

# Handbook Notice No 118

April 2024

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# 1 Overview

## Legislative changes

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- 1.1 On 28 March 2024, the Board of the FCA made the relevant changes to the Handbook as set out in the instrument listed below.

CP	Title of instrument	Instrument No	Changes effective
<a href="#">CP23/13</a>	Consumer Credit and Mortgages (Tailored Support) Instrument 2024	FCA 2024/7	04/11/2024

- 1.2 On 25 April 2024, the Board of the FCA made the relevant changes to the Handbook as set out in the instrument listed below.

CP	Title of instrument	Instrument No	Changes effective
<a href="#">CP23/31</a>	Listing Rules Sourcebook (Sponsor Competency) Instrument 2024	FCA 2024/19	26/04/2024

## Summary of changes

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- 1.3 The legislative changes referred to above are listed and briefly described in Chapter 2 of this notice.

## Feedback on responses to consultations

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- 1.4 Consultation feedback is published in Chapter 3 of this notice.

## FCA Board dates for 2024

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- 1.5 The table below lists forthcoming FCA Board meetings. These dates are subject to change without prior notice.

FCA board meetings		
May	23	2024
June	27	2024
July	25	2024
October	3	2024
October	31	2024
November	28	2024
December	19	2024

## 2 Summary of changes

- 2.1 This Handbook Notice describes the changes to the FCA Handbook and other material made by the FCA Board under their legislative and other statutory powers on 28 March 2024 and 25 April 2024. Where relevant, it also refers to the development stages of that material, enabling readers to look back at developmental documents if they wish. For information on changes made by the Prudential Regulation Authority (PRA) please see [www.bankofengland.co.uk/news/publications](http://www.bankofengland.co.uk/news/publications).

### ***Consumer Credit and Mortgages (Tailored Support) Instrument 2024***

- 2.2 Following consultation in [CP23/13](#), the FCA Board has made changes to the following Handbook sections:

**Glossary of definitions**

**GEN 2.2**

**MCOB 1.2, 1.6, 7.5, 7.7, 12.4, 13.1, 13.2, 13.3, 13.5, 13.8, 14.1, 15.3, 15.4, Sch 1**

**CONC 1.1, 5.2A, 5.5A, 5D.1, 5D.2, 5D.3, 6.7, 7.1, 7.2, 7.3, 7.6, 7.7, 7.10, App 1.2**

- 2.3 In summary, this instrument makes changes to the FCA Handbook to incorporate relevant aspects of our Tailored Support Guidance (TSG) for Consumer Credit, Mortgages and Overdrafts, as well as introducing further targeted changes.
- 2.4 This instrument comes into force on 4 November 2024. Feedback is published in a separate [policy statement](#).

### ***Listing Rules Sourcebook (Sponsor Competency) Instrument 2024***

- 2.5 Following consultation in [CP23/31](#), the FCA Board has made changes to the following Handbook section:

**LR 8.6**

- 2.6 In summary, this instrument makes changes to the FCA Handbook to amend the criteria for approval as a sponsor.
- 2.7 This instrument comes into force on 26 April 2024. Feedback is published in Chapter 3 of this notice.

## 3 Consultation feedback

- 3.1 This chapter provides feedback on consultations that will not have a separate policy statement published by the FCA.

### **CP23/31: Listing Rules Sourcebook (Sponsor Competency) Instrument 2024**

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#### Background

- 3.2 Chapter 8 of the Listing Rules sourcebook (LR) sets out rules for sponsors. It includes the rules that set out the criteria for approval of a sponsor and the sponsor competence requirements. To be competent to provide sponsor services, a sponsor or person applying for approval to be a sponsor must have submitted a relevant sponsor declaration to the FCA in the past 3 years. They must also have a sufficient number of employees with relevant skills, knowledge and expertise (see LR 8.6.7R).
- 3.3 As set out in Chapter 18 of [CP23/31](#), we proposed changes to how a sponsor, or a person applying for approval as a sponsor, is required to demonstrate their competence to perform sponsor services. Our proposals were designed to recognise that fluctuating levels of primary market activity can mean that, at certain times, some sponsors may struggle to meet the current competence requirements to have submitted a sponsor declaration in the previous 3 years. Our proposals also sought to recognise that a firm may be able to demonstrate competence through experience gained from providing certain corporate finance advisory services.

#### Summary of proposals

- 3.4 In Chapter 18 of [CP23/31](#), we proposed to amend the sponsor competence requirements by:
- extending the requirement for a sponsor to have submitted a sponsor declaration to the FCA from within the previous 3 years to within the previous 5 years. For a person applying for approval as a sponsor, this would change to within 5 years of the date of the application; and
  - for sponsors and persons applying for approval as a sponsor that are unable to satisfy the above, allowing competence to be demonstrated through experience gained from providing corporate finance advisory services in the previous 5 years to issuers with:
    - securities admitted (or proposed to be admitted) to a UK recognised investment exchange; and

- a market capitalisation of at least the amount specified in LR 2.2.7R (currently at least £30 million).

