INTRODUCTION

The views set out in this response have been prepared by a Joint Working Party of the Company Law Committees of the City of London Law Society (the **CLLS**) and the Law Society of England and Wales (the **Law Society**).

The CLLS represents approximately 17,000 City lawyers through individual and corporate membership, including some of the largest international law firms in the world. These law firms advise a variety of clients from multinational companies and financial institutions to Government departments, often in relation to complex, multijurisdictional legal issues. The CLLS responds to a variety of consultations on issues of importance to its members through its 19 specialist committees.

The Law Society is the professional body for solicitors in England and Wales, representing over 170,000 registered legal practitioners. It represents the profession to Parliament, Government and regulatory bodies in both the domestic and European arena and has a public interest in the reform of the law.

The Joint Working Party is made up of senior and specialist corporate lawyers from both the CLLS and the Law Society who have a particular focus on issues relating to equity capital markets.

OVERVIEW

Whilst the Committee welcomes certain enhancements and elements of flexibility proposed in the Discussion Paper, the Committee would highlight that, from the on-going discussions with which the Committee is involved, the Committee is of the view that London's competitive position as a global listing venue has been undermined over recent years. The Committee believes that there has been a noticeable shift away from London as a leading market for equities in favour of competitor jurisdictions, in particular, Amsterdam and the US. In order to align London more closely with other major jurisdictions, some of which are also in the process of reforming their listing regimes to bolster their attractiveness internationally, the Committee strongly believes that it is necessary to seize the opportunity for substantial and bold reform which would enable London to reassert itself as a relevant global listing destination, whilst retaining its high standards of governance, investor protection and market integrity. As the proposals in the Discussion Paper extend regulation for current standard listed companies, the policy objective of making London more attractive as a listing venue is unlikely to be met. The Committee believes there is a strong case for looking again at EU Directive minimum listing requirements (that is, the current standard listing requirements) which would make a clear statement to listing candidates that the UK is open for business and investment in the post-Brexit world, and would remove the option of regulatory arbitrage.

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Chapter 3: The structure of the listing regime

Q1: **Do you think that a single segment regime would meet the outcomes we have described? Are there any changes or enhancements that could be included to enhance the effectiveness of a future regime?**

The Committee is supportive of a single segment regime for equity shares in commercial companies. However, the Committee believes that the FCA's proposal, whilst going some way to achieving a single segment structure, should be further simplified.

The Committee is of the view that in order to make London a more attractive and effective listing venue, a single, unified segment, without any form of delineation, should be implemented. The Committee believes that the proposed recategorization of continuing obligations into two groups – mandatory and supplementary – introduces additional complexity, detracting from the clarity and elegance of a single segment, and risks perpetuating a two-tier market in practice.

The Committee questions the merit of the potential to opt into (and out of) the supplementary regime. The Committee believes that further thought should be given to exploring whether the proposed elements of the supplementary regime could be more appropriately addressed through other means, such as disclosure, in line with the approach adopted in other jurisdictions (and as proposed in relation to the track record and working capital statement requirements), which would allow investors to drive the behaviour of issuers in the most appropriate manner or, alternatively, whether some or all of the proposed additional obligations could be preserved in some form and incorporated into a single, unified segment.

The Committee would note that the success and credibility of the proposed two-tier approach set out in the Discussion Paper depends, in large part, on the stance to be adopted by FTSE Russell. The Committee would highlight that it disagrees with the proposed manner in which it is envisaged that index inclusion will be determined by index providers and would note the comments made by the FSA in *CP 12/25: Enhancing the effectiveness of the Listing Regime and feedback on CP 12/2* in respect of index providers (in particular, paragraph 7.19 et seq.). In the context of a regime with two sets of continuing obligations, in the event that FTSE Russell decides that indexation should attach to the mandatory regime, the Committee queries how many issuers will choose to opt into the supplementary regime and believes that there will need to be strong and vocal investor demand to persuade issuers to opt in. If there is limited take-up of the supplementary regime, this might challenge the credibility of the supplementary regime (which we anticipate would eventually wither on the vine) and, by extension, the overall two-tier structure. Equally, if indexation attaches instead to the supplementary regime, the Committee's concern is that, in practice, the mandatory regime will be perceived as a "second choice" venue rather than a viable listing alternative, in a similar way to the perceived division of the current listing segments, which would result in a situation very much like the status quo and with no meaningful reform having been achieved. This would run contrary to the objective of modernising and moving forward the UK as a competitive global listing venue.

