Listing regime changes the rules

THE UK CORPORATE LISTING REGIME HAS BEEN RESTRUCTURED, WITH PRIMARY AND SECONDARY LISTINGS BEING REPLACED BY PREMIUM AND STANDARD SEGMENTS. TREASURERS SHOULD ENSURE THEIR CORPORATE SECURITIES COMPLY WITH THE NEW STANDARDS.

The Financial Services Authority (FSA) recently completed a review of the UK's corporate listing regime. The review's purpose was to ensure greater clarity of the listing structure and the obligations it placed on issuers so that investors can make better-informed investment decisions and so that issuers have appropriate flexibility over the route they wish to pursue to raise capital. The review also aimed to maintain the badge of quality for the UK's super-equivalent regime and to ensure the UK remains the venue of choice internationally.

As a result of the review, the following changes (which came into force on 6 April 2010) have been made to the UK listing regime.

The regime is restructured into two segments, premium and standard. The former denotes the more stringent super-equivalent standards; the latter denotes EU minimum standards.

Premium listing and standard listing replace the terms primary listing and secondary listing.

The standard listing segment, which is currently only for overseas companies, was made available to UK companies (with effect from 6 October 2009) to provide a level playing field.

Corporate governance standards have been strengthened for overseas companies by requiring overseas premium companies with a premium listing of equity shares to "comply or explain" against the UK Combined Code and to offer pre-emption rights.

Finally, overseas companies with a standard listing of shares or global depositary receipts (GDRs) are required to comply with the EU Company Reporting Directive. Among other things, the directive requires companies to provide a corporate governance statement and to describe the main features of their internal control and risk management systems.

Figure 1 shows the amended listing regime with the two listing segments (premium and standard) that reflect the level of listing an issuer has for its particular security, as recorded in the official list. Only equity shares which meet the full range of super-equivalent requirements are eligible for a premium listing. Each security is then allocated to a subsegment, called a listing category. The listing category to which a security is allocated is determined by the characteristics of the security and not what it might be convertible into.

Ensuring clarity was a key aim in restructuring the listing regime and all issuers should ensure that they are now using the correct terminology when referring to their listed securities.

More information on the listing regime and the securities admitted to the official list, can be found on the UK Listing Authority's website.

This article was prepared by the FSA primary markets policy team.
The UKLA helpdesk is on 020 7066 8333.
www.fsa.gov.uk/Pages/Doing/UKLA

Figure 1: The UK listing regime

LISTING SEGMENT	PREMIUM*			STANDARD			
Listing category Examples of types of companies/securities	**Equity shares** Commercial companies	**Equity shares** Closed ended investment funds	**Equity shares** Open ended investment companies	**Shares** Equity shares** Non-equity shares	**GDRs**	**Debt and debt-like** Debt securities ABS Convertible securities Preference shares (specialist securities)	**Securitised derivatives**
Listing rule chapter	LR6	LR15	LR16	LR14	LR18	LR17	LR19

** further obligations in LR7 to LR13 apply for premium listed equity shares*
*** an investment entity will only be able to benefit from this standard listing category for a further class of equity shares if it already has (and only for so long as it maintains) a premium listing of a class of its equity shares*