

# UKLA Primary Market Technical Note

## Related party transactions – fair and reasonable confirmations Modified requirements for smaller related party transactions

The information in this note is designed to help issuers and practitioners interpret our UK Listing Rules, Prospectus Regulation Rules, Disclosure Guidance and Transparency Rules, and related legislation. The guidance notes provide answers to the most common queries we receive and represent FCA guidance as defined in section 139A FSMA.

UKLR 8.11

UKLR 11.1.10R(2)(b) 8.2.1R(3) requires a premium listed issuer company to obtain a written confirmation from a sponsor that the terms of the proposed transaction or arrangement with the related party are fair and reasonable as far as the shareholders of the premium listed company are concerned. If we request to see this confirmation, it should be provided to us as soon as possible, as required by UKLR 1.3.1R. We would only use this confirmation in the exercise of our statutory functions, and it is inappropriate and unnecessary to include language in a confirmation that seeks to limit our use of it. For the same reason, we believe it is unnecessary to include third-party disclaimers, as the purpose for which the sponsor's confirmation is provided to the FCA is clear.

The confirmation provided by the sponsor under UKLR 11.1.10R(2)(b) 8.2.1R(3) is an important shareholder safeguard, as shareholders. Unlike with a larger transaction, shareholders of companies in the equity shares (commercial companies) category do not have the opportunity to vote on smaller related party transactions, and shareholders of companies in the closed-ended investment funds category only have a vote on larger transactions outside the scope of its investment policy. We rely on the sponsor to undertake sufficient work to reach a considered opinion; there is no need to explain in the confirmation how that opinion was reached. On the contrary, we do not expect to see explanations of the basis of preparation, as it could be seen to limit the validity of the confirmation. Instead, a clean confirmation, tracking the wording used in LR 11.1.10R(2)(b) UKLR 8.2.1R(3), should be given.

Please note we will still need to have discussions, where necessary, if a sponsor questions the correct classification under the class tests, before the transaction is entered into. Sponsors should approach us for guidance in such cases. We would also like to take the opportunity to highlight that a signed, final confirmation needs to be in place before the premium listed company enters into the relevant transaction.