UK listing reforms: new year, new capital markets?

The Financial Conduct Authority (FCA) has published CP23/31, its consultation paper setting out near final proposals to change substantially the UK listing regime. According to the FCA, these changes are the most far-reaching reforms to the UK's listing regime in three decades. The FCA aims to move away from a prescriptive rules-based approach to a disclosure-based regime, which places information in the hands of investors to enable them to make investment decisions.

In broad terms, it is our view that the new rules strike the right balance. That is not to say that they are perfect and there are areas which we think deserve further consideration. It is not an easy task to meet the demands of all issuers and investors, but hopefully these proposals form a solid base on which the UK capital markets can prosper. The new rules undoubtedly remove a number of barnacles from the boat that have made the UK listing regime cumbersome, but they also provide for certain protections that should encourage investors, domestic and international, to have confidence in a London listing and a clear understanding of what it means to be London listed.

CP23/31 broadly follows CP23/10 (the previous consultation) in many respects but acknowledges feedback in some areas which has resulted in changes to some of the previous proposals. The main consultation on the proposals closes on 22 March 2024 with the aim of a new regime being in place for the beginning of H2 2024. There will be a surprisingly short period of two weeks between the publication of the final policy statement and the new rules coming into force.

In this briefing we highlight and comment on the key proposed changes to the UK listing regime. CP 23/31 includes draft rules for the equity shares (commercial companies) (ESCC) category but further rules are expected in Q1, covering, for example, the new international listings category and the listing categories for closed-ended investment funds and SPACs/ cash shells.

Summary of key changes

The key proposals in the consultation paper include:

- a single listing segment with categories for different types of companies and securities
- no requirement for shareholder approval for significant transactions (other than reverse takeovers) or related party transactions (RPTs)
- a more permissive regime for dual class share structures (DCSSs)
- removal of certain premium listing eligibility requirements, including the 3-year track record and clean working capital statement, as well as modified requirements around control and independence eligibility requirements
- a reduced role for Listing Rule sponsors after IPO
- a new director confirmation for all issuers on IPO regarding compliance with the Listing Principles

"The markets of today have evolved and the challenges of tomorrow are ever pressing. Now is the time to turn these challenges into opportunities"

Nikhil Rathi and Sarah Pritchard
Financial Conduct Authority

	ESCC	Premium	Standard
Overarching			
Listing Principles	Enhanced principles with more onus on directors' role	↑	↑
Sponsor regime	Applies, but role reduced after IPO	↓	↑
Eligibility			
3-year track record	Not required and no need for 75% of business (although complex financial history prospectus requirements will apply)	↓	–
"Clean" working capital	Not required	↓	–
Independence / control of business	More flexibility and focus on ability to comply with MAR, LR and DTR	↓	↑
Controlling shareholders	Broadly the same as current premium listing requirements	–	↑
Dual class share structures	Natural persons permitted to have enhanced voting rights (with certain exceptions) and no sunset provision	↓	↑
Pre-emption rights	Required	–	↑
Board confirmation	Required in relation to systems and controls/record keeping	↑	↑
Continuing obligations			
UK Corporate Governance Code	Requirement to "comply or explain"	–	↑
Related party transactions	Disclosure and sponsor confirmation, but no shareholder vote	↓	↑
Significant transactions	Simplified class tests (no profits test) and more guidance on definition of ordinary course transaction; prescribed announcement for significant transactions; no prescribed disclosure for class 2s; no requirement for shareholder approval or circular; no requirement for profits test	↓	↑
Reverse takeovers	Broadly the same as existing requirements	–	–
Delisting	Shareholder approval and controlling shareholder regime applies	–	↑
Shareholder vote on discounted offers	Required	–	↑

Key: ↑ Increased obligations under the proposed new Listing Rules
↓ Decreased obligations under the proposed new Listing Rules
– No substantive change

New listing categories

The cornerstone of the new regime will be the replacement of the standard and premium listing segments with a single listing segment which will have categories for different types of companies and securities. The main category for commercial companies will be the ESCC. This category will include sovereign controlled commercial companies.

Other categories include:

- a secondary listing category for international commercial companies
- a transitional category closed to new applicants for certain companies which currently have a standard listing
- a category for special purpose acquisition companies (SPACs) and cash shells
- a category for non-equity shares and non-voting equity shares.

Retained categories are those for equity shares of closed-ended investment funds (CEIFs) and open-ended investment companies and those for other securities such as debt securities, depositary receipts, securitised derivatives and warrants and options.