In the Committee's view, the preferable approach would be for a single, unified segment to be implemented and for FTSE Russell, subsequently and separately, to examine its index eligibility policies and determine which standards would be required for indexation.

Q2: **Do you agree that revenue track record, historical financial information, and the requirement for a 'clean' working capital statement can be replaced by disclosure in listing documentation such as prospectuses?**

Yes. The Committee is fully supportive of the adoption of a disclosure-based approach which is in line with the overarching aim of increasing access to capital markets for a broader range of companies.

Please also see the response to question 3.

Q3: **Under a disclosure-based regime, are there any elements of the listing regime that should be incorporated into future changes to the prospectus regime to ensure that investors receive appropriate information upon which to base their investment decisions?**

Taking each of the current eligibility criteria in turn, we set out below those that we think should be retained as eligibility criteria and/or continuing obligations, and those we think would be better addressed via disclosure in the prospectus.

LR 2

In our view, all the current requirements in LR 2 should remain as eligibility criteria. We would expect the FCA to continue to permit restrictions on transfer in the same circumstances as it currently does.

LR 6
LR 6.2 Historical financial information

As noted in our response to question 2, the Committee supports the FCA's proposal to remove from the eligibility criteria the requirements relating to historical financial information (including the requirement that such information covers at least 75 per cent of the issuer's business) and instead to require the issuer to disclose sufficient information in the prospectus - with the exact nature of that information to be determined in the context of the Prospectus Regime Review.

LR 6.3 Revenue earning track record

As noted in our response to question 2, the Committee supports the FCA's proposal to remove from the eligibility criteria the requirement for the issuer to demonstrate a revenue earning track record and instead to require the issuer to disclose sufficient information in the prospectus - with the exact nature of that information to be determined in the context of the Prospectus Regime Review.

LR 6.4 requirement to demonstrate that company carries on an independent business as its main activity

LR 6.4, 6.5 and 6.6 are inter-related and address a similar mischief. Until 1 January 2018 they were part of a single rule; and TN 103.1 deals with all three rules.

In relation to all three rules, opinions are divided among Committee members as to whether the requirements should be retained as eligibility criteria and/or continuing obligations or removed from the eligibility criteria and/or continuing obligations and instead turned into disclosure obligations.

Arguments in favour of retaining the rules as eligibility criteria and/or continuing obligations include:

- Even with the benefit of detailed disclosures in the prospectus, it could be difficult for some investors to form an accurate view of the extent to which the company is capable of (i) carrying on an independent business as its main activity (with or without a controlling shareholder) and (ii) exercising operational control over the business it carries on as its main activity. As the FCA noted in *CP 17/4: Review of the Effectiveness of Primary Markets: Enhancements to the Listing Regime*, this is an area that can require difficult judgements – which is why the FCA published further guidance in TN 103.1. For example, it may be difficult for investors to judge simply from disclosures in the prospectus whether a company is excessively dependent on its former parent, or another third party, for supplies of key products, services or financing; whether its business is otherwise overly dependent on a relationship with a former parent or other third party; or whether the issuer's structure and governance arrangements enable a former parent or other third party to exert undue influence over the issuer. It is arguable that the company's sponsor and the FCA are better placed than investors to make an assessment of these matters as part of their overall assessment of whether a company is suitable for listing.

- An issuer's ability to carry on an independent business as its main activity, and to exercise operational control over its business, are fundamental to its ability to deliver on its strategy and business model, and hence to the value of its shares. Even if the risk factors section of the prospectus were to include prominent warnings to the effect that the issuer does not or may not be able to carry on an independent business as its main activity and/or exercise operational control over its business, and details of how the issuer is structured and governed, this may not provide sufficient protection for all investors from such substantial risks.

- In the event that even one or two companies were to list and then collapse due – wholly or partly - to their inability to carry on an independent business as their main activity and/or to exercise operational control over their business, significant damage could be caused to the integrity of the premium segment and perhaps, by extension, to the Main Market of the London Stock Exchange as a whole. The impact could be even greater if the company is perceived to have been run in a way that gave priority to the interests of the key stakeholder and/or disregarded the interests of outside shareholders, and this could potentially have been avoided had the current eligibility requirements been retained.

