

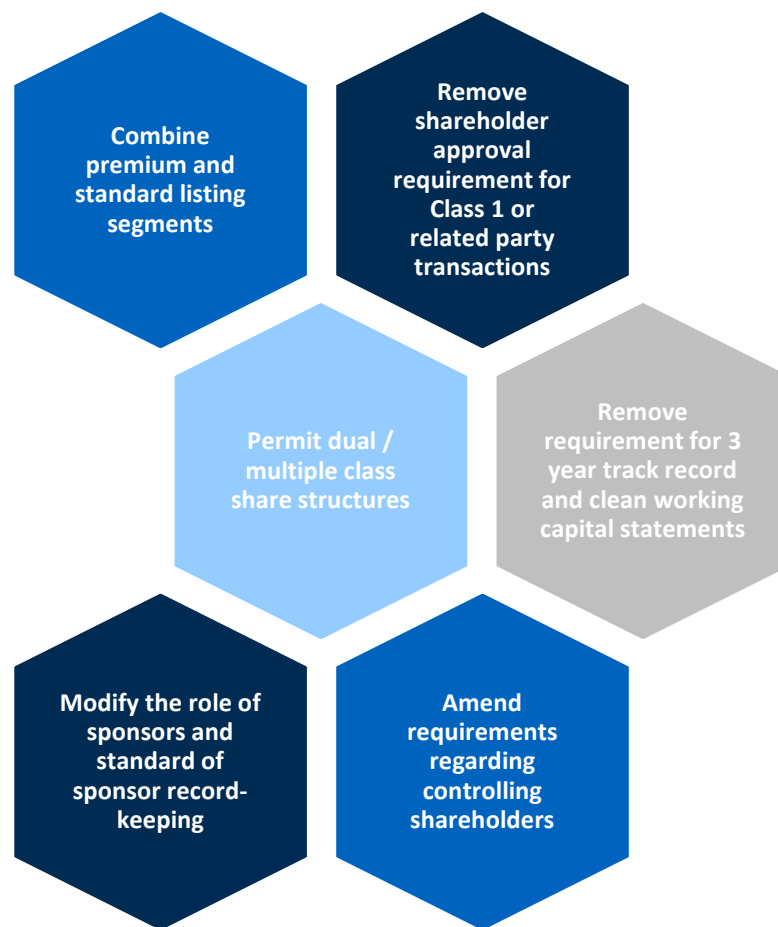
CLIENT MEMORANDUM

# Reformed Listing Rules: FCA Publishes Final UK Listing Rules

17 July 2024

# Reformed Listing Rules: Overview

- ▶ On 11 July 2024, following a period of consultation, the FCA published the new UK Listing Rules in its Policy Statement 24/6. The final rules are primarily as consulted on by the FCA in its consultation paper CP23/31, save for a few changes made in response to concerns raised. The modernised UK Listing Rules will enable the UK equity markets to be more attractive, competitive and accessible for equity issuers by simplifying the regime into a single listing category and reducing the scope of ongoing obligations.
- ▶ We have summarised here the key changes to the UK Listing Rules.
- ▶ The new UK Listing Rules will become effective on **29 July 2024**.
- ▶ Certain UK Listing Rule transactions that are underway but not yet completed by 29 July 2024 ("**mid-flight transactions**") will not be required to comply with obligations that are not carried forward to the new UK Listing Rules. These include reverse takeovers as well as significant and related party transactions. From 29 July 2024, mid-flight transactions must instead comply with the new UK Listing Rules.



# Reformed Listing Rules: Key Changes

## Combine premium and standard listing segments

- ▶ The current premium and standard listing segments are to be replaced by the equity shares (commercial companies) category (“**ESCC**”).
- ▶ This category has less onerous admission requirements and ongoing obligations than the existing premium listing segment but will be a step up from the more limited rules currently imposed on issuers with a standard listing.
- ▶ There will also be separate categories, including for international secondary listings, shell companies / SPACs and transition companies.
- ▶ **International secondary listings:** applies to non-UK incorporated companies with another (primary) listing on a recognised overseas market and is based on the standard listing rules. This segment is expected to be open to companies that have foreign private issuer status in respect of a U.S. listing (or its equivalent in other jurisdictions).
- ▶ **Shell companies / SPACs:** 24 months to complete transactions but may be extended by 12 months up to three times (subject to shareholder approval).
- ▶ **Transition companies:** closed category based on the standard listing rules for existing companies ineligible for other categories.

