

# UKLA Publications LIST!



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## Introduction

Welcome to this special edition of List! published to coincide with our first Consultation Paper (CP203) on the Listing Review. In this edition, we highlight the main proposals in the CP, consider the next steps and explain how you can contribute to our consultation.

## Background

The aims of the Listing Review are to:

- simplify and modernise the listing regime;
- take into account the changes being proposed to the European regulatory framework and company law; and
- ensure that the UK continues to offer a regime that provides an appropriate level of regulation, and the flexibility and transparency to raise capital on the London markets.

Last year, we published a Discussion Paper (DP 14) on the Listing Review, setting out some preliminary ideas. We then published a Feedback Statement in January 2003 summarising the responses, which we found very helpful in developing our proposals for the CP.

We have also worked closely with issuers, firms and investors through our Consultative Committee and 'Theme Teams' to help us formulate our proposals. We are very grateful for your valuable contribution so far to the Listing Review. We hope that if you have not yet been involved, you will respond to our consultation.

## Key proposals

The CP sets out our policy proposals, not draft rules, which will be published next year. In developing our proposals, we have built on the strengths and perceived success of the UK listing regime (as set out in the PwC Report that we commissioned to compare listing regimes in different jurisdictions), while recognising that improvements could be made in some areas.

There are several key proposals:

- A set of high level **Listing Principles**. These will inform the Listing Rules and be enforceable like our other rules. The Listing Principles cover matters such as an issuer taking all reasonable steps both to enable its directors to understand their responsibilities under the Listing Rules, and to establish and maintain adequate procedures, systems and controls to enable it to comply with those Rules. They also cover communicating with shareholders in a clear and timely manner. We believe that the introduction of Principles will help us to simplify the rulebook.
- A **restructure for the listing sourcebook**, to make it easier to navigate. We intend to consolidate the separate volumes of rules and guidance and, where we can, to reduce the number of rules. The sourcebook will be made more consistent with the rest of the FSA Handbook and will be divided into three sections: Equity, Debt and Financial Products.

- A consultation on the importance of retaining **super-equivalent eligibility requirements** for equity issuers (standards in the Listing Rules higher than those required by European legislation, such as a three-year ‘track record’).
- We have developed separate proposals for **debt issues**. For specialist debt issues, we are consulting on removing the requirement for a two-year track record, although issuers would still be required to produce two years’ accounts (or such shorter period as they have) to comply with the Prospectus Directive. For non-specialist debt issues, we propose moving to a requirement for a two-year trading record supported by audited accounts, and removing the requirement for a working capital statement. We believe these changes would help to stimulate the UK non-specialist debt market.
- A requirement for **overseas issuers** with a primary listing to conform to the same standards as UK issuers. Secondary listed issuers would be required to comply with the standards set by the relevant European directives.
- We recommend that all issuers should prepare an **Operating and Financial Review (OFR)** in line with the proposed DTI regulations. We believe that listed companies should be at the forefront of best practice in this area.
- A consultation on us being given the **power to disqualify a director of a listed company**, where that director has been involved in a serious breach of the Listing Rules. This would require legislation. We already have a similar power to withdraw approval or obtain a prohibition order where a person is not fit and proper to work in the financial services industry. However, we consider that we should have an equivalent power where a director’s conduct is so inappropriate that he is no longer fit to be the director of a listed company.
- Keeping **super-equivalent continuing obligations requirements** (ongoing requirements in the Listing Rules over and above those required by European legislation), such as the class test regime, (subject to minor amendments) requiring equity issuers to obtain shareholder approval for major transactions.
- Introducing a new requirement for companies to obtain shareholder approval where an issuer intends to **delist**. We are concerned that the present regime (under which an issuer is required to produce a circular for information only) does not provide adequate protection to minority shareholders.
- **Streamline the Model Code** to ensure appropriate implementation of the Market Abuse Directive.
- Implement a **more flexible approach to the presentation of financial information**, so that issuers may include both audited and non-audited figures, provided they disclose the source of information. We also propose to remove the requirements for prospective financial information, such as profit forecasts to be ‘reported on’, except where such information is in a prospectus.
- A consultation on the options of either keeping the obligation to have a **sponsor** for new issues and major transactions, or abolishing the mandatory requirement to have a sponsor in these circumstances and leaving issuers the choice of whether or not to have a sponsor. We intend to clarify the sponsor regime (for example by a Code of Practice) and adopt a robust enforcement approach where firms fail to meet the required standards. We are also keen to widen the pool of possible sponsors, and we are consulting on whether our eligibility criteria that employees of sponsors need to satisfy are too restrictive.

## Timetable

The consultation period runs until 31 January 2004. There is a copy of the CP on our website at [www.fsa.gov.uk](http://www.fsa.gov.uk). To obtain early feedback on the CP, we will be holding a series of meetings in November and December with interested parties on key topics. These are likely to include super-equivalence, issues arising from the dissemination of price-sensitive information and sponsors. If you are interested in attending one of these meetings, please let us know by contacting Richard Brearley on 0207 066 1236 or by email at [richard.brearley@fsa.gov.uk](mailto:richard.brearley@fsa.gov.uk)

In addition the FSA Annual Listing Conference will take place on 5 November at the Queen Elizabeth II Conference Centre. For further information please contact City and Financial on 01483 720 707

In the next phase of the Listing Review, we will be developing our proposals in more detail and reviewing the individual rules. Having taken into account the consultation responses received, we intend to publish a feedback statement and a further CP with draft rules in the third quarter of 2004. Finalised rules should then be published in spring 2005 for implementation in summer 2005. This timetable is consistent with the implementation of the Prospectus Directive, and if that Directive is delayed it is likely that the timetable for the Listing Review would also need to be postponed.

We will develop our proposals on the dissemination of price-sensitive information in line with the timetable for the implementation of the Market Abuse Directive. We plan to publish a separate CP dealing with this Directive next summer when the position on implementation is clearer.

## The end result – and how you can help us

We want to produce a rulebook that is shorter and easier to use, and takes into account the latest regulatory and market developments. We think the rules should reflect the best features of the UK market, while recognising (and promoting) improvement and innovation. But we need your help to do this.

We are committed to continuing our extensive consultation programme as the Listing Review progresses. So please respond to our CP, or let us know if you are interested in attending one of the planned meetings on key topics. If you don't have time to do this, please let us know if there are particular rules that you don't understand or could be improved, or that you think we could remove. And, please also let us know if you think there are certain areas that the Listing Rules ought to address but are not covered at present. We look forward to hearing from you.