Arguments for removing these requirements from the eligibility criteria and/or continuing obligations and instead requiring appropriate disclosure in the prospectus include:

- They can deter companies that would pose only a low risk to investors from listing on the premium segment. For example, the Committee is aware of instances in which a company has been discouraged from joining the premium segment by the requirements of LR 6.4. Even if a company is not deterred from listing on the premium segment, the need to demonstrate to the FCA that the requirements are satisfied can create a significant amount of friction in the listing process.

- Some other listing venues do not impose such requirements, presumably because they believe that the risks to investors are overstated and/or they can be adequately addressed through disclosure or other means and/or that the risks can be "priced in". For example, the Committee is aware of successful companies listed on other markets that would not meet the requirements of LR 6.4 because they rely on their parent or former parent company for important aspects of their business.

- The requirements are necessarily rather subjective. For example, the Committee is aware of some companies that operate a genuinely independent business which have been treated by the FCA as ineligible for a premium listing.

- Companies that cannot satisfy the requirements can of course list on the standard segment. Although their shares will not then be eligible for inclusion in the FTSE UK indices, investors – including retail investors – will still be able to buy their shares. In other words, preventing a company from listing on the premium segment provides only a partial protection for investors.

- Some of the mischief at which the requirements are aimed can be adequately addressed by other means. For example, in relation to the requirement in LR 6.6 for the issuer to demonstrate it exercises operational control over the business it carries on as its main activity, TN 103.1 states that this rule is intended to prevent the listing of corporate structures that do not provide an applicant's board or shareholders with effective control over the listed group; and that, without this control, the issuer's ability to inform the market of price sensitive information as required may be compromised, and its shareholders may be unable to take advantage of the protections in LR 10 and LR 11 or to determine the listed group's strategy. In practice, an issuer in this position will typically ensure it is able to comply with the rules in article 17 of UK MAR and LR 10 and LR 11 by imposing contractual obligations on the other parties that exert operational control over the issuer's business activities to provide information and assistance to the issuer in a timely manner and/or to comply with the relevant internal policies of the issuer so as to enable it to comply with these rules.

The Committee would therefore encourage the FCA to consider carefully where the overall balance of advantage lies and we would be pleased to participate in further discussions on this topic if it would be helpful.

If the FCA does decide to retain LR 6.4, 6.5 and 6.6 as eligibility criteria, in order to help address the concerns highlighted above, the Committee believes it would be helpful for the guidance on these rules (in LR 6.4.2, 6.5.2 and 6.6.2) to be expanded to make clear that governance structures and commercial arrangements that are common in the industry in which the issuer operates and/or familiar to investors are unlikely to be problematic. This might reduce the risk of issuers viewing these requirements as a significant obstacle to listing, or as a significant factor weighing in the balance when choosing between different listing venues.

LR 6.5 Company with a controlling shareholder must demonstrate that nevertheless it can carry on an independent business as its main activity; put in place relationship agreement; and have a constitution consistent with dual voting structure for the appointment of independent directors

Please see our comments in relation to LR 6.4 above.

In relation to the requirements to put in place a relationship agreement and to provide for dual voting on the election of independent directors, the Committee is somewhat skeptical as to whether in practice such requirements provide much meaningful protection to independent shareholders. However, in our experience most issuers and controlling shareholders do not generally object very strongly to putting such arrangements in place, and in fact many relationship agreements put in place at IPO include additional provisions beyond those mandated by the Listing Rules – either for the benefit of the company, the controlling shareholder or a combination of the two. Similarly, these requirements do not usually deter an issuer from listing on the premium segment or weigh significantly in the balance of factors to be taken into account in deciding which venue to list on. The Committee is of the view, therefore, that the requirements in LR 6.5 should be retained as eligibility criteria and/or continuing obligations.

LR 6.6 Company must demonstrate it exercises operational control over the business it carries on as its main activity

Please see our comments in relation to LR 6.4 and 6.5 above.

LR 6.7 Company must satisfy FCA it has sufficient working capital for at least 12 months from date of prospectus

The Committee agrees with the FCA's proposal to remove the requirement for a clean working capital statement from the eligibility criteria, as per our response to question 2.

LR 6.8 No more than 20% of issuer's share capital must be under options / warrants as at the time of their issue

We note that, in *CP 12/25: Enhancing the effectiveness of the Listing Regime and feedback on CP 12/2*, the FCA proposed to either require companies with a premium listing to comply with LR 6.1.22R on a continuing basis, or to delete the existing eligibility requirement in LR 6.1.22R altogether. However, neither proposal was taken forward: the requirement was retained purely as an eligibility criterion.

