The Chartered Governance Institute UK & Ireland

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Dear Sir / Madam

The Chartered Governance Institute is the professional body for governance and the qualifying and membership body for governance professionals across all sectors. Its purpose under Royal Charter is to lead effective governance and efficient administration of commerce, industry, and public affairs working with regulators and policymakers to champion high standards of governance and providing qualifications, training, and guidance. As a lifelong learning partner, the Institute helps governance professionals achieve their professional goals, providing recognition, community, and the voice of its membership.

One of nine divisions of the global Chartered Governance Institute, which was established 130 years ago, the Chartered Governance Institute UK & Ireland represents members working and studying in the UK and Ireland and many other countries and regions including the Caribbean, parts of Africa and the Middle East.

As the professional body that qualifies Chartered Secretaries and Chartered Governance Professionals, our members have a uniquely privileged role in companies' governance arrangements. They are therefore well placed to understand the issues raised by this consultation document. In preparing our response we have consulted, amongst others, with our members. However, the views expressed in this response are not necessarily those of any individual members, nor of the companies they represent.

Our views on the questions asked in your consultation paper are set out below.

Consultation Questions

Question 1: Do you agree with the proposed single disclosure standard for non-equity securities of all denominations, based on the current rules and annexes for wholesale non-equity securities? If so, what are your reasons? If you disagree, please explain why.

The single disclosure standard offers clear advantages, but we urge continued monitoring of market behaviour after implementation to ensure that:

- Retail investors receive clear and accessible information about the risks of non-equity securities, even under the simplified framework.
- Issuers do not use the streamlined regime to lower the quality of disclosures, particularly for products aimed at retail investors.

This approach will maximise the benefits of the proposal while protecting retail investors.

Question 2: Do you agree with the proposed approach for an exemption to the use of prescribed accounting standards in prospectuses for non-equity securities? If you disagree, please explain why.

Reducing the burden of restating financial information for issuers could pose problems. It risks reducing comparability across issuers, particularly if national accounting standards lack consistency or transparency compared to UK-adopted international standards. Retail investors may struggle to assess financial information prepared under diverse frameworks, increasing the chance of uninformed decisions. The exemption could also harm market integrity if issuers lower disclosure quality, and it may complicate compliance checks for regulators.

To mitigate these risks, the regime should ensure clear disclosure requirements, robust oversight, and guidance for investors. Also, the FCA should create safeguards to balance simplicity for issuers with strong investor protection. On this, we suggest that the FCA mandate regular reviews and reconciliation of key differences between standards to maintain transparency and investor trust.

Question 3: Do you agree with the proposed definition of noncomplex listed corporate bonds? If you disagree, please explain why.

Limiting eligibility to issuers with existing equity listings or their subsidiaries excludes a broader range of corporate issuers that might otherwise qualify. The requirement for guarantees to be "fully, unconditionally, and irrevocably" provided could lead to inconsistent interpretations and compliance challenges. Additionally, excluding subordinated, secured, and bail-in bonds narrows the scope unnecessarily, even when such bonds could meet transparency and standardisation criteria. Restricting underlying asset or index links to UK inflation benchmarks further reduces flexibility and innovation in the bond market. While the definition aims to align with existing terminology in PRM and UKLR, it risks introducing complexity for issuers unfamiliar with cross-references to other regulatory documents.

We suggest that the FCA expands the scope of the definition, clarifies guarantee conditions, and provides practical guidance to improve the definition's accessibility and market applicability.

Question 4: Do you agree that the proposed guidance would make it easier for issuers to issue non-complex corporate listed bonds in low denomination? If so, please give your reasons. If you disagree, please explain why.

See answer to question 3.

Question 5: Are there additional and/or different changes needed for product governance rules to achieve our intended outcome?

See answer to question 3.

Question 6: Do you agree with our proposed change to DTR 4.4.2? If so, please explain why. If not, please give your reasons.

The proposed exemption in DTR 4.4.2 only applies to issuers of high-denomination debt securities. This limits market access for retail investors who typically invest in lower-denomination bonds. As a result, it may deter corporate issuers from offering non-equity securities in lower denominations. The proposal to extend the exemption to financing subsidiaries issuing non-complex listed corporate bonds aims to address this, but it introduces additional complexity. Financing subsidiaries will need to follow both the DTRs and UKLRs, which increases administrative burdens. Moreover, the reliance on separate financial reporting requirements under UKLR 17.2.4R to 17.2.6R could create overlaps with DTR obligations. While many subsidiaries may qualify for exemptions under UKLR 17.2.6R (2), the extra steps required to demonstrate compliance with these exemptions could complicate matters for issuers.

Although the alignment between UKLR and DTR criteria seems logical, it may create practical challenges for issuers in interpreting and applying the rules. Despite the proposed changes, the interaction between DTRs and UKLRs may still discourage issuers, particularly those seeking simplicity in regulatory obligations when issuing lower-denomination bonds.

For these reasons, we suggest the FCA seeks to streamline and clarify the relationship between DTRs and UKLRs to reduce redundant requirements and ensure the revised framework is clear and easy for issuers to apply.

Question 7: Do you agree we should remove the further issuance listing process from UKLR and simplify our administrative requirements for admitting securities to listing? If so, what are your reasons? If you disagree, please explain why.

We agree. The current process is duplicative.

Question 8: Do you agree in principle that we should introduce alternative measures to replace our current checks and information gathering on other matters that are currently incorporated within the further issuance listing process?

We agree. However, these new measures must maintain safeguards for transparency and compliance. Replacing the listing process requires timely market notifications and ensures issuers remain accountable for accurate and comprehensive disclosures. The FCA must ensure its monitoring and enforcement mechanisms address risks arising from this change. This approach will streamline operations while safeguarding market integrity and investor confidence.

