

## DRAFT FOR CONSULTATION

September 2024 [Month Year] / Primary Market / TN / 704.45

# Primary Market Technical Note

## The sponsor's role on working capital confirmations

The information in this note is designed to help issuers and practitioners interpret our UK Listing Rules (UKLR), Prospectus Regulation Rules, Prospectus Rules: Admissions to Trading on a Regulated Market (PRM), Disclosure Guidance and Transparency Rules (DTR), and related legislation. The guidance notes provide answers to the most common queries we receive and represent FCA guidance as defined in section 139A FSMA

### Rules and guidance

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UKLR 4.2; ~~UKLR 24.3~~; UKLR 24.4

### Introduction

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In relation to working capital statements included in a prospectus or other disclosure document referred to in UKLR 4.2.1R(1) or UKLR 4.2.1R(1A) ~~or UKLR 24.3.1R~~, a sponsor is required to confirm that it has come to a reasonable opinion, after having made due and careful enquiry, that the directors of the issuer have a reasonable basis on which to make such statement. The sponsor's role is to provide assurance to the FCA that the directors of the issuer have fulfilled their responsibilities under the Prospectus Regulation Rules PRMs and the UKLR Listing Rules.

A sponsor is expected to apply its judgement, experience, knowledge and expertise on the ~~Prospectus Regulation Rules~~ PRMs, the UKLR Listing Rules, and the ~~Disclosure Guidance and Transparency Rules~~ DTR when deciding whether the directors of an issuer have a reasonable basis on which to make the working capital statement. To do this, the sponsor must have regard to the issuer's circumstances and the context of the transaction.

This role is in addition to the part played directly by the directors of the issuer or by any reporting accountant appointed by the issuer. Third party work can be used to help a sponsor come to a reasonable opinion that the directors of the issuer have a reasonable basis on which to make the working capital statement. However, a sponsor need not presume that a working capital report, prepared by a reporting accountant, is required in all cases. The decision as to the nature, scope and extent of any additional procedures or reporting required to enable the sponsor to come to its opinion is an important aspect of the sponsor's judgement.

Where third party work is performed, reliance on that work alone will not be sufficient evidence that a sponsor has discharged its obligation to make due and careful enquiry. Specifically, the sponsor must review, consider and challenge, (where appropriate), the work done by the issuer and any reporting accountant and, through its own knowledge and experience of the issuer and the issuer's operating environment, ensure that the conclusion reached on the issuer's working capital position is the right one under the circumstances.

Where a sponsor has considered and is satisfied with the scope of an expert's work and receives draft and final reports in line with that scope which do not reveal matters warranting further discussion or challenge, it will be sufficient to make a brief contemporaneous note of these judgements and the basis for them. We are aware that, in response to our supervisory reviews, some sponsors feel pressure to provide evidence to demonstrate challenge to expert reporting, even where they are satisfied with the comfort that the report provides. We do not wish to encourage this practice, and ask sponsors to simply exercise, and demonstrate through a contemporaneous record, their judgement when relying on third party reporting.

Sponsors should be aware of the need to have in place and maintain effective record keeping arrangements in relation to working capital statements in accordance with UKLR 24.4.25R to UKLR 24.4.27G. Sponsors should refer to TN/717.