At the time, the FCA noted in CP 12/25 and *CP 13/15*: *Feedback on CP 12/25: Enhancing the effectiveness of the Listing Regime and further consultation* that the existence of large numbers of warrants or options to subscribe at initial listing may impact the ability of the market to properly value the issuer. The Committee is of the view that these concerns remain valid, and therefore that this requirement should be retained as an eligibility criterion (but that it should not be made into a continuing obligation).

LR 6.9 Issuer's constitution must ensure that (i) where LR require a shareholder vote on a matter, only holders of premium listed shares can vote (subject to

exception for permitted type of DCSS); (ii) where issuer has controlling shareholder, (re)election of independent directors must be approved by independent shareholders (as well as all shareholders); (iii) company complies with UK rules on pre-emption rights

The Committee is of the view that this requirement should be retained as an eligibility criterion and/or a continuing obligation. However, please see our response to question 5 in relation to dual class share structures.

LR 6.10 Modifies rules on three years of HFI and control of business, and disapplies requirement for revenue-earning track record, for mineral companies

If the FCA decides to remove the requirements for three years of HFI and a revenue-earning track record from the eligibility criteria, which the Committee supports (please see our response to question 2), the parts of this rule that relate to those requirements would presumably need to be deleted. However, if the requirement for control of business is retained as an eligibility criterion, the Committee is of the view that the parts of this rule that modify this requirement for mineral companies should be retained.

LR 6.11 Modifies rules on three years of HFI and revenue-earning track record for scientific research based companies

As above, if the FCA decides to remove the requirements for three years of HFI and a revenue-earning track record from the eligibility criteria, which the Committee supports (please see our response to question 2), this rule could be deleted.

LR 6.12 Modifies rules on revenue-earning track record for property companies

If the FCA decides to remove this requirement from the eligibility criteria, which the Committee supports (please see our response to question 2), the Committee is of the view that this rule could presumably be deleted.

LR 6.13 Company must satisfy FCA that power of board to make strategic decisions has not been limited or transferred to a third party (externally managed companies)

We think this requirement should be retained as an eligibility criterion and/or a continuing obligation.

LR 6.14 At least 10% of company's ordinary shares must be in public hands

We think this requirement should be retained as an eligibility criterion and/or a continuing obligation.

LR 6.15 FCA can refuse to admit shares of overseas company that does not have home listing

This requirement and the similar requirements in LR 14.2.4 and LR 15.2.1A derive from the Consolidated Admissions and Reporting Directive. In the Committee's view, the requirement is unnecessary and should be removed.

Q4: **Do you agree with extending the Premium Listing Principles to all issuers of equity shares in commercial companies under a single segment regime? Would any specific changes to the principles be necessary to do so?**

Yes. The Committee agrees and does not think any specific changes would be needed.

However, in relation to Premium Listing Principle 4, the Committee believes there are a few standard segment commercial companies that have two classes of shares admitted to listing, and in some cases the votes attached to each class of shares are not proportionate to their interests in the equity (for example, if one class is non-voting). Whilst the Committee does not object to applying this Premium Listing Principle to all companies, we would highlight that doing so would mean that such standard segment companies would not be eligible for the new single segment. They should therefore be permitted to remain on the standard segment – as we believe is the FCA's intention.

Q5: **Do you agree that we should consider allowing dual class share structures in the single segment? Do you agree that the only form of dual class share structure that should be permitted within a single segment regime should be the regime recently introduced in PS 21/22?**

The Committee is of the view that there is merit in exploring additional and broader forms of dual class share structures compatible with a single segment, perhaps on the condition that such structures would be subject to a five year sunset period. The Committee believes that the form of dual class share structure recently introduced in PS 21/22 is overly restrictive and places London at a competitive disadvantage as compared with other international listing venues which adopt a significantly more permissive approach to such structures. The Committee would note that Paris, Frankfurt and Amsterdam implement EU minimum standards in this regard and the Committee's concern is that if more stringent criteria are to be imposed for a London listing, a friction is created, which is diametrically opposed to the aim of attracting more issuers (including overseas issuers) to list in London. The Committee would also highlight the German Future Finance Act in this context, a key aim of which is to improve access to German capital markets and which includes, amongst other features, the introduction of dual class share structures.

