

Call for Evidence: UK Secondary Capital Raising Review

In November 2020, the Chancellor asked Lord Hill of Oareford to conduct an independent review of the UK equity markets and to propose a range of recommendations for how to boost the UK as a destination for IPOs and to optimise the capital raising process for companies seeking to list on the main UK markets.

After extensive market consultation, Lord Hill submitted his report to HM Treasury on 3 March 2021. Lord Hill made wide-ranging recommendations addressed at both the Government and the FCA. Those aimed at HM Treasury have been accepted and are being taken forward by the Treasury, while the FCA has already implemented the rule changes recommended in relation to special purpose acquisition companies (SPACs) and has carried out a consultation in relation to others.

One of Lord Hill's recommendations was to consider how to improve the efficiency of further capital raisings by listed companies through re-establishing a group such as the 2008 Rights Issue Review Group. Lord Hill recommended that a new review should reconsider the 2008 group's outstanding recommendations, particularly in terms of capital raising models used in other jurisdictions. This is including in light of technological advances since 2008. The opportunity exists to facilitate a quicker and more efficient process of raising capital for existing listed companies and more easily to involve retail investors.

This Review is HM Treasury's response to Lord Hill's recommendation. Its scope and objectives are set out in the Terms of Reference, published on the Government website at <https://www.gov.uk/government/publications/uk-secondary-capital-raising-review>, which have been drawn up by HM Treasury in order to establish the Review.

It is my great pleasure to accept the Chancellor's request to lead the Review. As independent chair I am very keen to hear a wide range of views as to how we can improve these vital processes.

This Call for Evidence is the first step in the Review. I ask all interested parties, including market participants, expert practitioners, representative bodies and academics, to provide views on the key themes of the Review.

The questions in respect of which views are sought include:

1. Can and should the overall duration and cost of the existing UK rights issue process be reduced? In what ways?
2. Should new technology be used in the process to ensure that shareholders receive relevant information in a timely fashion and are able to exercise their rights and, if so, how?
3. Are there fund-raising models in other jurisdictions that should be considered for use in the UK? For example, the use of cleansing notices in lieu of prospectuses on secondary capital raisings in Australia and also the Australian ANREO, AREO (or RAPIDS), SAREO and PAITREO structures?]

4. Has the greater transparency around short selling that was introduced after the financial crisis benefited the rights issue process and is there more that can and should be done in this area?
5. Are there any refinements that should be made to the undocumented secondary capital raising process in light of recent experiences during the Covid-19 pandemic?
6. Are there any other recommendations or points made by the Rights Issue Review Group in 2008 that should be investigated further?
7. In what other ways should the secondary capital raising process in the UK be reformed?

The questions above are not intended to be an exhaustive list and nor should respondents feel obliged to answer all or even any of the questions. Interested parties are encouraged to provide input and views generally in relation to secondary capital raisings in the UK and how they can and should be reformed to improve the process for both issuers and investors.

Responses will be welcomed and considered in any written format, including by e-mail, and in as fulsome or annotated a form as respondents wish. The Review considers it more important that all interested parties submit thoughts than the form which that input takes.

The Call for Evidence will be open for five weeks. Please could all responses be sent to SecondaryCapital.RaisingReview@hmtreasury.gov.uk by 5pm on 16 November 2021. A list of respondents will be published but the actual responses will not be.

The Call for Evidence is only part of the consultative process and, once it has closed, the Review will hold a series of discussions with interested parties to explore the issues raised further. The Review will then report to HM Treasury in Spring 2022.

The Review very much looks forward to engaging with all interested parties in the coming weeks and months.

Mark Austin
Chair of the UK Secondary Capital Raising Review
12 October 2021