

UK Listing Authority (UKLA) Technical notes

Financial Conduct Authority (FCA)

RPC rating: validated

Description of the measure

The FCA has provided a number of assessments relating to short guidance notes for companies listed on the Official List of the London Stock Exchange. These notes clarify, for listed companies and their advisers, how the FCA interprets provisions in its Listing Rules. The guidance was subject to consultation in March 2017. This opinion covers two notes on clarifying guidance related to:

- shareholder votes in relation to hypothetical transactions; and
- reverse takeover and uncapped consideration.

Both notes clarify when and how a listed company must obtain the approval of its shareholders before taking the indicated action. Companies are required to produce a circular of the proposed transaction, which is vetted and approved by UKLA and then sent to shareholders for them to vote upon. The FCA found instances of companies seeking shareholder approvals too early compared to guidance as to when such approvals should be sought. The clarifying guidance seeks to address this issue.

Impacts of the measure

The FCA explains that one-off familiarisation with clarifying guidance will be required by up to 1,000 firms on the Official List; these firms are already familiar with the original guidance. The clarification notes are 0.5 and 1 page in length respectively, and the FCA expects that the one-off costs to firms will total £24,000 and £48,000. The FCA has used evidence from firms to support these estimates.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) for these notes as totalling £0.0 million. They are qualifying regulatory provisions that will score under the Business Impact Target.

Quality of submission

The assessments provide sufficient evidence to support the cost estimates. The RPC notes that in these cases the FCA has indicated in a footnote that discussions

with firms support their estimates. A statement to this effect within the body of the assessments would have been more helpful to the reader.

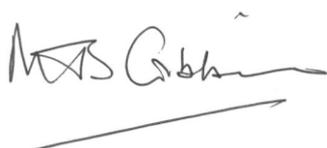
The RPC are pleased to see the use of appropriate industry-specific wage rates, though it would have been more helpful still had the FCA stated explicitly whether on-costs were included in the rate.

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



Michael Gibbons CBE, Chairman

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