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Q6: **Do you think the eligibility requirements for the single segment regime described will broaden access to listing to a wider range of companies?**

Yes. However, the Committee is cognisant that the scope of the financial disclosure requirements will need to be considered in the context of the Prospectus Regime Review.

Q7: **Does the suggested division between the mandatory and supplementary continuing obligations provide enough flexibility for issuers, alongside appropriate investor protection? Please provide any evidence and examples where possible.**

The Committee is not proposing to respond to this question on the basis of its preference for a single, unified segment without an "opt-up" to a supplementary regime. Please see the response to question 1.

Q8: **Should more be done to ensure there is a genuine choice for issuers to decide whether the supplementary continuing obligations are suited to their business model and strategy?**

Please see above.

Q9: **What sort of labelling would be most helpful to ensure investors are aware of whether an issuer is opted into the supplementary continuing obligations? e.g. Annual reports, noted on the Official List, or made clear by the trading venue.**

Whilst the Committee appreciates the need to examine labelling options in the context of the FCA's proposed division between mandatory and supplementary continuing obligations, the Committee would note that its preferred route of a simpler single, unified segment would obviate the need to consider labelling. The Committee would also note that, in any case, it is likely that FTSE Russell will address the labelling issue if it requires opting into the supplementary obligations for index eligibility.

Q10: **What factors should we take into account when considering the level of the threshold for Class 1 transactions within the significant transactions regime? What threshold would be appropriate?**

Certain members of the Committee felt strongly that the significant transactions regime should be removed altogether on the basis that it is an overly broad and complex regime, induces significant delay and can result in placing certain issuers at a competitive disadvantage in circumstances such as auctions, where the competition includes bidders not subject to such requirements, as previously highlighted and as set out in the Discussion Paper. However, in the event that the significant transaction regime is retained in some form, the Committee would be supportive of the regime being simplified – and, in particular, the associated financial and disclosure obligations being significantly pared back (for example, removing the need for pro forma accounts and clean working capital statements) - and the threshold for class 1 transactions being significantly increased.

Q11: **Do you consider the scope of the single segment to be appropriate? Should any additional instruments be eligible to list there? e.g. Depository Receipts (DRs)**

Yes. The Committee considers the proposed scope of the single segment to be appropriate and is of the view that separate listing requirements should be retained for depositary receipts.

Q12: **Do you think the current regime for listing close ended investment funds is fit for purpose?**

The Committee agrees broadly with the statement set out in paragraph 3.90 of the Discussion Paper that under the new regime the intention would be to maintain the content of the provisions in LR 15 and the substance of the existing regime. The Committee is of the view that it follows from paragraph 3.99 of the Discussion Paper that such issuers would be categorised as a "UK Listing".

The Committee does not agree completely with the statement that there are no drivers behind the need for change in the listing regime for equity shares in closed-ended investment funds or that the reasons regarding choice of markets are different. Other things being equal, brokers would generally advise a prospective closed-ended listed investment company to apply for admission of its equity shares to listing on the Official List as this opens the company up to the widest range of investors. The alternatives of the Specialist Fund Segment of the Main Market of the London Stock Exchange (the **SFS**) in particular or AIM are used generally where there is some doubt that a company will be deemed by the FCA to satisfy the spread of investment risk criteria in LR 15.2.2 R.

The Committee is aware of a number of occasions in the past where at a late stage in the prospectus review process, the FCA has stated that an issuer does not meet the requirement for spreading investment risk with the result that there has had to be a late change with application then being made to the SFS. As a consequence, a number of closed-ended investment companies, who do not want the uncertainty of a possible late change of application, have made their initial listing application for admission to trading on the SFS with a view at a later stage to apply for their shares to be listed on the Official List (and to cancel the SFS listing) when there is no doubt as to their eligibility on the grounds of spread of risk. In the IPO prospectus, such issuers state that they will voluntarily comply with the continuing obligations in LR 15. While the Committee appreciates the policy reasons for a single asset investment company to be ineligible for admission to the Official List, the Committee believes that the FCA should be more flexible in its interpretation of a spread of investment risk.

The Committee also considers that the proposed reform to the clean working capital statement requirement set out in the Discussion Paper should also be appropriate for closed-ended investment companies, with the disclosure requirements in the prospectus being sufficient.

Set out below are further comments in relation to LR 15, which the Committee considers generally works well:

- Although "closed-ended investment fund" is defined to include a limited partnership or limited liability partnership, there are no limited partnerships or limited liability partnerships listed under chapter 15. The Committee's view is that it would be less confusing for investors if chapter 15 were to be headed "closed-ended investment companies" so as to be distinguished from open-ended investment companies in chapter 16.

