the inclusion of a maximum sunset period of 10-years for pre-IPO institutional investors, after which enhanced rights should expire.

- Retention of the requirement that companies must be independent from any controlling shareholder, however, the final UK Listing Rules diverge from the consultation draft in that they include amended guidance on factors indicating non-independence and no requirement for a controlling shareholder agreement. A new mechanism has also been introduced to allow directors to formally give opinions on any resolutions proposed by a controlling shareholder when a director considers the resolution is intended or appears to be intended to circumvent the proper application of the UK Listing Rules.
- Creation of four additional listing categories to cater to diverse company needs.
- Retention of six existing listing categories, with some renaming and rule revisions, ensuring consistency and stability within the new framework. In particular, the Closed-Ended Investment Funds category has been retained, with rules relating to significant or related party transactions being largely aligned with those for commercial companies.
- Removal of the Premium Listed sovereign commercial companies category.
- Changes to the sponsor regime and sponsor competence rules, to streamline the process, reducing the burden on companies whilst maintaining necessary regulatory oversight and support.

The implementation of the UK Listing Rules represents a huge step forward in realising the Financial Conduct Authority's aim to better align the UK's regime with international market standards and boost growth and innovation in the UK stock markets, and should be welcomed by most market participants.

For a more in-depth review of the changes being implemented, please see 'New UK Listing Rules to be implemented 29 July 2024'.

The overhaul of listing rules better aligns the UK's regime with international market standards. It also ensures investors will have the information they need to make decisions about their money, while maintaining appropriate investor protections to hold the management of the companies they co-own to account.

<https://www.fca.org.uk/news/press-releases/fca-overhauls-listing-rules-boost-growth-and-innovation-uk-stock-markets>