

FCA publishes final UK listing rules

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On July 11, 2024, the UK's Financial Conduct Authority (FCA) published its final UK Listing Rules, which come into force on July 29, 2024. The new rules represent a major overhaul of the UK's listing regime, seeking to align it with international market standards. The reforms aim to support a wider range of companies to issue their shares on a UK exchange, increasing opportunities for investors.

The new [UK Listing Rules](#) were published together with feedback and responses to the FCA's December 2023 [Consultation Paper \(CP 23/31\)](#) which set out the proposed changes (see our [client update](#)). In implementing a new, simplified, and more competitive UK listing regime, the FCA aims to encourage a wider range of companies to choose to list, raise capital, and grow in the UK, while maintaining high standards of market integrity and consumer protection. These final rules follow extensive engagement, feedback, and analysis of the FCA's proposals with market participants, and represent the culmination of a reform process which commenced in 2021.

Key reforms

The final rules follow largely the proposals set out in the FCA's Consultation Paper (CP 23/31). The key reforms are:

- **Listing categories.** New listing categories will be created, including the flagship single category for Equity Shares in Commercial Companies (ESCC), to replace the previous premium and standard listing segments. A transition category will be introduced for commercial companies currently listed on the standard segment. New categories for international secondary listings and shell companies are also being created. Existing listed issuers will be mapped into the relevant new listing categories.
- **Significant transactions.** The new rules implement a disclosure-based regime, removing the need for shareholder votes on significant or related party transactions. Certain key events such as reverse takeovers or de-listing of shares will still require shareholder approval.
- **Eligibility.** The new rules impose streamlined eligibility criteria, removing the premium-listing requirements for a three-year revenue track record and "clean" working capital statement. Dual-class share structures will be permitted for companies on the ESCC (without sunset restrictions, other than for weighted voting rights held by pre-IPO institutional investors) but may not be exercised on certain matters that adversely impact holders of listed shares (such as certain discounted share issuances and a cancellation of listing).

Updates

The final rules provide for certain changes to the proposals set out in the FCA's Consultation Paper (CP 23/31). Key areas of change from the consultation include:

- **Significant transaction disclosures.** The final rules allow greater flexibility on timing and content of disclosures required for significant transactions. Following market notification upon signing of a transaction, certain further

information can be announced subsequently (as soon as it becomes available), prior to closing. After completion, companies will also have to publish a notification confirming the transaction has taken place. Acquisition announcements will not require audited financial information on the target or a statement regarding the fairness of the consideration.

- **Enhanced voting rights.** Institutional investors (not only natural persons, as previously proposed) will be permitted to hold enhanced voting rights under dual-class share structures. Exercise of such rights by institutional investors will be subject to a 10-year sunset period.
- **Controlling shareholders.** ESCC companies must be independent from “controlling shareholders” holding 30%+ voting rights, but there will no longer be a requirement for any written relationship agreement. A company’s board of directors will instead need to state its opinion in respect of a resolution proposed by controlling shareholders that is considered to circumvent the proper application of the listing rules (to be included in the shareholder circular).
- **Shell companies.** For shell companies and special purpose acquisition companies (SPACs), the FCA has maintained largely the rules that currently apply to these issuers on the standard listing segment, with enhanced eligibility requirements setting time limits within which initial transactions must be completed. The new rules permit shareholders to approve extensions of such time limits (on three occasions of up to 12 months each, extendable for a further 6 months in specified circumstances). The FCA will also revert to a guidance-based approach whereby larger SPACs may voluntarily choose to put in place sufficient investor protections in order to avoid the presumption of suspension.

Next steps

The new rules will come into force on Monday, July 29, 2024. FTSE Russell has indicated previously that ESCC and closed-ended investment fund issuers will be eligible for the FTSE UK Index Series (see our [client update](#) on FTSE Russell’s proposed changes to its Ground Rules). FTSE Russell is reviewing the FCA’s final listing regime changes and will provide an update to confirm changes to the impacted index Ground Rules and eligibility criteria. The FCA will carry out a formal post-implementation review of the new listing regime in five years’ time, to assess the impacts on all parts of the market.

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