## Remove shareholder approval for Class 1 or related party transactions

- ▶ The concept of Class 1 transactions has been replaced by “**significant transactions**” which are defined as transaction  $\geq 25\%$  in size (based on the class tests).
- ▶ Shareholder approval and circulars will no longer be required for significant transactions.
- ▶ Instead, the issuer must notify the market with an announcement similar to a current Class 2 style announcement after the terms of the significant transaction are agreed as well as a more detailed announcement as soon as possible thereafter once the relevant information has become available, and in any event by no later than completion of the transaction.
- ▶ There will also be no requirement for related party transactions to receive shareholder approval.
- ▶ However, transactions triggering a  $\geq 5\%$  class test threshold will require board approval, a fair and reasonable opinion from a sponsor and a market notification after the terms of the transaction or arrangement are agreed.

## Permit dual / multiple class share structures

- ▶ IPO applicants will be permitted to have dual / multiple class share structures at admission.
- ▶ Natural persons, such as directors and employees, will be able to hold enhanced voting rights without a time-based restriction (“**sunset clause**”).
- ▶ Pre-IPO investors that are legal persons, such as institutional investors and entities without a finite life span, will also be able to hold enhanced voting rights, subject to a 10-year sunset clause after which time the enhanced voting rights should expire.
- ▶ However, an exception to the sunset clause restriction is provided for enhanced voting rights held by a sovereign controlling shareholder.
- ▶ Enhanced voting rights will not apply to certain matters, such as dilutive transactions and the cancellation of listing.

# Reformed Listing Rules: Key Changes

## Remove requirement for track record and clean working capital statements

- ▶ The new UK Listing Rules will remove the eligibility requirement for IPO applicants to have three years of financial information, revenue track record and clean / unqualified working capital statements.
- ▶ Instead, companies applying to be admitted to the ESCC need only disclose in their prospectus historical financial information of three years (or, if shorter, the period the company has been in operation) under the prospectus rules.
- ▶ It should be noted that requirements remain in respect of (i) disclosing pro forma financial information if a significant change has occurred since the start of the last financial year, and (ii) the need for companies with complex financial histories to comply with the prospectus disclosure requirements.

## Modify the role of sponsors and standard of sponsor record-keeping

- ▶ Sponsors will continue to be required for IPOs and certain post-listing transactions.
- ▶ However, the ongoing role of sponsors will be limited to further issuance listing applications with a prospectus, reverse takeovers, fair and reasonable opinions on related party transactions, or where issuers seek guidance, modifications or waivers to FCA rules (including on class tests).
- ▶ The sufficiency standard applied to sponsor records has also been lowered such that records need only enable a person with general knowledge of the sponsor regime and basic understanding of a transaction (rather than no specific knowledge) to understand and verify the basis on which material judgements have been made.
- ▶ Rules amending sponsor competency requirements and increasing the lookback period for sponsor experience from three to five years have also been carried over.

## Amend requirements regarding controlling shareholders

- ▶ The new UK Listing Rules retain the requirement for a company to carry on its business independent from its controlling shareholder (excluding a sovereign controlling shareholder).
- ▶ However, the new UK Listing Rules amends guidance on the factors which may indicate non-independence. The revised guidance includes only two factors: (i) granting security over its business to fund its controlling shareholder, or (ii) only having access to financing from its controlling shareholder.
- ▶ There will not be a requirement for any controlling shareholder / relationship agreement, however disclosure requirements will apply to enable investors to assess the relationship between an issuer and a controlling shareholder.
- ▶ In addition, directors will also be able to give an opinion on a shareholder resolution put forward by a controlling shareholder when the director considers that the resolution is intended or appears to be intended to circumvent the proper application of the new UK Listing Rules.

# Key Contacts

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:



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