3.5 We also proposed a requirement for a firm applying to be a sponsor to disclose matters that would have been required to be notified in the previous 5 years had the firm been approved as a sponsor.

3.6 In Appendices 4, 5 and 6 of [CP23/31](#), we also proposed consequential amendments to related Technical Notes.

#### How this links to our objectives

3.7 Sponsors are directly authorised and supervised by the FCA. The sponsor regime plays a key role in our listing rules that supports well-functioning markets. Sponsors help to safeguard market integrity and to protect investors through the provision of:

- expert advice and guidance to help ensure premium listed issuers, and applicants, understand and comply with the regulatory framework; and
- certain key confirmations and assurances to the FCA, including that an applicant to list has procedures, systems and controls in place to enable it to comply with its listing obligations and that it has met prospectus obligations.

3.8 The sponsor competence requirements support the FCA's strategic objective of ensuring that the relevant markets function well. They seek to ensure that a sufficient number and range of appropriately qualified sponsors can support the needs of premium listed issuers, and potentially a wider range of issuers, should the broader package of proposals in [CP23/31](#) be finalised and implemented.

#### Feedback

3.9 We received 15 responses to the sponsor competence proposals. Overall, there was support for the additional flexibility that our proposals sought to provide. Alongside this general support, other feedback included views that:

- more flexibility may be needed to accommodate experience of advising smaller companies because, for example:
  - the market capitalisation threshold specified in LR 2.2.7R, which formed part of the proposed new corporate finance advisory service experience criterion, is relatively new (it increased from £700,000 to £30 million in December 2021 – ie, within the proposed 5-year look back period);
  - advising on smaller issuers does not equate to something being less complex; and

- under the proposed wider reforms, ex-standard listed issuers (generally smaller in size) would also require the services of sponsors if they move to the commercial companies or shell companies categories;
- sponsor experience that does not require a sponsor declaration should be taken into account, and it may be appropriate to add as an additional requirement under the proposed corporate finance advisory criterion; and
- additional clarity should be given about the types of corporate finance advisory services experience that would be taken into account when assessing competence under that criterion.

### Our response

3.10 We have proceeded to make the rules and guidance as consulted on in [CP23/31](#), in line with the general support received for the changes, but with minor amendments as set out below to address the feedback received and to provide additional clarification:

- We have added general clarification to the current rules as to the relevant sponsor declarations that can be used for the purpose of the competence criterion for a sponsor to have submitted a sponsor declaration to the FCA within the previous 5 years.
- We have included guidance under the new competence criterion regarding relevant corporate finance advisory experience to explain that consideration of whether that criterion is satisfied would include, for example:
  - experience of providing sponsor services that do not require a sponsor declaration; and
  - the sponsor services that the applicant or sponsor intends to provide (noting that not all sponsors provide all sponsor services).

3.11 Finally, we have made a technical amendment to the second criterion on other corporate finance experience that can be used to demonstrate competence to reflect that the market capitalisation requirement specified in LR 2.2.7R for closed-ended investment funds is different to that for commercial companies and remains at £700,000. Plus, we have clarified that the second criterion includes a market established under the rules of a UK recognised investment exchange.

3.12 We have retained the link to the market capitalisation threshold specified in LR 2.2.7R, which formed part of the proposed new corporate finance advisory service experience criterion. This is because it provides a clear and objective test for considering whether a firm without recent sponsor experience can demonstrate that it would be able to provide services to companies comparable to those currently listed within the premium segment and to new applicants. However, we will keep this element under review.

- 3.13 The link to the market capitalisation threshold specified in LR 2.2.7R does not form part of the competence criterion to have submitted a sponsor declaration to the FCA within the previous 5 years. Therefore, declarations provided within the previous 5 years that happened before the change to the LR 2.2.7R market capitalisation requirement are not excluded from this criterion.
- 3.14 We have not made sponsor experience a requirement under the corporate finance advisory service experience criterion, as suggested by some respondents. We consider it is essential that we allow firms without existing sponsor or listing rule experience the opportunity to apply to be a sponsor, in order to achieve the desired outcome of opening the sponsor regime to a wider range of firms.
- 3.15 We have also finalised the proposed consequential amendments to the Technical Notes consulted on in Appendices 4, 5 and 6 of [CP23/31](#), published in the Primary Markets Bulletin ([PMB 48](#)). In response to feedback, we have also expanded the guidance in Technical Note 715.3 to provide examples of the types of experience we will consider as relevant under the corporate finance advisory criterion. We have also explained that experience of advising smaller issuers and sponsor declaration experience beyond the 5-year look back period may be relevant to demonstrating general skill and understanding of the responsibilities of a sponsor. This would be in relation to the existing requirement to have a sufficient number of employees with the skills and knowledge necessary for a sponsor to provide sponsor services in accordance with our rules.

#### Cost benefit analysis

- 3.16 Section 138I(2)(a) of FSMA requires us to publish a cost benefit analysis (CBA) when proposing draft rules unless, in accordance with section 138L(3) of FSMA, we believe that there will be no increase in costs or that the increase will be of minimal significance. We consulted on the costs and benefits of our package of proposals in [CP23/31](#). We do not believe that our changes and clarifications will alter the costs and benefits for firms. The CBA in [CP23/31](#) remains unchanged.