- The Committee does not see the need for LR 15.2.1A (the FCA will not admit shares of a company incorporated in a third country that are not listed either in its country of incorporation or in the country in which the majority of its shares are held, unless the FCA is satisfied that the absence of the listing is not due to the need to protect investors). The Committee notes that there are similar provisions in LR 6.15 for premium listed commercial companies and in LR 14.2.4 for standard listed issuers. These are legacy provisions from the Consolidated Admissions and Reporting Directive, which should be deleted.

- The Committee also believes that it is inappropriate for a closed-ended investment company to have to comply with LR 9.2.2IR (operational control over the business it carries on) given that it will be an AIF and whether it has appointed an external AIFM or is internally managed, its operational controls are subject to the UK version of the Alternative Investment Funds Managers' Directive.

- Further, the Committee is of the view that a clarification to LR 15.2.11R would remove an uncertainty that currently renders that rule overly restrictive. For the purposes of LR 15.2.11R and LR 15.4.7R, the "investment manager" of which a majority of the board, including the chair, is required to be independent includes independent external AIFMs (that is, AIFMs who are not part of the same group as the investment manager/adviser). Independent AIFMs are corporately separate from the fund's investment manager/investment adviser and perform a different function in that they typically delegate investment management or investment advice to the investment manager/adviser.

  The effect of LR 15.2.11R and LR 15.4.7R is that if Director A sits on the board (**Board 1**) of an investment company managed by AIFM A and is then invited to join the board (**Board 2**) of another fund managed by AIFM A, Director A would not be considered to be independent on Board 2 and would cease to be independent for the purposes of Board 1, notwithstanding that in each case a different investment manager/adviser would report to AIFM A. Committee members are aware of at least three circumstances in which this rule has caused problems for a new investment company seeking to appoint a director who was already a director of another listed closed-ended company managed by the same independent AIFM (in more than one case resulting in a candidate not being able to accept the new role).

  The Listing Rules on board independence for closed-ended investment companies were reviewed following the split capital investment trust problems in the early 2000s. The rules sought to address the conflicts perceived to arise from the fact that some directors sat on multiple boards managed by the same investment manager and were therefore dependent on that investment manager for a significant element of their income. However, the same conflict does not arise vis-à-vis the board and the independent AIFM in that the directors do not owe their appointment to the independent AIFM and they have a joint interest in supervising the investment manager/adviser. Furthermore, the independent AIFM is generally not responsible for making portfolio decisions or for putting forward proposals regarding structural matters that could give rise to a risk to investors if not properly scrutinised by the board.

  The Committee suggests that, on the whole, independent AIFMs offer significant value to the market, in that they enable new entrants to bring forward investment propositions, while offering directors and investors the comfort of supervision by an

experienced and independent AIFM. Under the current interpretation of the rules, there is a risk that new entrants wishing to have as wide a pool as possible from which to seek experienced directors will, in order to reduce the risk of candidates being "ruled out" by LR 15.2.11R and LR 15.4.7R, appoint AIFMs who are not already engaged by other investment companies (and who are, by definition, less experienced).

The Committee therefore invites the FCA to exclude independent AIFMs from the rules on board independence or, alternatively, to allow directors scope to conclude that, notwithstanding an appointment to the boards of more than one listed closed-ended investment company who has engaged the same independent AIFM, a director can be considered independent. This would be consistent with the AIC Code of Corporate Governance and the principle of disclosure rather than regulation evinced elsewhere in the Discussion Paper.

Q13: **Do you agree that 'UK listing' could be used to describe the possible regime described?**

The Committee is not proposing to respond to this question as branding is not its area of focus.

Q14: **Are there any other factors we should take into account when considering the treatment of existing standard listed issuers?**

The Committee agrees in principle with the proposed treatment of existing standard listed issuers and notes the flexibility provided through the option to retain a standard listing in the event that an issuer is unable to meet the criteria of the new single segment, rather than being compelled to delist or, alternatively, to undergo an eligibility assessment and transfer to the new listing segment.

Q15: **What transition arrangements should we put in place for premium listed companies in order to optimise the benefits of a single segment regime?**

Under the Committee's preferred route of a unified, single listing segment, transition arrangements would not need to be considered for premium listed companies on the basis that all issuers of equity shares in commercial companies currently listed on the premium segment would move across to the new listing segment.

