

Annual Report

2022/23



FCA

Listing Authority
Advisory Panel

The background is a solid orange color. In the upper half, there are several thin, white, wavy lines that create a sense of motion and depth. Scattered throughout the background are numerous small, semi-transparent white circles of varying sizes, resembling bokeh or light particles.

Chair's foreword

I am pleased to introduce the Listing Authority Advisory Panel's Annual Report for 2022-2023, my third as Chair.

During 2022-23 we continued to focus on several of the key priorities of the previous year, as they moved into different phases of developments and some of these topics will continue to be a focus throughout the next year. Like anything else, Panel agendas are set and meetings held in a constantly evolving political, economic and regulatory environment. This reshaped our discussions or introduced new topics (such as the volatility in UK LDI markets in the Autumn of 2022, or the collapse of Silicon Valley Bank immediately prior to our March 2023 meeting). Through the year, our priority areas of focus continued to be the FCA's Primary Markets Effectiveness Review, the Future Regulatory Framework and what we have grouped together as UK Competitiveness and Market Excellence Strategy, though we could equally have separated this into two separate headings. We frequently discussed market risks and although not often included as a specific agenda item, this was an underlying theme in our discussions throughout the year. These key areas are covered in this report.

In the period, the Panel submitted a joint response with the Markets Practitioner Panel (MPP) to the Discussion Paper on Primary Markets Effectiveness. Responses to public consultations are only part of the picture and the ongoing engagement with the FCA included focused meetings and written feedback to provide detailed commentary on areas of policy development.

I would like to thank Panel members for their time, commitment, insights and open and engaged contributions. I would also like to thank the members of the MPP who we have collaborated with on a number of areas of joint interest. Finally, I would like to thank the FCA for the opportunity to engage on developing policy in an environment which brings together a group of industry stakeholders with different experience and perspectives to hold open and frank discussions and the sharing of different opinions.

Mark Austin
Chair, FCA Listing
Authority Advisory Panel

1

Introduction

The Listing Authority Advisory Panel (LAAP) is a statutory independent panel representing the issuer, investor, and corporate advisory communities, that advises the FCA on technical listing, policy issues and regulation proposals that impact equity and debt primary markets.

The Panel meets formally four times each year and holds four scheduled informal sessions. Over the past year, members have regularly participated in ad hoc sub-groups to discuss proposals in greater detail with the FCA policy teams responsible for Primary Markets Effectiveness. The LAAP Chair is an ex-officio member of the FCA's Markets Practitioner Panel (MPP), which helps foster a close working relationship and coordination between the two panels. LAAP and MPP submitted a joint response to the FCA's DP 22/2 on Primary Markets Effectiveness Review during the period covered in the report.

Over the period, the Panel welcomed the opportunity to engage with the FCA's interim Chair, CEO, and members of its Executive Committee. On a regular and ongoing basis, the Panel enjoys a close and constructive relationship with members of the FCA's Market Oversight and Markets Policy teams.

This report outlines LAAP's main areas of focus and activity in the past year, which in many cases are continuations of work from previous years due to nature of policy development, but nevertheless have been evolving in a continually changing environment.

This in turn impacts the shape and substance of discussions and the meeting agendas are carefully but flexibly planned, in collaboration between the FCA and the Panel Chair and Deputy Chairs to ensure the discussions are focusing on the most relevant proposals and topics at the most appropriate time

2

Primary Markets Effectiveness Review

The attention paid to the Listings Rules reforms has undoubtedly increased. The UK's competitiveness and growth prospects are predicated on multiple factors, including that it remains an attractive place to list for both UK and overseas companies. We are fully cognisant that reform of the Listing Rules is not a silver bullet, however we see it as a key element in ensuring that the UK is attractive to both domestic and international companies. This is also an element of reform that is fully within the FCA's scope to update.