#### Equality and diversity statement

- 3.17 We consider that the rules we have made will not have a negative impact on any of the groups with protected characteristics under the Equality Act 2010 and no concerns were raised with our assessment during consultation.

#### Environmental, social and governance considerations

- 3.18 We have considered the environmental, social and governance implications of our changes and our duty under sections 1B(5) and 3B(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net zero emissions target under section 1 of the Climate Change Act 2008. Overall, we do not consider that the changes are relevant to contributing to those targets.



### Rule Review Framework

- 3.19 [CP23/31](#) included proposals for the application of the sponsor regime within the proposed new listing structure. We are in the process of analysing the responses to our wider package of proposals as set out in [CP23/31](#), which closed on 22 March 2024 (with an extension to 2 April 2024 for the additional tranche 2 draft instrument material and the consequential changes draft instrument). Due to this, we will consider whether consequential changes may be needed to the new sponsor competence rules as part of any future wider reforms.
- 3.20 We will continue to monitor the sponsor market and numbers of sponsors, including maintaining a public list of sponsors, to ensure the changes to the sponsor competence rules achieve the intended outcome and remain appropriate in the context of any changes in primary market activity.

## 4 Additional information

### Making corrections

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- 4.1 The FCA reserves the right to make correctional or clarificatory amendments to the instruments made at the Board meeting without further consultation should this prove necessary or desirable.

### Publication of Handbook material

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- 4.2 This notice is published on the FCA website and is available in hardcopy.
- 4.3 The formal legal instruments (which contain details of the changes) can be found on the FCA's website listed by date, reference number or module at [www.handbook.fca.org.uk/instrument](http://www.handbook.fca.org.uk/instrument). The definitive version of the Handbook at any time is the version contained in the legal instruments.
- 4.4 The changes to the Handbook are incorporated in the consolidated Handbook text on the website as soon as practicable after the legal instruments are published.
- 4.5 The consolidated text of the Handbook can be found on the FCA's website at [www.handbook.fca.org.uk/](http://www.handbook.fca.org.uk/). A print version of the Handbook is available from The Stationery Office's shop at [www.tsoshop.co.uk/Financial-Conduct-Authority-FCA/](http://www.tsoshop.co.uk/Financial-Conduct-Authority-FCA/).
- 4.6 Copies of the FCA's consultation papers referred to in this notice are available on the FCA's website.

### Obligation to publish feedback

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- 4.7 This notice, and the feedback to which paragraph 1.4 refers, fulfil for the relevant text made by the Board the obligations in sections 138I(4) and (5) and similar sections of the Financial Services and Markets Act 2000 ('the Act'). These obligations are: to publish an account of representations received in response to consultation and the FCA's response to them; and to publish (where applicable) details of any significant differences between the provisions consulted on and the provisions made by the Board, with a cost benefit analysis and a statement under section 138K(4) of the Act if a proposed altered rule applies to authorised persons which include mutual societies.

## Comments

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- 4.8 We always welcome feedback on the way we present information in the Handbook Notice. If you have any suggestions, they should be sent to [handbook.feedback@fca.org.uk](mailto:handbook.feedback@fca.org.uk) (or see contact details at the end of this notice).

# Annex

## List of non-confidential respondents

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We are required by section 138I(4A) of the Act to include a list of the names of respondents to rules consultations where the respondent has consented to the publication of their name. This annex lists the names of consenting respondents for consultations where those names are not otherwise listed in a separate consultation response document.

### ***CP23/31: Listing Rules Sourcebook (Sponsor Competency) Instrument 2024***

BDO LLP

Beaumont Cornish Ltd

The City of London Law Society and The Law Society

Listing Authority Advisory Panel and Markets Practitioner Panel

Nest Corporation

Novum Securities Ltd

Primary Markets Group

The Quoted Companies Alliance

Rothschild & Co

UK Equity Markets Association

UK Finance and AFME

United Kingdom Shareholders Association Ltd

VSA Capital Ltd

# Handbook Notice 118

This Handbook Notice describes the changes to the Handbook and other material made by the FCA Board under their legislative and other statutory powers on 28 March 2024 and 25 April 2024.

It also may contain information about other publications relating to the Handbook and, if appropriate, lists minor corrections made to previous instruments made by the Board.

Contact names for the individual modules are listed in the relevant consultation papers and policy statements referred to in this notice.

General comments and queries on the Handbook can be addressed to:

Lisa Ocerro  
Tel: 02070660198  
Email: [Lisa.Ocerro@fca.org.uk](mailto:Lisa.Ocerro@fca.org.uk)

However, queries on specific requirements in the Handbook should be addressed first to your normal supervisory contact in the FCA. For most firms this will be the FCA's Contact Centre:

Tel: 0300 500 0597  
Fax: 0207 066 0991  
Email: [firm.queries@fca.org.uk](mailto:firm.queries@fca.org.uk)  
Post: Contact Centre  
Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN

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