However, the Committee would note that, in the context of the FCA's proposed single segment regime, further clarity would be helpful in terms of the suggestion that a shareholder vote could be used to determine whether supplementary continuing obligations are appropriate for a premium listed company. In particular, in the event that an issuer proposed to its shareholders that the supplementary continuing obligations should not apply but the resolution is not passed, it is unclear whether the issuer would still be required to meet those supplementary obligations, to put forward another resolution or to delist.

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Chapter 4: The sponsor regime - forward looking approach

Q16: **Given the purpose of the record-keeping requirements, are there specific elements of the rules or the FCA's approach that you think could be more proportionate?**

Whist the Committee is of the view that the topic of record-keeping requirements falls more directly within the remit of sponsors, the Committee would note that these requirements, which are not present in other major jurisdictions, are generally considered to be very onerous and result in considerable additional workstreams such that they are presented to issuers as a consideration in the context of a London listing.

The Committee would also note that the approach to record-keeping varies widely amongst sponsors and that several sponsors have highlighted that it would be helpful if the FCA were to give clearer guidance as to the base standard of record-keeping that it expects.

Q17: **Do you think a reduction in record-keeping requirements could be achieved without undermining the benefits of the sponsor regime to the FCA, listed companies and investors? If yes, please explain how and why.**

Please see the response to question 16.

Q18: **Is the record keeping guidance in our Technical Note (entitled 'Sponsors: Record Keeping Requirements') helpful or not in seeking to be clearer on the record keeping thresholds and the types of information that should be recorded about material judgements (noting that there will always be differences depending on the individual circumstances of a case)? If not, what would be helpful?**

Yes. The Committee believes that the record-keeping guidance set out in the Technical Note is helpful in providing guidance on the FCA's expectations of record-keeping requirements in practical terms. However, the Committee would note that the existence of the Technical Note reinforces the burdensome nature of the requirements.

Q19: **Is market practice aligned with the record keeping requirements or is market practice driving disproportionate record-keeping standards and costs? For example, by sponsors not adjusting their record keeping processes to reflect the circumstances of a specific transaction.**

Please see the response to question 16.

Q20: **If you consider there is misalignment between the record keeping requirements and market practice, do you have any suggestions as to what**

changes could be made to meet the record-keeping requirements more efficiently?

N/A.

Q21: **Would more transparency of how sponsor fees are calculated help issuers and investors to better understand sponsor services and the role of a sponsor?**

The Committee would note that the sponsor regime is generally little understood by investors and issuers, appreciating that the FCA's website does includes a page dedicated to the role and responsibilities of sponsors. The Committee is therefore of the view that further thought should be given to revising the sponsor regime in its current form in order that it is better understood and appreciated by investors and issuers, and greater transparency might be one way in which the overall understanding of the regime could be improved.

Q22: **Would it also help to be able to differentiate more clearly between the sponsor services and non-sponsor services that may be provided by the same provider? How might this clearer differentiation be achieved?**

Please see the response to question 16.

Q23: **What more could be done to better align a sponsor's incentives with the long-term interests of an issuer, and the interests of investors, to seek to maximise the benefits to be gained from the sponsor regime? Is there more information regarding the performance of a sponsor and of the performance of an issuer, at IPO and thereafter, that could be used to demonstrate this?**

The Committee is not aware of anything material that could be done in this context.

Q24: **Are there any specific modifications to the role of the sponsor that you think would be needed, if the sponsor regime were applied to all issuers of equity shares in commercial companies under a single segment regime? For example, are there risks that may arise from longer periods of time between sponsor engagement with a company and the provision of assurances to the FCA and, if so, how might they be mitigated?**

The Committee does not believe that there are any major issues that require addressing in this context.

Q25: **Are there circumstances where the role of a sponsor after initial listing could be reduced, without materially impacting the benefits gained from the sponsor regime? If so, please provide details and explain how investor protections would or would not be impacted.**

The Committee believes that the reduction of the sponsor role following initial listing is an area which merits further discussion between the FCA and sponsors given that, in the experience of the Committee, the sponsor regime is a relevant consideration for issuers in

their review of potential listing venues, particularly as the sponsor regime is not a feature of nearly all competitor listing venues.

Q26: **Are there other circumstances in which the sponsor regime should be extended/applied more widely? For example, to any other issuers of securities currently listed in the standard listing segment.**

The Committee believes that there are none.