Equity shares in commercial companies

Financial information eligibility requirements

As set out in CP 23/10, the FCA is proposing to abolish much of the existing financial information eligibility requirements for premium listed securities, including the need for:

- 3 years of historic financials representing 75% of the company's business up to a date no earlier than 6 months prior to publication of the prospectus (and 9 months prior to admission)
- a revenue earning track record
- a clean working capital statement

The FCA notes that there was broad support for these proposals and confirms that the new prospectus regime will require prospectuses to include historic financial information and a working capital statement. Whilst the FCA has not yet consulted formally on the new regime, it is possible that the 6 month / 9 month threshold for financial information before it goes stale is readopted in those rules having been deleted from the eligibility requirements for listing.

Independence and control of business

In CP23/10, the FCA proposed a modified form of the current requirements for a premium listed company to demonstrate that it carries on an independent business as its main activity and has control of its business. However, as a result of feedback, the FCA has dropped these proposals meaning that there will no longer be any eligibility or continuing obligations requirements around independence of business (unless there is a controlling shareholder – see below) or control of business. This will allow a wider range of companies to list in the UK, including royalty companies and companies with a franchise model, which is one of the key objectives of the review and is to be welcomed.

Controlling shareholders

CP 23/10 proposed removing much of the current premium listing eligibility requirements around the independence of a listed company from a controlling shareholder. However, as a result of feedback, the FCA has decided broadly to retain much of the existing regime. In particular, the requirement for companies with a controlling shareholder to demonstrate that they can carry on their main business activity independently from the controlling shareholder will be retained. The continuing obligations to have a relationship agreement with mandatory independence provisions and to have a constitution that allows for votes by independent shareholders for election and re-election of independent directors will also remain. These proposals seem to contradict one of the main

tenets of the new regime (i.e. that it is a disclosure-based regime without unnecessarily prescriptive rules) but perhaps the FCA views this as a trade-off given concerns from market participants regarding the removal of shareholder votes for related party transactions (see below).

Dual class share structures (DCSSs)

As set out in CP23/10, the FCA is proposing a more flexible approach to DCSSs than the current premium listing regime, however, there are some significant changes to the previous proposals as a result of feedback. The new proposals include:

- allowing enhanced voting rights on the majority of shareholder votes
- no sunset clause on enhanced voting rights
- allowing enhanced voting rights to apply to shares held by a natural person
- the removal of limits on the maximum enhanced voting ratio

CP23/10 had suggested that enhanced voting rights could only be held by directors (as is currently the case) whereas the proposal is now for any natural person to be able to hold them (so not institutional investors). The FCA has extended the list of shareholder votes to which enhanced voting rights cannot apply from the previous consultation to include cancellation of listing and transfer of listing category as well as the approval of offers at a discount of more than 10 per cent as previously proposed.

Significant transactions

CP 23/10 proposed that significant transactions do not need to be approved by shareholders. Currently companies must publish a class 1 circular containing significant disclosures on the target/ disposed asset, including in most cases 3-year IFRS financials compiled using the same accounting policies as the listed company. Instead, transactions where a 25 per cent. class test threshold is met will, under the new proposals, require a company to publish an announcement only.

However, in a significant change to the previous proposals, the announcement will need to contain certain specified information as well as the information currently required in a class 2 announcement and any information required to be published under MAR. The aim of including the specified information in the announcement is to ensure that investors have a clear understanding of why the board has decided to proceed with a transaction. Accordingly elements of the current regime which do not assist with that goal, such as a working capital statement and requirements around profit forecasts, will no longer be required.

The specified information includes 2 years' audited financial information on the target being acquired or disposed of. Whilst the financial information has to include a balance sheet, income statement and cash flow statement and supporting notes and an auditor report, it does not need to be restated in the accounting policies of the issuer (something that is required by the current rules and can be very onerous), nor, it would appear, does it need to be presented in accordance with IFRS. There does, however, have to be an explanation of the proposed accounting treatment of the target's financials in the issuer's next audited consolidated accounts. Where financial information is not available, the notification needs to include a statement by the board that the information is not available, an explanation as to how the value of the consideration has been arrived at and a statement by the board that it considers the consideration to be fair as far as the security holders of the company are concerned.

In addition to the financial information, an issuer is also required to include risk factors, information on litigation, material contracts and significant change in much the same way as it currently does in a class 1 circular. Some of

these requirements arguably go beyond the aim of ensuring that an investor has a clear understanding of why the board has decided to proceed with a transaction and could be deleted (for example, disclosure of related party transactions, material contracts and litigation), noting that there is an overarching MAR disclosure requirement in any event.

