
The UK IPO Regime – The New Rules in Practice

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Presenters and agenda

Topics for discussion

- Intended objectives and applicability of the new rules
- UK IPO timetable
- Registration document
- ITF announcement
- Analyst process
- Managing conflicts of interest



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Intended objectives and applicability of the new rules

Objectives

Restore the centrality of an approved prospectus to the investment making decision

Create the necessary conditions for unconnected research to be produced more frequently during the IPO process by establishing a level playing field

Enhance standards for investment banks to manage conflicts of interest in the production and distribution of independent research

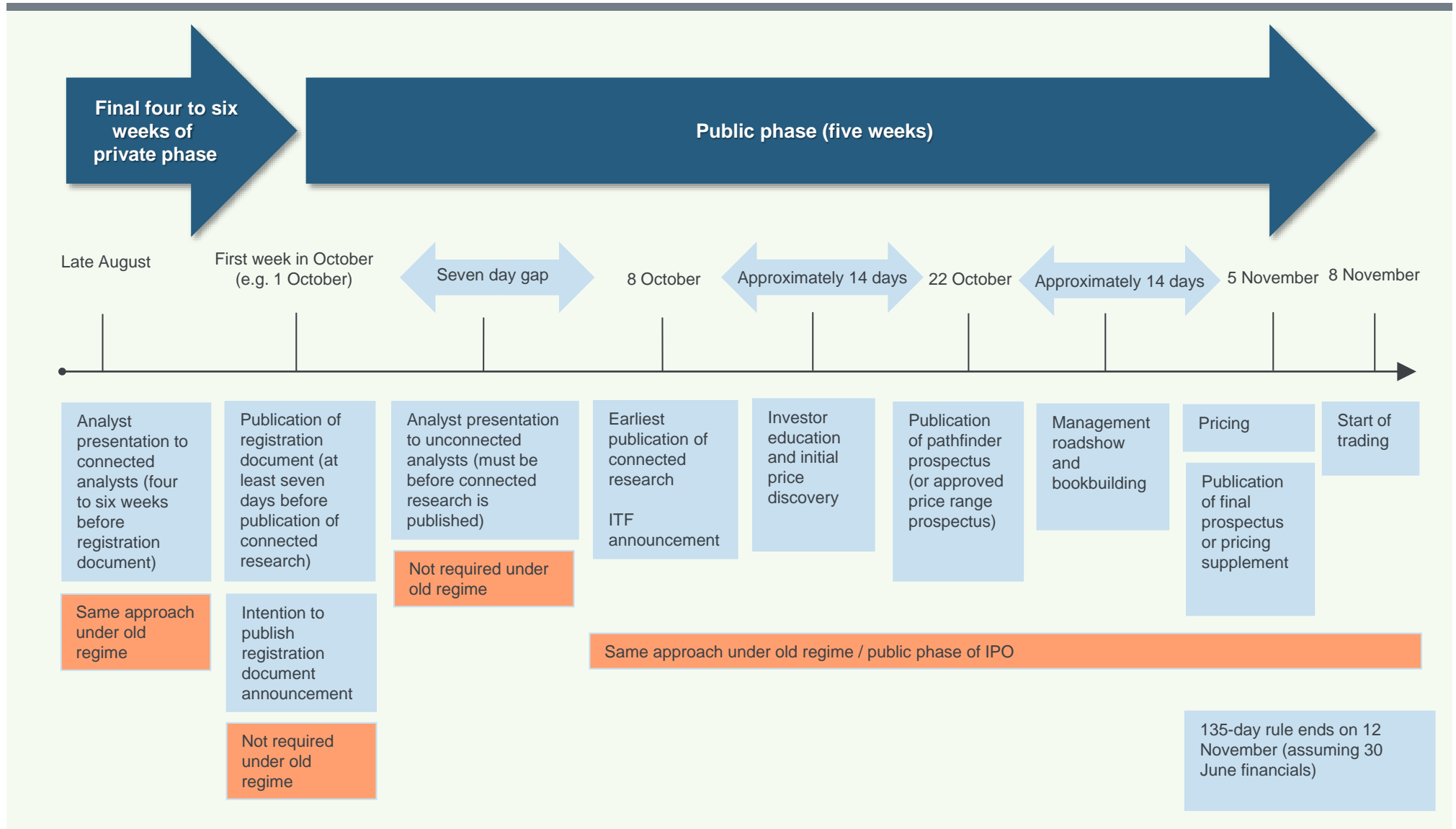
Application

New rules apply to IPOs on the Main Market (but not AIM)

New rules do not apply to technical listings or follow-on offers

New conflict of interests rules have potential to apply to non-UK listings

UK IPO timetable



Registration document

- Approved registration document published prior to any 'connected' research
- Tri-partite prospectus published after PDIE
- Pathfinder / price-range documentation both possible under new rules

Who publishes and is responsible for the registration document?

