

FCA confirms new Listing Rules to boost growth and innovation on UK stock markets

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On 3 December 2021, significant changes to the UK Listing Rules came into force focused on making the UK public markets more attractive for listing fast-growing companies, including in the technology and life sciences sectors.

The reforms, which are set out in Financial Conduct Authority (FCA) [policy statement PS21/22](#), follow recommendations made in [Lord Hill's UK Listing Review \(March 2021\)](#) and the [Kalifa Review of UK Fintech](#), and are consistent with the consultation paper published by the FCA in [July 2021 \(CP21/21\)](#).

The key changes to the Listing Rules include:

- **Allowing a targeted form of dual class share structure within the premium listing segment.** As proposed in the consultation, the new rules introduce a conditional five-year exception to the current rule that restricts votes on matters relevant to premium listing to holders of premium listed shares only. This is intended to enable holders of unlisted weighted voting rights shares, within a specific kind of dual class share structure, to participate in these votes. The exception applies where the class of shares with weighted voting rights satisfies the following conditions:
 - a maximum weighted voting ratio of 20:1
 - weighted voting rights can only be held by directors of the company or beneficiaries of his/her estate
 - weighted voting rights are available only (i) on a vote on the removal of the holder as a director; and (ii) following a change of control, in relation to a vote on any matter (designed to act as a deterrent to a takeover)
- **Reducing the amount of shares an issuer is required to have in public hands ('free float') from 25% to 10%.** As proposed in the consultation, the reduction to the free float required under the Listing Rules applies for both the premium and standard listing segments, both at the time of listing and as a continuing obligation. In light of the reduction from 25% to 10%, the FCA is removing its guidance about the ability to apply for a modification to the rule where the FCA can accept a lower percentage in view of certain factors (for example, by reference to the significance of the company's market capitalisation, number of shares in issue and the extent of public distribution). As a result, the FCA will not accept, as a matter of course, a free float lower than 10% at listing application or as compliance with the continuing obligation. No changes have been made to the rules as to the composition of shares that count for purposes of being in public hands.
- **Increasing the minimum market capitalisation threshold for both the premium and standard listing segments for shares in commercial companies to £30 million.** The listing requirement as to the expected aggregate market value of all securities (excluding treasury shares) to be listed by a proposed issuer has been increased from £700,000 to £30 million (the consultation paper had proposed £50 million). As is currently the case, this rule applies to new listings only and does not apply as a continuing obligation. The minimum market capitalisation requirement for closed-ended investment funds and open-ended investment companies remains at £700,000. Finally, the FCA has introduced certain transitional provisions for proposed issuers that are currently going through listing eligibility review,

and for already listed cash shells and SPACs to benefit from the £700,000 minimum market capitalisation in connection with business combination transactions.

In addition, some more administrative rule changes have been made that remove requirements for the delivery of multiple copies of documents to the FCA now that electronic copies are provided and for making certain documents available for physical inspection in the City of London.

Consistent with the consultation paper, the FCA notes in the policy statement that it will work to explore changes to the existing eligibility requirements for the financial track record of premium listed companies as part of the FCA's work in 2022 on the structure of the listing regime and as part of a wider review of the prospectus regime, with a further consultation to follow in due course.

These latest reforms are part of a broader package of recent rule changes and ongoing consultations, including in relation to SPACs, the prospectus regime, secondary offerings and the structure of the listing regime in the UK, designed to ensure London remains a leading capital market for global high-growth companies looking to go public, and investors allocating capital.

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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.

Leo Borchardt

+44 20 7418 1334
leo.borchardt@davispolk.com

Connie I. Milonakis

+44 20 7418 1327
connie.milonakis@davispolk.com

Will Pearce

+44 20 7418 1448
will.pearce@davispolk.com

Simon Witty

+44 20 7418 1015
simon.witty@davispolk.com

Reuven B. Young

+44 20 7418 1012
reuven.young@davispolk.com

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