There are also detailed disclosure requirements around any disclosed potential synergies resulting from the transaction that align with the current class 1 requirements.

The announcement that is required to include this disclosure must be made as soon as possible after agreeing the terms of the significant transaction which, in our view, may not be workable in practice. Under the current regime, it is often the case that the shareholder circular containing similar information is published some time after the agreement is signed and the initial announcement contains little more than the class 2 requirements and what is required under MAR. Preparing more lengthy disclosure to be made at the time the transaction is agreed may be difficult for issuers. This might be worth more thought by the FCA. An alternative approach might be that the information which is not inside information is published as soon as practicable but in any event prior to completion (in much the same way as it is under the current regime).

There will be no need for a sponsor to provide a declaration on the announcement containing this disclosure and it will not be reviewed by the FCA. However, a sponsor will be required if an issuer seeks guidance in relation to a significant transaction or requests an FCA waiver or modification in relation to the class tests.

If the transaction is not "significant" (i.e., it does not meet the 25% threshold) there will be no mandatory disclosure requirements other than under MAR. It seems to us a little unnecessary to dispense with the class 2 disclosure requirements for smaller, yet often still significant transactions. The class 2 requirements, in our view, set out a helpful guide to issuers as to what details should be provided to investors. Now it will be more subjective and issuers will only be required to disclose those details that amount to inside information.

As set out in CP23/10, the class tests will be amended to remove the profits test as the FCA considers it frequently produces anomalous results, a change we think will be widely welcomed.

In a further welcome change, the FCA is proposing to provide guidance on what is an ordinary course transaction and therefore falls outside of the significant transaction regime. Under the new rules:

- regular trading activities
- commercial arrangements
- purchases commonly undertaken as part of the existing business or within the industry sector
- capital expenditure to support, maintain, add scale or in line with business strategy

will be outside of the significant transactions regime. This will mean that some anomalies in the current rules are removed whereby, for example, airlines are required to seek shareholder support to acquire more planes and property companies are required to do the same to acquire large properties.

Reconstructions and refinancings and share buybacks

The FCA is now proposing that the concept of reconstruction and refinancing transactions is deleted from the Listing Rules. Currently these transactions require a shareholder circular and working capital statement. The reason for the deletion is that the requirements are not needed in the context of company and insolvency legislation, MAR and fiduciary duties. A company facing financial difficulty which undertakes a

significant transaction will nevertheless have additional disclosure requirements in the announcement regarding the transaction. In another change, share buyback circulars, where required, will no longer need a working capital statement. Accordingly, a sponsor will not be required for a buyback circular going forward.

Related party transactions (RPTs)

As set out in CP23/10, the FCA is proposing that the mandatory independent shareholder vote for RPTs is deleted together with the disclosure requirements and fair and reasonable confirmation for smaller RPTs.

Instead, an announcement will only be required under the Listing Rules for RPTs at or above the 5 per cent. class test threshold, which should include a statement by the board that the RPT is fair and reasonable so far as the security holders of the company are concerned and that the directors have been so advised by a sponsor. However, in a departure from the CP23/10 proposals, an issuer will not be required to seek the guidance of a sponsor where it is proposing to enter into a transaction which may be a RPT.

As with significant transactions, the FCA is proposing new guidance on the exemptions for transactions within the ordinary course of business and the profits test would no longer apply.

Importantly, the FCA is proposing to change the definition of substantial shareholder (which feeds into the related party definition) from a shareholder who holds 10 per cent. or more of voting rights to 20 per cent. or more of voting rights in response to feedback that the current threshold is too low. In the alternative, the FCA is suggesting that the related party definition could be the same as the UK-adopted IFRS definition used in DTR 7.3. As noted by the FCA, this change may extend the range of transactions to which the rules apply but would assist issuers by aligning the listing rules with similar disclosures which need to be made in accounts to comply with UK-adopted IFRS. If this approach was implemented, we suggest that the guidance on what constitutes a transaction would need to exclude transactions with subsidiaries as the IFRS definition of related parties includes subsidiaries (unlike the current Listing Rule definition).

The FCA has also responded to feedback stating that having two parallel but slightly different regimes in the Listing Rules and DTR 7.3 is overly complex by stating that issuers who are listed on the ESCC category will not need to comply with DTR 7.3.