- Existing company - may not be the listed company
- Existing company's directors responsible

What does the registration document say?

- Disclosure on existing company that may not be relevant to an IPO investor
- No mention of the IPO or the underwriting syndicate

Legal status of document

- Should be exempt from the financial promotion regime
- Should not be a prospectus advertisement
- Put behind web blocker on issuer's website

Sponsor obligations and comfort package

- Sponsor service has begun if contemplating an IPO
- Who liaises with the UKLA?
- Accounting comfort
- Directors' responsibility letters?
- Directors understanding of responsibilities and obligations
- Verification of material statements

ITF announcement

- No specific regulatory requirement to publish an ITF announcement, although traditionally it is published prior to publication of research
- All UK Main Market IPOs under the new regime have published:
 - an “Intention to publish a registration document” announcement;
 - approval of registration document announcement (on the same day); and
 - an “Intention to float” announcement following publication of connected research (i.e. 7 days later)
- “Intention to publish a registration document” akin to ITF announcement under old regime
- “Intention to float” announcement now shorter, providing:
 - further offer details not contained in the first announcement (i.e. proposed date of admission, further details on size of sell-down); and
 - any relevant updates to the business disclosure in the registration document that have been shared with analysts
- Both the “Intention to publish a registration document” and “Intention to Float” announcements treated as financial promotions.
- All announcements are considered prospectus advertisements

Analyst process

Options

- Connected and unconnected analysts receive analyst presentation/information together
 - research can be published 1 day after the registration document
- Unconnected analysts receive analyst presentation/information before the seventh day after publication of the registration document
 - connected research can be published 7 days after the registration document

Inviting unconnected analysts

- **All** of the syndicate needs to assess the potential range of unconnected analysts and record this assessment (COBS 11A.1.4B R)
- Process may become easier once AFME and Euro IRP list is fully compiled

Information equality

- Unconnected analysts must receive all information given to connected analysts that is relevant to the production of research (COBS 11.1.4B(2) R)
- Records to be kept of the information provided (COBS 11.1.4E R)
 - AFME guidance on record keeping requirements and how to ensure the information given to all analysts is the same

What restrictions can be placed on unconnected analysts?

- Restrictions cannot be more onerous than those which apply to connected analysts (COBS 11A.1.4D E)
- Written record made of restrictions (i.e. standard form research guidelines)

Analyst process (cont.)

Engaging with all analysts together

- AFME/ Euro IRP process:
 - Underwriters contact agreed list of analysts
 - Unconnected analysts confirm interest, agree to sign up to the standard-form research guidelines
 - Unconnected analysts have the same right to ask questions of management as connected analysts
 - Written questions from unconnected analysts only permitted up to publication date of connected analyst research

Engaging with analysts separately

- AFME/ Euro IRP process:
 - Company or underwriters will notify unconnected analysts on the date of publication of the registration document
 - Unconnected analysts agree to sign up to the standard-form research guidelines
 - Company can decide whether to meet in person with unconnected analysts or simply provide written materials
- Requirement to conduct site visits with unconnected analysts unclear

Managing conflicts of interest

- COBS 12 restricts an analyst participating in pitches to provide underwriting or placing services
- Rule applies to transactions on non-UK exchanges
 - if analyst is employed by, and acting for, UK firm from a UK office or UK establishment or branch in an EEA country
- COBS 12A does not apply to analysts producing 'non-independent' research (but note SYSC 10)

When does the pitch process begin and end?

- FCA has said this should be considered on a case-by-case basis
- Rule only applies when the analyst is aware of the pitch process (or may have reason to believe there is a pitch process)

- Pitch process ends when position in syndicate agreed, no need for all terms of engagement to be finalised

Are all communications prohibited?

- FCA has identified some 'low risk' communications, for example:
 - analyst presenting at a public conference
 - analyst asking a question on a results briefing by an issuer
 - analyst discussion with shareholder with a number of assets (including a potential issuer)
- Onus on bank to demonstrate reasoned basis for any decision to allow contact

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