

Regulator Assessment: Qualifying Regulatory Provisions

Title of proposal: UKLA/TN/717.1 – Sponsors: Record Keeping Requirements

Lead regulator: FCA

Date of assessment: May 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 in this note is new guidance, which was subject to public consultation and finalised in March 2017. The objective of this new guidance is to clarify our rules and help firms to have a better understanding about application of those rules.

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.

This technical note provides additional guidance on the application of the record keeping requirements in LR8.6.16AR and supplements the rulebook guidance in LR8.6.16BG and LR8.6.16CG. In December 2012, we introduced new record keeping rules and guidance into the Listing Rules. Since then, we have seen a significant evolution in market practice and improvements in the quality of most sponsors' records. However, through our program of onsite visits of sponsors we have observed some areas of record keeping practices where we consider further improvement is desirable and we think sponsors would benefit from further guidance on our expectations. The proposed guidance endeavours to assist sponsors to understand the materiality threshold for matters that need to be recorded and the types of information that need to be recorded about material judgements, while acknowledging that the application of the record keeping requirements is fact-specific and sponsors will need to exercise professional judgement in determining how LR8.6.16AR applies to a particular matter. Additionally, the proposed guidance endeavours to clarify that there is flexibility in how a

sponsor complies with the record keeping requirements and the types of records it keeps to meet its obligations, provided that the sponsor creates and retains accessible records that are sufficient to meet LR8.6.16AR.

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	-1.665	0.2	1.0

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 5 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 5 page note provides guidance on the types of records to create and maintain. At the estimated rate of £48/ hour, the total estimated cost for all 41 approved sponsors would be £1,968 ([Robert Half salary guide](#))¹.

As explained above, we have seen improvements in the quality of most sponsors' records however there are practices amongst some sponsors where we consider further improvements should be made. The guidance will therefore vary in its applicability to sponsors depending on the extent of the sponsor's existing record-keeping procedures.

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

¹ We arrived at the 2 hour estimate based on the following calculation. The 5 page technical note contains approximately 2,700 words. The speed of reading technical text is 50-100 words per minute based on EFTEC (2013), "Evaluating the cost savings to business revised EA guidance - method paper" the time remaining to digest, disseminate the information and if necessary update the relevant procedures is based on our broader supervisory knowledge of how firms respond to our Technical Notes and also on supervisory conversations with firms about their procedures relating to this specific issue.