

Regulator Assessment: Qualifying Regulatory Provisions

Title of proposal: UKLA Technical Note: UKLA/TN/308.3 – Related party transactions – Modified requirements for smaller related party transactions

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? Whole of UK

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 was updated to clarify a rule change that was finalised by Policy Statement 14/18 (Response to CP13/15-Enhancing the effectiveness of the Listing Regime), published in May 2014. The related party transaction rules within the Listing Rules were changed to remove the need for sponsors that advise Premium listed issuers to consult with the FCA every time a sponsor conducts an assessment of a related party transaction in accordance with Chapter 11 of the Listing Rules. Therefore, the note was revised to clarify the position published in Policy Statement 14/18 that sponsors need only consult with the FCA where the sponsor questions the correct classification of a transaction under the class tests provided in LR 11, indicating that they do not need to otherwise come to the FCA for a view if the sponsor has no question as to the appropriate classification.

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

The guidance applies to sponsor firms that advise Premium listed issuers only. There are currently 41 approved sponsor firms, 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	0.00	0.00	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 revisions to the last paragraph of this Technical Note, to be read in conjunction with the entire half page note. (Note there are only revisions made to one sentence of the previously published 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 10 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 a sponsor. At the estimated rate of £48/ hour, the total estimated cost for all 41 approved sponsors would be £328 ([Robert Half salary guide](#))¹.

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

We believe this note will actually save sponsor firms, and the Premium listed issuers that they advise, time in the long run, as they will no longer have to consult with the FCA if they are comfortable with the conclusion they have reached based on their own evaluation of our rules.

¹ We arrived at the 10 minute estimate based on the following calculation. The ½ page technical note contains approximately 307 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.