

On 26 October 2017, the Financial Conduct Authority (FCA) has published a [Feedback Statement \(FS17/3\)](#) to its discussion paper (DP 17/2): [Review of the Effectiveness of Primary Markets: the UK Primary Markets Landscape \(February 2017\)](#).

DP 17/2 sought the market's views on the current structure of the UK's capital markets offering and invited feedback on specific themes. Click [here](#) to read our article for more background on the discussion paper.

Divergent views

The FCA received numerous responses from a wide range of stakeholders, including investor groups, listed companies, advisers and wholesale financial markets groups – however, the views represented each group's interest and, consequently, the FCA was presented with a range of divergent opinions on how to re-structure the UK's capital markets.

Key highlights

In its Feedback Statement, the FCA provides an overview of the various views received. Here is a summary of the key highlights:

- The market's opinion is split on the positioning of the standard segment. Whilst respondents note that the standard segment offers more choice for investors and issuers, it does not necessarily offer "*the right choice*" for a number of reasons, including, as some would argue, its negative perception in the market. There was consensus, however, amongst the majority of respondents who did not support the proposed international segment for overseas issuers and the resulting differential treatment of international and UK issuers. Consequently, the FCA has decided not to proceed with this proposal. The FCA states that its next steps will include giving further thought on how to enhance the standard listing regime, noting that encouraging the largest possible number of companies to achieve "*the highest listing standards they credibly can*" will reap rewards for both investors and issuers. The FCA further notes that it will consider whether to raise the standard listing requirements where these do not come from 'maximum harmonising' EU Directives. The FCA will also consider feedback received on its proposal for a new premium listing category for sovereign controlled companies as part of its broader work in this area (see our [article](#) for more information).
- Market views were also sought on how the UK's capital markets regulation could support the 'scale-up' and 'patient capital' for growing science and technology companies and what improvements could be made to facilitate investment in the current regulatory framework. Various concerns were raised, including that the overall regulatory framework around solvency and prudential regulation has prevented institutional investors from investing in equity due to their adjusted risk profiles. Additionally, a lack of liquidity and long-term information on a company's prospects may further prevent investment in these companies. The FCA states that it will continue to engage with stakeholders to identify what steps should be taken.
- In response to feedback received on how to encourage retail investor access to debt markets, the FCA will continue to consider the case for identifying circumstances in which standard bond documents for investors should be sufficient to meet prospectus requirements but it notes that any further analysis will focus on large premium-listed companies. The FCA has decided not to proceed with its proposal to create a new wholesale bond MTF given the launch of the new debt MTF (the



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International Securities Market) by the LSE earlier this year.

- Respondents agreed that Exchange Traded Funds (ETFs) should be removed from the premium listing regime so that they are instead repositioned as a standard listing category. Consequently, the FCA will prepare rules for consultation to facilitate this and will make sure that any proposed rules are not disruptive for already listed ETFs.

Next steps

The Feedback Statement provides an interesting cross-section of the market's views on several broad, but fundamental, matters affecting the UK's capital markets. The FCA notes that it will need to engage further with stakeholders in relation to these topics before any final policy decisions can be taken and so we expect to hear more from the FCA in 2018. If you are interested in discussing any of the topics in the paper with the FCA, please email them at dp17-02@fca.org.uk.

If you have any queries on the UK's Listing Regime, please contact your usual contact at Hogan Lovells or one of the listed contacts.