These Discussion on how to reform the Listing Rules has been underway for a number of years, and we have responded at each stage of process- be that in a formal, public response (see our joint response to the Primary Markets Effectiveness Review Discussion paper in August 2022) or through ongoing engagement with the FCA policy team during our Panel meetings and in focused subgroup meetings. As feedback to the 2022 Discussion Paper was assessed, and in the Panel's role as 'critical friend', we have continued to provide feedback as the FCA have shaped each stage of their proposals.

The Discussion Paper kickstarted a wide-ranging debate amongst primary market stakeholders on an array of structural issues including what the main market's listing segment(s) should look like going forward and the role and utility of the sponsor regime. We actively engaged with the FCA on the options presented for a single segment listing model, expressing our strong support for a simplified disclosure

based model and facilitating access to other cohorts of industry stakeholders to provide additional evidence based feedback which would help the FCA to understand where the current or proposed rules added additional protection or benefit, and where they do not, in order to ensure the right balance between investor protection and risk tolerance is achieved.

The environment in which these proposals are emerging has also been evolving, and we have observed with concern a continuing decline in the perception of UK Capital markets. We continue to advocate for addressing the wider ecosystem with coordinated action across the regulators and governmental authorities and this became increasingly important as the year progressed. Taxation, remuneration, pensions, risk appetite of investors and depth of liquidity all contribute to the overall functioning of the market. We take a broad view, discussing these different elements in the context of what is within the FCA's remit. Linked to this, we regularly engaged with the FCA on communications strategies to take with the wider industry, to clearly draw out where the boundaries are drawn in terms of what lies within the FCA's ambit, and that of other authorities, or is outside the competences of any UK authority.

As the period covered by this report ended, we await the next phase of consultation and will continue to prioritise this area of policy development, along with the related reforms of the Prospectus Rules.

3

Future Regulatory Framework

The Future Regulatory Framework (FRF) is a broad area incorporating multiple reforms, with varying degrees of significance, from minor amendments to fundamental reforms, with evolving scope and timeframes. The announcement of the Edinburgh Reforms in December 2022 increased the scope and complexity of the reforms the FCA is managing, and the Panel has increasingly discussed the need for careful management of sequencing of file transfers to the FCA's Handbook, consultation on transferred rules interaction with different pieces of the wider regulatory reform and the communication strategy to industry of how the work is being managed, and what the end state might look like.

Whilst some of the preliminary consultation is driven by HM Treasury, it impacts the work of the FCA and naturally forms part of our discussions at Panel meetings. We welcomed the UK Investment Research Review in March 2023 and agreed to respond jointly with the Markets Practitioner Panel (MPP). We also submitted feedback to the FCA and HM Treasury in relation to the Call for Evidence on Short Selling Regulation.

We have offered the FCA our support in terms of how they resource this work and share their planning and approach. Elements of reform that fit within this work, particularly priority files like the Prospectus Rules reform and the Wholesale Markets Review are a particular focus. We have engaged with initiatives to enhance operational and technological functions under the remit of the Digitisation Taskforce, and we regularly met with FCA policy teams

between Panel meetings to provide focused input, for example on the impact of the Prospectus Rules proposals on debt assets. We offered suggestions on how the FCA might ensure they reach all relevant areas of industry when gathering feedback and hear a cross range of perspectives.

UK Competitiveness and Market Excellence Strategy

Another area of focus has been on the new secondary objective on competitiveness and growth under the Financial Services and Markets Bill. We have regularly discussed the need for careful calibration of the objective, to ensure the FCA maintains its internationally acknowledged and respected reputation as a high-quality, technical regulator with a strong supervisory approach, against the need for reform to ensure the UK regime is agile, modern, and globally attractive. We recommended that the FCA clearly articulates its risk appetite towards capital markets reform and develops targeted and clearly understood KPIs to measure the status of the UK's competitiveness and growth.

The competitiveness objective is one element of the wider theme of UK Competitiveness and the FCA's Market Excellence Strategy. We welcomed the approach of taking a whole-market view, including refocusing on debt and non-equity markets, and competitiveness being considered from an international perspective.

