

## Regulator Assessment: Qualifying Regulatory Provisions

**Title of proposal:** UKLA/TN/713.1 – Sponsors: Application of principle to deal with the FCA in an open and co-operative manner

**Lead regulator:** FCA

**Date of assessment:** March 2017

**Commencement date:** March 2017

**Origin:** Domestic

**Does this include implementation of a Cutting Red Tape review?** No

**Which areas of the UK will be affected?** National

### Brief outline of proposed new or amended regulatory activity

The UKLA's Technical Notes and Procedural Notes are short guidance notes intended to provide additional clarity to listed companies and their advisers (including sponsors) as to how the FCA interprets provisions in the FCA's Listing Rules, Prospectus Rules and Disclosure Guidelines and Transparency Rules. The FCA typically issues these when it has received a number of questions on the same topic, other market feedback, or regulatory developments which do not necessitate a change to these rulebooks. The guidance provided in these notes cannot extend the scope of the rules as set out in the underlying rulebooks, but are nevertheless consulted on as formal guidance.

Sponsors are firms we approve to advise premium listed companies on their obligations under the listing regime and to provide important assurances to us regarding certain transactions. The Financial Services and Markets Act 2000 (FSMA), as amended, enables us to make rules that require an issuer to appoint a sponsor in certain circumstances. Issuers are responsible for complying with the FSMA Part 6 Rules, but sponsors give them specific expertise on how the Listing Rules, the Disclosure Guidelines and the Transparency Rules apply, using their experience of previous issues. They also help us meet our regulatory obligations by confirming that issuers have complied with the Listing Rules.

Under Listing Rule 8.3.5R(1), a sponsor must at all times (whether in relation to a sponsor service or otherwise) deal with the FCA in an open and co-operative way. The technical note sets out guidance for sponsors on how to apply 8.3.5R(1) to their obligations under Chapter 8 of the Listing Rules. The guidance covers the responsibilities of sponsors, the sponsor's positive duty to communicate with the FCA and implications/interaction of 8.3.5R(1) for other rules relevant to sponsors.

**Which type of business will be affected? How many are estimated to be affected?**

The guidance applies to sponsors only. There are currently 41 approved sponsors which are mixture of large, medium and small investment banks, corporate advisory firms, accountancy firms and legal firms.

Price base year	Implementation date	Duration of policy (years)	Business Net Present Value	Net cost to business (EANDCB)	BIT score
2017	March 2017	10	0	0	0

**Please set out the impact to business clearly with a breakdown of costs and benefits**

We expect that all of the 41 approved sponsors would find it helpful to familiarise themselves with the 3 page guidance note. For the 41 approved sponsors who may find it helpful to familiarise themselves with the guidance, we would expect that the note would take 1 hour to read, digest, and disseminate to any relevant members of staff, and, if necessary, update the relevant procedure to reflect the guidance.

This is an estimate of the maximum amount of time it might take a sponsor, as the 3 page note provides guidance on how to apply the obligation to deal with the FCA in an open and co-operative way. At the estimated rate of £48/ hour, the total estimated cost for all 41 approved sponsors would be approximately £2,000 (Robert Half salary guide) .

Listing Rule 8.3.5R(1) is an existing listing rule and sponsors should already be aware and understand this rule. The guidance in the technical note explains the application of this obligation (providing some examples when we would expect the sponsor to contact the FCA) and provides commentary around when this regulatory obligation may impact on contractual negotiations with third parties. In particular the guidance imparts the need for the sponsor to engage with the FCA in a manner which gives the FCA sufficient time to consider the issue and provide guidance. Given sponsors should already be well aware and used to operating to this principle, we do not expect the guidance to create any additional costs on sponsors however the guidance should be helpful to sponsors in contextualising when we would expect them to contact the FCA.

**Please provide any additional information (if required) that may assist the RPC to validate the BIT Score.**