Question 9: Do you agree with how we propose to amend the UKLR to remove the further issuance listing process and streamline our requirements? If you disagree, please explain why and what alternative measures you would propose.

As we said in our response to question 7, we agree with the creation of a single listing application process for all securities of the same class, including future issuances. However, we think it is important to balance operational ease for issuers with investor protection to maintain confidence in the market for this reason we suggest that the FCA enhances its broader monitoring and enforcement mechanisms to ensure adherence to disclosure rules. The FCA should also provide guidance to clarify its role and responsibilities, ensuring market participants understand the process. It should also enhance the Official List to include additional data, such as the number of issued and traded securities to improve transparency. Finally, engaging with stakeholders during the implementation of these changes and conducting regular reviews will help refine the process and mitigate risks.

Question 10: Do you agree with our proposed changes to the sponsor requirements in UKLR to accommodate the removal of the further issuance listing process and other consequential changes? If not, what changes would you make and why.

This change may reduce the oversight traditionally provided at the further issuance stage, particularly for issuances below the prospectus threshold. The FCA must ensure robust monitoring and enforcement mechanisms to mitigate any potential gaps in compliance. We suggest that the FCA clarifies the scope of the sponsor's role in scenarios where there is no listing application to ensure market participants understand the revised process.

Question 11: Do you agree in principle that we should continue not to mandate the appointment of a sponsor for further issuances of shares below the threshold set for requiring prospectus (which is subject to feedback to CP24/12) when the new PRM comes into force?

Yes, but we stress that issuers must still meet their obligations under the disclosure and transparency rules. The FCA should monitor compliance to ensure that the absence of a sponsor does not reduce market integrity. The FCA could usefully issue clear guidance on issuers' responsibilities for transparency and timely disclosures to address any risks arising from this approach.

Question 12: Do you agree with our proposed new rules in the PRM requiring discharge of the sponsor role prior to the FCA providing approval of a prospectus, with similar requirements for the sponsor role in the context of an issuer relying on a prospectus exemption in PRM 1.4.7R or 1.4.8R? If you disagree, please explain why.

Yes, we agree.

Question 13: Do you agree with our proposed measures to replace the Pricing Statement that is currently submitted with the further issuance listing application? If you disagree, please explain your reasons and any alternative measures.

Yes, we agree. However, while the aim is to streamline the process, the removal of the sponsor's role in reviewing the notification reduces the level of independent oversight that was previously provided. The sponsor's role in reviewing the Pricing Statement ensured compliance with the discounted share issuance restrictions and offered an additional layer of verification. The new notification requirement places more responsibility on issuers to ensure the accuracy and timeliness of their disclosures. This system relies heavily on issuers' self-reporting, which could create risks if they fail to meet these standards. Shareholders may not have access to necessary information at the right time, potentially undermining the purpose of protecting them from the dilutive effects of further issuances.

To mitigate these risks, we suggest that the FCA puts a mechanism in place to ensure that these requirements are strictly enforced.

Question 14: Do you agree with our proposed new approach to removing the prospectus exemptions checkpoint at the listing admissions stage in UKLRs, and instead replacing it with a market notification requirement on issuers within PRM?

Yes, we agree, but as outlined in paragraph 4.49 of the consultation, the FCA will need to maintain robust supervisory and enforcement measures in the event of breaches.

Question 15: Do you agree on the proposed timeframe and transitional provisions?

Yes.

Question 16: Are there any costs or process implications for issuers or other market participants that we have not anticipated? In particular, are there implications for securities being automatically listed when they are issued (rather than when they are allotted for example) or should a different approach be applied to different security types? If yes, please provide details.

We have no information to offer in response to this question.

Question 17: Do you agree with our proposed new notification requirement to be included in the PRM and the reasons for it? If you disagree, please explain your reasons why and your alternative proposals.

Yes. Although this is an additional requirement, the information should be readily available to the issuer.

Question 18: What are the changes and associated costs, benefits and risks to issuers of publishing this information?

There may be some increased compliance costs, especially in terms of administrative and system updates to accommodate the notification. However, these are unlikely to be significant given the availability of the information.

Question 19: How useful is the publication of this specific information to market participants and for what purpose(s)? Should we consider adding any additional information to the notification and if so, why?

We are not sure that this information is of wide use to market participants. However, their responses to this consultation may reveal an unexpected reliance on it.

Question 20: Do you agree with our proposed new admission to trading time limit requirement for the PRM? If you disagree, please explain your reasons why.

Yes.

Question 21: Do you agree with the proposal to remove Listing Particulars as an admission document by deleting UKLR 23, amend listing eligibility requirements in UKLR 3 related to admission to trading, and make other consequential amendments? Yes/No, please explain why.

This seems a reasonable and logical approach given future plans for market structure.

Question 22: Do you consider that there is sufficient time for existing issuers on the PSM to plan how they can raise new capital via alternative routes, if necessary, when the FCA ceases to approve Listing Particulars? Yes/No, please give your reasons.

We have no information to offer in response to this question. However, given usage of PSM this seems unlikely to be a problem.

Question 23: Do you consider that the transitional provisions are proportionate? Yes/No.

Yes.

Are there any other practical considerations for issuers that we should take into account as a result of our proposal? Please explain.

We have no information to offer in response to this question.

Question 24: Do you agree with our proposed consequential changes? Yes/No. Please give your reasons.

Yes.

Question 25: Do you have any comments on our proposed changes to DEPP and EG?
Yes.

Question 26: Do you agree with the analysis set out in our cost benefits analysis? Yes/No. Please give your reasons.
Yes.

If you would like to discuss any of the above comments in further detail, please do feel free to contact me.

Yours faithfully,

Valentina Dotto
Policy Adviser
The Chartered Governance Institute UK & Ireland