

UK government consults on powers to block listings on national security grounds

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The UK government has opened a consultation on proposed powers to allow it to block listings that raise national security concerns. Such proposed powers would give the government the discretionary ability to intervene in all initial equity listings and admissions to UK public markets. The consultation is due to close on 27 August 2021 and the government's formal response and publication of its proposals will follow later in the year.

On 7 June 2021, the UK government opened a [consultation](#) on proposed powers to allow it to block listings that raise national security concerns. This follows on from the government's Economic Crime Plan which identified the possibility, even if only remote, that an issuer could use a UK listing to raise significant amounts of capital to fund initiatives that threaten UK security interests, if, for example, the issuer is a foreign state owned enterprise being used to fund a nuclear weapons programme.

The proposed powers would give the government the discretionary ability to intervene in all initial equity listings and admissions to UK public markets. These powers, however, will not apply to secondary trading and the government will also not have the ability to delist companies that are already listed.

To allow assessment by the government of whether a listing raises national security concerns, it is proposed that issuers be required to make additional disclosures regarding:

- **Issuer corporate information:** legal and commercial name, place of registration and country of incorporation.
- **Business overview:** principal business activities; an overview of the main products and markets in which the issuer competes; a description of any broader corporate group of which the issuer is a part; and corporate information relating to the issuer's various subsidiaries.
- **Management:** an overview of the structure of the issuer's administrative, management and supervisory bodies; information on the members of those various bodies (including employment history and information on any convictions or fraudulent offences in the previous 5 years).
- **Major shareholders:** information on shareholders that directly or indirectly have an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law; details of any previous public sanctions attaching to these shareholders.
- **The offer:** the reasons for the offer and, where applicable, the estimated net amount of the proceeds broken into each principal intended use and presented in order of priority of such uses.

The government does not expect these additional disclosures to present a significant burden for issuers as these are already likely to be made elsewhere as part of the listings process.

This consultation follows on from the recent National Security & Investment Act, which received the Royal Assent on 29 April 2021 and introduces a mandatory filing regime for a wide range of transactions which is expected to be fully operational before the end of this year. This regime is expected to review more than 1,000 deals annually and is further evidence of the government broadening its discretionary powers to intervene in investment activities that raise national

security or other “public interest” concerns.

The consultation is due to close on 27 August 2021. This will be followed by the government’s formal response and publication of its proposals later in the year. These will complement the Hill review recommendations on listings and the upcoming consultation on the UK’s prospectus regime due to be opened later this year.

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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