

Regulator Assessment: Qualifying Regulatory Provisions

Title of proposal: UKLA/TN/911.1: Substitution of issuer of debt securities

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.

This Technical Note clarifies the procedural mechanics of replacing an issuer of debt securities on the Official List for a different legal entity as obligor of the securities, through the substitution of an issuer (commonly seen in corporate bond transactions where the issuer is replaced by another group company). The note does not set out a new procedural, but rather clarifies a procedure already in place.

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

Based on data obtained from the Official List there appear to be 1,125 debt issuers listed in the UK. Although it is unclear how many of those issuers will be directly affected by the guidance (as it not known how many will request the substitution of an issuer on the Official List), we have calculated the potential cost of the new guidance using the total number of debt issuers.

Price base year	Implementation date	Duration of policy (years)	Business Net Present Value	Net cost to business (EANDCB)	BIT score
2017	March 2017	10	-0.03	0.0	0.0

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

We expect that all of the 1,125 debt issuers would find it helpful to familiarise themselves with the two and a half page Technical Note.

For the 1,125 who may find it helpful to familiarise themselves with the guidance, we would expect that the note would take 30 minutes 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 an issuer. At the estimated rate of £48/ hour, the total estimated cost for all 1,125 would be £27,000 ([Robert Half salary guide](#))¹.

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

¹ We arrived at the 30 minute estimate based on the following calculation. The two and a half page technical note contains approximately 968 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 knowledge of how firms respond to our Technical Notes.