



## PRIMARY MARKETS EFFECTIVENESS: 2<sup>ND</sup> TRANCHE UKLR

Issued 2 April 2024

ICAEW welcomes the opportunity to comment on the Primary Markets Effectiveness 2nd tranche UKLR published by FCA on 7 March 2024, a copy of which is available from this [link](#).

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## MAIN POINTS

1. ICAEW welcomes the opportunity to review the updated draft UK Listing Rules (UKLR) instrument, published by the FCA. Our comments on the proposed rules and transition arrangements should be considered together with [our response](#)<sup>1</sup> to the FCA's consultation, CP 23/31.

## UKLR

2. The guidance on Listing Principle 1 and the Board's confirmation in UKLR 20.3.1R should also include confirmation that the directors have established procedures which provide a reasonable basis for them to make proper judgements on an ongoing basis as to the financial position and prospects of the applicant and its group. This is consistent with Listing Principle 1 and aligned with the sponsor's declaration in UKLR 24.3.2.
3. At the date when UKLR come into effect, the FCA proposed that issuers with mid-flight transactions that have not yet issued a circular will be required to comply with the FCA's proposed enhanced notification requirements. If these are adopted as set out in CP 23/31, they will create an additional burden on issuers and, in our view, the FCA will need to exercise flexibility in what it requires in such cases. We also observe that ICAEW's alternative model for disclosure, which was included in our response to CP23/31, would not result in this burden for issuers with mid-flight transactions. We reiterate that ICAEW is ready to discuss the alternative model with the FCA and other interested parties.
4. We are concerned that UKLR 24.3.13R(4) is not applied for issuers transferring from the Transition category to the Equity Shares Commercial Companies category. This means that, in contrast to new applicants to ESCC, a sponsor will not be required to make a declaration that a Transition issuer's directors have established procedures which provide a reasonable basis for them to make proper judgments on an ongoing basis as to the financial position and prospects (FPP) of the company and its group. Is it the FCA's intention that Transition issuers should bypass the assessment of procedures? How will the FCA ensure that Transition issuers undertake appropriate improvements to their FPP procedures before transferring to the ESCC?

## Implementation

5. We are concerned with the short notice of implementation of the UKLR. This increases uncertainty around a transaction and creates a burden as described above. The extent of change to the listing regime will have an impact on issuers and require familiarisation by advisers and investors that should not be underestimated. Moreover, the market needs to evaluate and absorb the Technical and Procedural Notes that are expected to be published in April and June. Advisers will be simultaneously getting to grips with new rules while advising issuers - by not building in a reasonable implementation period, the FCA will inevitably be faced with a significant volume of requests for guidance.
6. To help the market prepare for implementation the FCA should publish its feedback statement as soon as possible and before it publishes the final UKLR. The FCA should also consider how other market participants including professional bodies might support implementation, including with publication of market guidance. Overall, we recommend that the implementation period is extended to two to three months.

<sup>1</sup> [Primary Markets Effectiveness Review CP 23\\_31 \(icaew.com\)](#)