The majority of policy developments on the Panel's agenda sit under this strategic project and the significant

volume of work underway by the FCA is clear. We have voiced concerns at the significant demands on capacity and capability being placed on the FCA (and industry) in delivering such large volumes of reform. However, we recognise and encourage the pace and ambition, believing it should be accelerated in certain key areas, in order to address barriers identified and recalibrate the regulatory framework to better support the financial services industry and the customers it serves.

4

Evolving Market Risk

We complimented the FCA on its response during the COVID pandemic and the early days of the conflict in Ukraine. We have observed this thoughtful and effective response to crises continue during other events in 2022 and 2023 and we discuss these separately in this report.

We have monitored ongoing market volatility in a period of continuing inflationary pressure. We witnessed several significant events that required particular attention during the year and formed the basis of discussion in the Panel meetings and commitment to follow up with further actions between formal meetings.

The volatility in the LDI market in the autumn was a focus in Q4, and we raised concerns about pockets of risk that were as yet not fully understood. As the crisis in the banking sector

unfolded in Q1 2023, we shared experiences of managing secondary impacts, despite the quick action and resolution by authorities. We do take the view that these events provided an opportunity to demonstrate the benefits of operating in jurisdictions with strong regulatory frameworks, and the value of an effective, agile and technical regulator. Nevertheless, we are not complacent, and the environment remains uncertain, with unknown pockets of risk within the market as well as more visible impacts on the economic outlook for consumers, investors, and retirees. We will continue to monitor for the emergence of other risks and remain ready to engage. We urge the FCA to maintain ongoing and collaborative engagement with its peers internationally to monitor and mitigate against emerging risks.

Panel diversity statement

The FCA has agreed to adopt diversity targets for all the FCA's Independent Panels. These targets reflect those introduced by the FCA in April 2022 for the board and executive management of listed companies and are as follows:

- At least 40% of each Panel are women
- At least one of the senior positions (Chair, Deputy Chair or equivalent) across the Panels is held by a woman
- At least one member of each Panel is from an ethnic minority background

We can report that as of 31 March 2023 the Panel met each target.

Members of FCA Listing Authority Adviso Panel

(1 April 2022 – 31 March 2023)

Mark Austin – Chair

Corporate Partner, Capital Markets,
Freshfields Bruckhaus Deringer LLP

Mandy Gradden – Deputy Chair

Chief Financial Officer, Ascential plc

Kathryn McLeland – Deputy Chair

Chief Financial Officer, M&G

Gary Admans

Head of Liquidity and Capital Markets,
BP Treasury London, BP plc

Ed Cook

Managing Director,
Co-Head of Global Capital Markets
and Global Head of Corporate
Solutions, BlackRock

Darko Hajdukovic

Head of Multi-Asset Primary Markets
and Investment Funds,
London Stock Exchange Group plc

Virginia Khoo

Head of UK & Ireland Equity Advisory,
BNP Paribas

James Laing

Managing Director,
Investor Advisory, Rothschild & Co

Ursula Newton

Partner, Capital Markets Group, PwC

Aileen Taylor

Group Company Secretary and
Chief Governance Officer,
HSBC Holdings Plc

James Taylor

Co-Head of Investment Banking,
Numis Securities

Amanda Thomas

Partner, Head of the London
International Capital Markets Group and
Know-How and Training Team

Sam Ward (from 1 July 2022)

Head of European Equity Capital
Markets at Capital Group

Hans-Christoph Hirt (from 1 March 2023)

Managing Director and Head of Impact
Engagement at UBS Asset Management

FCA Markets Practitioner Panel

Financial Conduct Authority

12 Endeavour Square

London E20 1JN

Tel: +44(0)20 7066 1000

Email: LAAP@fca.org.uk

Website: www.fca-mpp.org.uk

FCA

**Listing Authority
Advisory Panel**