Other matters

The FCA is proposing that all companies listed on the ESCC category should explain how they have applied the UK Corporate Governance Code (UKCGC) principles and whether they have complied with its provisions (as is currently the case). Some feedback to CP23/10 had requested some flexibility for smaller companies and overseas companies, however, the FCA's view is that the UKCGC is the appropriate standard and that it gives opportunity to companies to "explain" where necessary. The FCA also notes that some issuers could use an alternative code as a stepping stone. It should be noted that some respondents to the recent consultation on the UKCGC by the Financial Reporting Council noted that "comply or explain" did not work in practice as notwithstanding that "explaining" non compliance with the provisions is permitted, it is perceived negatively by investors.

All companies listed on the ESCC category will, as anti-dilution protections, have to put in place pre-emption rights and seek shareholder authority for non-pre-emptive share issuances at a discount of 10 per cent. or more. Annual report disclosure around TCFD and diversity will, amongst other things, also be a requirement for companies listed on the ESCC category.

International commercial companies

The FCA is proposing a new category for equity shares of non-UK incorporated companies with a secondary listing in the UK. There will be specific eligibility requirements (which will also be continuing obligations) for this category, including that the applicant must have equity shares admitted to trading on an overseas regulated market. Companies in this category will not be required to comply with the UKCGC or pre-emption rights as is the case for standard listed companies currently. The draft rules are not yet available and will be published later in Q1. The FCA notes that further tailoring of these rules may be needed, depending on responses.

CEIFs

The FCA is proposing to carry forward the separate listing category for equity shares of CEIFs. Although the draft rules will not be available until later in Q1, the FCA states that the intention is broadly to retain the current LR15 eligibility and continuing obligations requirements. For example, shareholder approval and an FCA approved circular will be required for transactions outside the investment policy which are 25 per cent. or more on the class tests. However, there will be no notification requirements for class 2 transactions as will be the case for the ESCC category.

As now, transactions with the investment manager or any member of its group would be subject to the RPT regime and would therefore require a sponsor fair and reasonable opinion if the ratio on the class tests is 0.25 per cent. or more and additionally, an FCA approved shareholder circular where the ratio is 5 per cent. or more. However, there will be a change for transactions with a related party that fall within the investment policy. A sponsor fair and reasonable opinion will be required where the ratio is 0.25 per cent. or more but there will be no requirement for shareholder approval if the ratio is 5 per cent. or more. The sponsor role will apply to CEIFs and a sponsor will be required for guidance and waivers and modifications of the Listing Rules.

SPACs/shell companies

There will be a new category for equity shares for special purpose acquisition companies (SPACs) and other shell companies. The draft rules are expected later in Q1 but the proposals will be based on the current SPAC provisions introduced in 2021 with some additional eligibility requirements, including a constitution that requires a reverse takeover within 24 months of admission, otherwise the issuer must wind up the company. This timetable may be extended by 12 months in certain circumstances. There will also be new requirements around a reverse takeover (to be defined as an "initial transaction").

Equity shares (transition)

The new equity shares (transition) category will maintain the status quo for standard listed companies who are not eligible for the international or SPAC/cash shell category and do not want to step up to the ESCC. This category will be closed to new applicants. There will be no end date for this category although it should be noted that the FCA will keep the category under review and may seek to wind it down in the medium term if the number of issuers decreases. The draft rules for this category are not yet available and will be published later in Q1 but they are expected to be in line with the current standard listing rules for equity shares.

Listing Principles

There will be a new set of listing principles which will combine the current Listing Principles and Premium Listing Principles and will apply to all the listing categories. CP23/10 had stated that the FCA were considering new requirements for a listed company to have appropriate arrangements in place for storage of information, however, the FCA has now dropped this and instead there will be guidance to clarify what

adequate arrangements would include as well as guidance that the directors should take reasonable steps to ensure that the company is governed in a way that enables it to comply with Listing Principle 1 (adequate systems and controls) and to ensure that its directors deal with the FCA in an open and co-operative manner. In addition, the FCA will require a board confirmation on an IPO, confirming, amongst other things, that the company has appropriate systems and controls and that it is satisfied that the company's record keeping arrangements enable the company to comply with any requests from the FCA. This may prove controversial in practice, particularly with non-executive directors who are new to the company. The draft rules in relation to the Listing Principles are not yet available and will be published later in Q1.

Sponsor regime

Companies listing on the ESCC, CEIF and SPAC/cash shell categories will require a sponsor. The sponsor regime will not apply to issuers on the new international secondary listing category.

