Proskauer

UK Listing Rules Reform: Seeking to Boost Competitiveness

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Background

On 11 July 2024, the United Kingdom's Financial Conduct Authority ("**FCA"**) published its final rules (PS24/6) for a new, simplified and more competitive UK listing regime (the " **Rules**").The FCA's overall aim is to create a more streamlined, disclosure-based listing regime, to help boost the UK's growth and competitiveness by encouraging companies to list in the UK.

Key Changes

Some of the key provisions set out in the Rules include:

- **Single category for equity shares**: The current "premium" and "standard" listing segments have been merged into a new "equity shares in commercial companies" ("**ESCC**") category. This aims to simplify the listing process and make it more accessible for a wider range of companies.
- **Listing Eligibility:** The Rules streamline the eligibility criteria for listing, removing certain requirements such as historical financial information, a three-year revenue track record and a "clean" working capital statement as conditions to listing, although the prospectus rules will still require similar disclosures.
- **Closed-ended investment funds:** The rules for closed-ended investment funds have been aligned more closely with the ESCC category, with specific protections for transactions relating to investment manager fees.
- **Significant Transaction Disclosures**: The Rules create a disclosure-based system, removing the requirement for shareholder votes on significant or related party transactions. Shareholder approval remains necessary for certain major events such as reverse takeovers or share de-listing.
- **Transactions involving financial difficulty:** The Rules introduce guidance to issuers involved in transactions where companies are in financial difficulty. The guidance advises issuers to disclose information about the nature, urgency, and severity of their financial difficulties, as well as the details of financing arrangements related to the transaction and the potential consequences if the

transaction is not completed.

- **Sponsor Regime:** The role of sponsors (i.e. entities approved by the FCA to guide companies through the listing process) has been retained, but streamlined. Sponsors are required for commercial companies, closed-ended investment funds and shell companies (including SPACs) at application stage and on reverse takeovers. Their ongoing involvement, however, has been limited to further issuance listing applications with a prospectus, related party fair and reasonable opinions, or where issuers seek guidance, modifications or waivers to FCA rules.
- **Controlling shareholders:** ESCC companies must remain independent from any controlling shareholder, but there is no longer a requirement for a written relationship agreement. Directors of ESCC companies are instead required to opine on any resolutions proposed by a controlling shareholder, if they consider such resolution to circumvent the proper application of the UK Listing Rules.
- **Enhanced voting rights:** In relation to dual-class share structures, pre-IPO institutional investors that are not natural persons are permitted to hold enhanced voting rights, subject to a 10-year sunset period. This seeks to ensure that such investors are not disincentivised from supporting pre-IPO funding rounds or bringing companies to list in the UK.
- **International Secondary Listings:** Non-UK incorporated companies with a secondary listing in the UK will be listed on a new international secondary listing segment, which will generally follow the current standard listing segment requirements.

Next Steps

The Rules will come into force on 29 July 2024 and market participants should familiarise themselves with the key changes introduced.

For more information, please reach out to the Proskauer UK Regulatory team.

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