

## FTSE Russell announces indicative impact of UK listing regime changes on FTSE UK indices

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FTSE Russell has published a summary of provisional changes to its FTSE UK Index Series Ground Rules to cater for the proposed UK listing regime changes by the Financial Conduct Authority (FCA), and expects companies listed on the proposed new single category for commercial companies and separate category for closed ended investment funds to be eligible for FTSE indexation.

The FCA published its [Consultation Paper \(CP 23/31\)](#) in December 2023 (see our [client update](#)) on proposed changes to the UK listing regime, which are expected to take effect early in the second half of 2024. A cornerstone of the FCA's listing regime reforms is the creation of a new single listing category for equity shares in commercial companies (ESCC) and a separate category for closed ended investment funds, to replace the existing premium and standard segments of the FCA's Official List. FTSE Russell has now said that companies listed on these two new categories are expected to be eligible for the FTSE UK Index Series, and has summarised anticipated updates to its Ground Rules (see FTSE Russell's [summary and FAQs](#)).

### How will the FCA's listing regime changes impact FTSE Russell's Ground Rules?

#### Listing categories

Currently, for securities to be eligible for potential inclusion to the FTSE UK Index Series, they must be listed on the premium segment of the FCA's Official List. When the FCA's listing regime reforms come into effect, the premium and standard listing segments will cease to exist and companies currently listed on the premium segment are expected to be mapped into the new ESCC and closed ended investment company categories, as appropriate. Companies currently on the standard segment are expected to be mapped into the FCA's new transition category, international secondary listings category or shell companies category, as appropriate. As a result, FTSE Russell expects securities listed on the ESCC and closed ended investment company categories to become eligible for inclusion to the FTSE UK Index Series. FTSE Russell has said this approach means the FTSE UK Index Series will continue to meet its objective of capturing the performance of the major capital and industry segments in the UK, while continuing to represent the highest available governance standards and investor protections on the London Stock Exchange.

In addition, FTSE Russell has said that companies listed on the ESCC, transition, and international secondary listing categories will be eligible for inclusion to the FTSE Global Equity Index Series (GEIS) and associated indices, subject to satisfaction of other criteria (replacing the premium and standard segments which are both currently eligible for FTSE GEIS inclusion).

## Dual class share structures (DCSS)

The FCA's proposed reforms will permit DCSS with enhanced voting powers (for matters not otherwise prohibited by the FCA's Listing Rules) and with no maximum weighted voting ratio. FTSE Russell currently requires more than 5% of a company's voting rights to be in public hands for it to be eligible for FTSE indexation. There is no proposed change to this requirement. This means where a UK company has a share class with enhanced voting rights, the enhanced voting ratio will be used in the minimum voting rights calculation to determine whether a company satisfies FTSE Russell's eligibility requirements.

## Are there any other relevant updates to FTSE Russell's Ground Rules?

The FCA's other proposed changes to the UK listing regime are not expected to impact FTSE index inclusion criteria, and FTSE Russell does not intend to introduce any additional inclusion criteria to replicate current premium listing requirements.

FTSE Russell previously updated its Ground Rules in March 2022, following the FCA's changes to its Listing Rules in December 2021, in relation to (i) a reduced minimum free-float requirement of 10% (for UK incorporated companies) and 25% (for non-UK incorporated companies), and (ii) a minimum investable market capitalisation of £30 million (for constituents) and £50 million (for non-constituents).

## What is the expected impact to companies and the composition of the FTSE UK Index Series?

Because of the automatic mapping of companies from the existing premium and standard segments into the new listing categories, there is no expected impact on FTSE constituent companies or the composition of the FTSE UK Index Series on day one of the FCA's reforms being implemented. FTSE Russell has said it is unable to speculate on the longer-term impact on composition of the FTSE UK Index Series, as this will depend on companies electing to transfer to the ESCC category and the longer-term impacts of the FCA's listing regime reforms.

## Next steps?

FTSE Russell has noted that its expected updates to the FTSE Russell Indices and Ground Rules are not final and subject to change depending on further developments or changes announced by the FCA, and FTSE Russell will closely consider all further announcements by the FCA prior to confirming any changes to its index eligibility criteria. The FCA's reforms are expected to come into force early in the second half of 2024 (with the FCA confirming its Listing Rule changes two weeks before their implementation). The FTSE UK Index Series Ground Rules and inclusion criteria are expected to be updated shortly following confirmation by the FCA of its listing regime changes.

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