

UK Listing Authority (UKLA) Technical notes – conflicts of interest

Financial Conduct Authority (FCA)

RPC rating: validated

Description of the measure

The FCA has provided a number of assessments, all of which relate to short guidance notes for companies listed on the Official List of the London Stock Exchange. These notes provide clarity to listed companies and their advisers as to how the FCA interprets provisions in its Listing Rules. The guidance was subject to consultations in November 2015 and March 2016. This opinion covers two notes on clarifications to guidance on the role of sponsors of listed companies, and the identification of conflicts of interests.

The FCA has explained that a company applying for premium listing is required to have a sponsor to guide it, and in particular to help ensure the company meets its obligations under the Listing Rules.

Impacts of the measure

The assessments explain that one-off familiarisation with the guidance will be required by the 46 sponsor firms. In addition, there will be ongoing costs to sponsor firms related to the actual provisions of the guidance, which relates to how sponsors identify and manage conflicts of interest, and provide companies with assessments of conflicts. The guidance also covers the need for ongoing training of sponsors' employees in how to undertake the identification and management of such conflicts. Based on supervisory conversations with firms, the FCA considers these costs to business to be negligible as any requirement for training will be built into existing annual update training sessions

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) for these notes as totalling £0.0 million. They are all qualifying regulatory provisions.

Quality of submission

The assessments provide a reasonably clear narrative setting out what the clarifying guidance covers and requires from sponsor firms. The assessments would have benefitted from providing more detail about the costs of the actual regulatory changes set out in the guidance, or explaining more clearly why the FCA believes them to be negligible.

The RPC notes that, in these cases, the FCA has included a footnote providing assurance that discussions with firms support their assessment of these costs. A statement to this effect within the body of the assessment would have provided clearer support for the assessment.

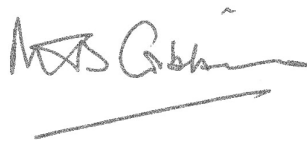
The RPC are pleased to see the use of appropriate industry-specific wage rates, though it would have been more helpful still had the FCA stated explicitly whether non-wage labour costs were included in the rate.

Departmental assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net direct cost to business (EANDCB)	£0.0 million
Business net present value	£0.0 million

RPC assessment

Classification	Qualifying regulatory provision (IN)
EANDCB – RPC validated ¹	£0.0 million
Business Impact Target (BIT) Score ¹	£0.0 million



¹ For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.

Opinion: EANDCB validation
Origin: Domestic
RPC reference number: RPC17-FCA-3798(1) and 3799
Date of implementation: November 2015 to March 2017

Michael Gibbons CBE, Chairman