

Insights

## FCA PUBLISHES FINAL LISTING RULES ON SPONSOR COMPETENCY

29 April 2024

### SUMMARY

Following on from the consultation at the end of 2023, the FCA has published its changes to the Listing Rules sourcebook, chapter 8 (sponsors), which take effect immediately. The changes focus on how a sponsor or a person applying for approval as a sponsor is required to demonstrate their competence. The FCA has largely adopted the rules and amendments to the three Technical Notes on sponsor competency proposed in [CP23/31](#) but with some minor amendments to reflect feedback received.

The FCA has also published [Primary Market Bulletin No.48](#) which is focussed on consulting on changes to existing technical notes that the FCA consider are the most essential in supporting the understanding of the new UK Listing Rules or most frequently used. Notably, the FCA states that it expects to:

- send notifications to issuers **mid-May** explaining where they expect to be mapped to should the proposals be implemented; and
- seek board approval of the final UK Listing Rules at the board meetings on either 27 June or 25 July. If the FCA is sticking to its original timetable and the rules are approved at one of these Board meetings, the final policy statement would subsequently be published with an implementation period of 2 weeks before the new rules come into force.

### SPONSOR COMPETENCY RULES

In the FCA's [previous consultation paper](#), it proposed to amend the sponsor competence requirements by:

1. extending the requirement for a sponsor to have submitted a sponsor declaration to the FCA from within the previous 3 years to within the previous 5 years; and

2. for sponsors and persons applying for approval as a sponsor that are unable to satisfy the above, allowing competence to be demonstrated through experience gained from providing corporate finance advisory services in the previous 5 years to issuers with:
- securities admitted (or proposed to be admitted) to a UK recognised investment exchange; and
  - market capitalisation of at least the amount specified in LR 2.2.7R (currently at least £30 million).

Following feedback, the FCA has amended its proposed changes to the Listing Rules sourcebook to:

- clarify that for closed-ended investment funds the market capitalisation requirement referred to in (2) above will be £700,000 to reflect the corresponding market capitalisation requirements in LR 2.2.7R(1A) for this type of issuer;
- clarify that only sponsor declarations and not any declaration or confirmation given by a sponsor to the FCA will be accepted for (1) above; and
- include guidance to confirm that sponsor experience that does not require a sponsor declaration will be taken into account in determining whether a sponsor has provided sufficient relevant corporate finance advisory services within the previous 5 years.

The FCA has also published three revised Technical Notes on sponsor competency reflecting the new rules. The amendments to chapter 8 of the Listing Rules sourcebook and the Technical Notes have been implemented with immediate effect.

## **PRIMARY MARKET BULLETIN NO. 48**

This publication consults on consequential amendments to the FCA Knowledge Base to reflect the Listing reforms and includes a draft of the new Board Confirmation form for issuers at admission. Comments are required by 26 May 2024.

## **TIMING FOR UK LISTING RULES**

If the FCA maintains its original proposals regarding the two-week implementation period, the new UK Listing Rules could be in force by either mid-July or mid-August depending on when FCA board approval is obtained. The timing will be pertinent to issuers who are undertaking mid-flight transactions around these times. For example, an issuer undergoing a transaction currently classified as Class 1 and which requires a sponsor and shareholder approval would no longer be subject to these requirements once the new rules are implemented.

## **RESOURCES**

[Listing Rules Instrument with new rules on sponsor competency](#)

## Primary Market Bulletin No.48

Revised Technical Notes for sponsors:

TN 709.4 – sponsor transactions – adequacy of resourcing

TN 714.4 – guidance on the competence requirements set out under LR 8.6.7R(2)

TN 715.3 – practical implications of competence requirements for sponsors and applicants

### **RELATED PRACTICE AREAS**

- M&A & Corporate Finance
- UK Public Company
- Securities & Corporate Governance

## MEET THE TEAM



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