

UK Secondary Capital Raising Review

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On 12 October 2021, HM Treasury launched an independent expert review that will make recommendations on improving the UK capital raising process for listed companies. The UK Secondary Capital Raising Review is scheduled to provide a report and recommendations to the government in spring 2022.

[The UK Secondary Capital Raising Review \(the Review\)](#) has been commissioned by HM Treasury in response to a recommendation made by the UK listing review (led by Lord Hill) in March 2021 to re-establish a review group to consider how to improve the efficiency of further capital raising by listed companies, with a focus on fully pre-emptive offers (such as rights issues and open offers) which aim to preserve, so far as is possible, the interests of a company's existing shareholders. A review group was first established in the aftermath of the financial crisis in 2008 to make recommendations to improve the efficiency and orderliness of rights issues. The Review will reconsider the 2008 group's outstanding recommendations, particularly in terms of capital raising models used in other jurisdictions such as Australia, in light of technological advances since 2008.

As a starting point for the Review, [a call for evidence](#) has been issued inviting views from all interested parties (including market participants and expert practitioners) generally in relation to secondary capital raisings in the UK and how they can and should be reformed to improve the process for both issuers and investors.

In particular, the call for evidence focuses on the following seven key issues:

1. Whether, and how, the overall duration and cost of the existing UK rights issue process can and should be reduced.
2. Whether, and how, new technology should be used in the capital raising process to ensure that shareholders receive relevant information in a timely fashion and are able to exercise their rights.
3. Whether there are fund-raising models in other jurisdictions (such as Australia) that should be considered for use in the UK.
4. Whether the greater transparency around short selling that was introduced after the financial crisis has benefited the rights issue process and whether there is more that can and should be done in this area.
5. Whether there are any refinements that should be made to the undocumented secondary capital raising process in light of recent experiences during the COVID-19 pandemic.
6. Whether there are any other recommendations made by the rights issue review group in 2008 that should be investigated further.
7. Whether there are any other ways in which the secondary capital raising process in the UK should be reformed.

The call for evidence is open until 16 November 2021. Once it has closed, the Review will hold a series of discussions with interested parties to explore the issues raised further. The Review will then report to HM Treasury in spring 2022. It has been acknowledged that there may be some interconnection between the recommendations of the Review and the

government's ongoing UK prospectus regime review which is considering, among other things, prospectus content requirements and measures to eliminate disincentives to wider participation in listed companies stemming from the public offering rules set out in the prospectus regime.

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If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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