

Significant changes for funds in final rules published as part of UK listing regime reforms

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The FCA has today published final form rules in relation to its reform of the UK listing regime (see [PS24/6](#)).

For commercial companies these are broadly in the form proposed in the FCA's consultation (CP 23/31) published at the end of last year.

For closed-ended investment funds, on the other hand, following feedback there have been some significant changes to the position previously outlined in relation to transactions, with the requirement for shareholder approval generally being dropped other than in limited circumstances as outlined below.

These changes mean the transaction rules for commercial companies and funds will be more closely aligned than previously proposed— in this context it was always unclear to us why a divergence of approach between commercial companies and funds was needed.

We have included a short overview of the new rules on significant and related party transactions below, but for a more detailed overview of the new rules that will be applicable to closed-ended funds please see our separate briefing [UK listing reform: Overview of final rules for listed funds](#).

What are the new rules on significant and related party transactions?

The table below summarises the position for closed-ended funds under the final rules. In the context of related party transactions, it is also worth noting that (as proposed) the new rules will increase the threshold at which a shareholder becomes a related party from 10% to 20%.

For the avoidance of doubt, it should be noted that the requirement for funds to invest and manage their assets in accordance with their investment policy (and to obtain FCA and shareholder approval for material changes to the policy) will continue to apply as currently.

Material transactions (if outside scope of investment policy)

Reverse takeovers Shareholder approval & FCA-approved circular

“Significant transactions” (25%+) Disclosure-based approach

Transactions below the “significant transaction” threshold No specific requirements included in the Listing Rules* (concept of a “Class 2” transaction not retained)

Related party transactions**

0.25%+	Disclosure and sponsor fair and reasonable confirmation only for changes of 0.25%+ to the investment manager's fees or other remuneration Disclosure and sponsor fair and reasonable opinion
5%+	Changes of 5%+ to the investment manager's fees or other remuneration (as well as uncapped fees) will also require shareholder approval & FCA-approved circular

* Although issuers will need to consider their announcement obligations under the UK Market Abuse Regulation.

** It will no longer be necessary to also comply with the DTR7.3 related party regime.

What happens next for existing premium listed funds?

The FCA has been in correspondence with issuers in recent months to confirm the category they will be transferred to when the new rules come into force – for existing premium listed funds, this will be the new closed-ended investment funds category.

FTSE Russell has previously [indicated](#) it was anticipating this new funds category, together with the equity shares in commercial companies (ESCC) category, would replace the premium segment as the eligible universe for the FTSE UK Index Series (although it noted that this position was not final and it would closely consider all further developments). Following publication of PS24/6, FTSE Russell has [noted](#) that it is reviewing the final rules and will provide an update shortly to confirm changes to the impacted index ground rules and eligibility criteria.

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