The role of sponsor on an IPO will remain broadly similar to that under the current premium listing regime, save that there may be an additional degree of complexity that sponsors need to consider when undertaking due diligence regarding eligibility and ability to comply with ongoing requirements given the different types of company that would be eligible to list.

The "touch points" for when a sponsor will be required post listing will be reduced given the changes to the significant transaction and RPT regimes although sponsors will still be required where necessary to provide advice on the class tests and modifications and waivers of the Listing Rules. It is envisaged that sponsors will also be required where a company seeks to move between the ESCC, SPAC/cash shell and CEIF categories or "step up" to such categories.

CP23/10 suggested that sponsors could have an expanded role in relation to class tests, with more discretion to modify the class tests. Interestingly, respondents were not in favour of this, stating that the FCA should remain the arbiter and therefore this proposal has not been taken forwards.

	Current sponsor regime	Proposed sponsor regime
IPOs	Sponsor declaration	Sponsor declaration
Class 1 transactions	Guidance on application of class tests; sponsor declaration	Guidance on application of class tests (if necessary)
Reverse takeovers	Various confirmations Sponsor declaration	Sponsor declaration
RPTs	Guidance on application of class tests; "Fair and reasonable" advice	Guidance on application of class tests; "Fair and reasonable" advice
Further issues	Sponsor declaration	Sponsor declaration
Refinancing and reconstructions	Sponsor declaration	X
Share buy-backs with circular	Sponsor declaration	X
Transfer of listing category	Sponsor declaration	Sponsor declaration

As a result of the proposed changes, there will be less sponsor transactions so the FCA is proposing making amendments to the competency regime to enable it when assessing a firm's ability to act as sponsor to consider a firm's experience of other types of transaction that do not require a sponsor declaration such as general corporate advisory work and acting as nominated adviser for AIM companies with a market capitalisation over £30 million. This will require a more case by case assessment of competence by the FCA. These proposed changes seem sensible given the changes to the sponsor regime. The consultation in relation to the sponsor competency changes closes on 16

February 2024 (ahead of the main consultation) as these rule changes will be implemented before the broader proposed reforms.

The FCA states in relation to sponsor record keeping that it is not proposing any changes to the rules or the guidance, however, it wants to avoid a disproportionate administrative burden for sponsors and that this is something that the FCA will take forward as part of on-going engagement with sponsors. The FCA comments helpfully on flexibility and proportionality, and the implication of these comments together with remarks in Primary Market Bulletin 46, suggest that the FCA wants to help sponsors, without necessarily seeing a need to change the rules. It is also worth noting that the FCA's views of sponsors are complimentary, stating that sponsors provide support and high-quality advice to issuers which helps safeguard market integrity and protect investors.

Decision time for issuers?

As can be seen from the above, the new rules are starting to take shape and whilst we await draft rules for the non-ESCC categories, there is now enough information for currently listed issuers, companies with shares quoted on AIM and companies contemplating an IPO to consider their options.

For premium listed companies, the decision will in most cases be straightforward as the FCA will automatically move them straight across to the ESCC on the implementation date (see below).

Whilst an ESCC listing will not be as onerous as a premium listing, standard listed companies considering a "step up" should consider whether the benefits of an ESCC listing outweigh the additional requirements, including a shareholder vote on cancellation of listing, additional disclosure around transactions, restrictions on issuing new shares at a more than 10 per cent. discount, adherence to the UK Corporate Governance Code, compliance with the controlling shareholder regime (where relevant) and the need for a constitution that protects pre-emption rights.

Finally, what should AIM issuers do? Under the new proposals, the rules for the ESCC on balance remain more burdensome than AIM, although there is no requirement for a nominated adviser. AIM companies may be put off by the disclosure requirements for a significant transaction and the rules around discounts on further issuances, the need to adhere to the UK Corporate Governance Code and TCFD disclosures. However, if the ESCC opens up more liquidity and access to FTSE indexation, it remains an interesting option for larger AIM issuers.

Equally, AIM (through the designated markets route) might be a viable alternative for existing standard listed companies who do not want to step up to the ESCC and cannot move to the international secondary listing category, but equally do not want to remain on the closed transition category.

Prospective issuers with a longer timetable for IPO should also bear in mind that the UK prospectus regime is also changing, albeit after the changes to the listing regime take effect. Those changes have not been formally consulted on yet by the FCA and will not take effect until H1 2025 but may encompass changes to the prospectus format and content on an IPO.

Transitional provisions and mapping

All companies with securities admitted to the Official List will be notified by the FCA as to which category the FCA is intending to map them to and will have 4 weeks to discuss with the FCA should they wish to move to an alternative category. Existing premium listed issuers will simply map over to the new ESCC or the new funds categories as appropriate. Standard listed companies that the FCA determine can comply with the international secondary listing category or SPAC/cash shell category will automatically move on implementation of the new rules.

All of these companies will have 6 months to put in place revised policies and procedures to comply with the continuing obligations of their new category.

Other standard listed companies with shares who do not meet the requirements of any other category will move to the closed transition category and continue to comply with the existing standard listing segment rules.

If companies want to move from another category to the ESCC after implementation of the new rules, the FCA says that those issuers, as long as they have been admitted for at least 18 months, have not had securities suspended or undergone a significant change to the business during that time, can take advantage of a streamlined eligibility review that will be focussed only on those eligibility requirements for the ESCC which are additional to those for the existing standard listing segment. The issuer will need to appoint a sponsor, but will not be required to seek shareholder approval for. For the avoidance of doubt, they will not need to produce a prospectus.

An issuer on the transition category seeking to move to the new international listing category or the SPAC/cash shell category should also be able to benefit from the streamlined transfer process, assuming the clean 18 month record. Note, however, that a company moving to the SPAC/cash shell category would need to appoint a sponsor, but a company moving to the new international listing category would not. Again, there will be no need to issue a prospectus to make the move.

In terms of transactions straddling the commencement date of the new regime, the implementation of the new rules may cause issues. For IPOs, the FCA has said that if a complete submission for an eligibility review has been submitted prior to 4 p.m. on the date the final rules are published the IPO will be treated under the existing rules. The company would then be admitted and simply map across to the relevant new category as with existing issuers with securities admitted to the Official List. If the eligibility submission is not complete at that time, the issuer will have to apply under the new eligibility requirements for the relevant category. The FCA has said that this should not be problematic for a company initially seeking a premium listing, as changing to the ESCC should not be more onerous. However, the issuer would have to amend its proposed policies and procedures to reflect the new rules which, whilst the ESCC obligations are less onerous, will require some redrafting (companies already admitted are to be given 6 months to change their policies and procedures). The board will also now have to give a confirmation to the FCA on the company's ability to satisfy Listing Principle 1 etc as set out above.

For companies seeking an IPO with a standard listing of shares before the new rules come into force, and who fail to complete their eligibility submission before the cut-off time, the effect will be significant. Unless the company can be admitted to the international listing category (which may be easier), the company may instead have to seek an ESCC listing which would mean it would have to appoint a sponsor, revise all of its policies and procedures to comply with the additional requirements of the ESCC, potentially change its articles of association and even appoint further board members to put in place the necessary corporate governance structures.

Finally, if an existing premium listed issuer is part way through a transaction that has not yet completed by the time the new rules are implemented, the issuer will no longer be required to comply with the premium listing requirements. This means, for example, that if a premium listed company had announced a class 1 transaction but had not yet received shareholder approval, it will not be necessary for it to do so as long as it published all the disclosure required under the new rules.

Timetable

The consultation relating to changes to sponsor competency rules will close on 16 February 2024, with the main consultation closing on 22 March 2024. As mentioned above, a second tranche of draft rules is expected later in Q1, however, the closing date for feedback on this second tranche will also be 22 March 2024. Subject to further feedback, the FCA's aim is to have a new regime in place for the beginning of H2 2024. There will be a period of two weeks between the publication of the final policy statement and the new rules coming into force.

We also expect a FCA consultation paper on proposed prospectus reforms in H2 2024 with final rules to come in H1 2025.

Concluding remarks

The finish line for the UK listing review process is now in sight and we await the final rules with anticipation. The proposed new rules undoubtedly makes significant and broadly positive changes to the current regime, however, as other commentators have noted, including the FCA itself, the listing regime is not the only piece to the jigsaw. If UK capital markets are to be successful, there is a need to incentivise investment in securities and put in place the right market infrastructure.

We still have to hear from FTSE Russell as to whether they are supportive of the FCA's changes or whether they will require additional requirements for indexation in addition to simply inclusion in the ESCC category and this will be key as to whether the reforms are successful.

A further unknown is how AIM will respond to the new regime. As set out above, there is perhaps more of a distinction between the ESCC listing rules and the current AIM rules than had previously been the case with the regime outlined in CP23/10, so whether AIM needs to make any changes remains up for debate.