

# UK equity capital markets & takeovers: recent developments and horizon scanner

Winter 2023



# Summary

In our Winter 2023 quarterly round-up and horizon scanner, we highlight some of the key developments in relation to UK equity capital markets and the Takeover Code over the last quarter, as well as those that are on the horizon in the UK for 2023 and beyond, including links to our recent client briefings. The developments will be of interest to UK listed companies and their advisers. We have applied a RAG rating to the developments in terms of timing as set out at [page 2](#).

## Topic areas covered:

- [Listing regime](#)
- [Secondary Capital Raising Review](#)
- [Prospectus and public offers](#)
- [Takeovers](#)
- [Post-Brexit financial services reform](#)
- [Reporting, corporate governance and ESG](#)

## RAG rating



Immediate impact





Short term impact  
(12 - 18 months)




On the horizon or timescales not  
yet known




Development	Summary	Next steps	Impact date or period	Useful links
<b>Listing regime</b>				
<p>FCA consults on plans for reform of the UK listing regime</p>	<p>The Financial Conduct Authority (<b>FCA</b>) is continuing its review of the listing regime. In May 2022, the FCA published a Discussion Paper in which it seeks views on the future of the UK listing regime.</p> <p>The FCA’s core proposal is the creation of a single segment for listing equity shares in commercial companies (referred to as a “<b>UK Listing</b>”), which would have one set of eligibility criteria, and would sit alongside junior markets, such as AIM and the Aquis Stock Exchange. The new regime would feature a single set of eligibility criteria, with a minimum set of mandatory continuing obligations, with issuers having a choice whether to adopt further additional obligations (labelled “supplementary”).</p>	<p>The discussion period closed on 28 July 2022.</p> <p>The proposals are not yet imminent, but we expect further feedback from the FCA in 2023 - either a further discussion paper or the FCA will bring forward specific proposals for consultation.</p>	<p>Not yet known</p> 	<p><a href="#">FCA consults on plans for reform of the UK listing regime</a></p> <p><a href="#">Discussion Paper DP22/2</a></p>
<p>Sponsor regime</p>	<p>The FCA has requested views on reforming the sponsor regime and how it ought to apply if there is a single segment. DP22/2 (see <a href="#">above</a>) suggested requiring a sponsor on listing to the single segment but effectively reducing sponsor requirements by making the significant transactions regime part of its supplementary obligations. The FCA has also sought views on sponsor record keeping, conflicts and fees.</p>	<p>It is possible that the FCA will proceed separately with these reforms during 2023 before the more fundamental changes to the listing regime take effect.</p>	<p>Not yet known</p> 	<p>See above</p>





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Minimum market capitalisation: expiry of key transitional provisions	<p>In December 2021, the FCA brought in targeted reforms to the listing regime that included increasing the minimum market capitalisation required for admission to listing to £30 million (from £700,000).</p> <p>Two key transitional provisions expire during 2023:</p> <ul style="list-style-type: none"> <li>– Applicants that had made a complete eligibility review submission by 2 December 2021 have until 2 June 2023 to make their listing application based on market capitalisation of £700,000.</li> <li>– Shell companies (including SPACs) that were listed before 3 December 2021 have until 1 December 2023 to apply for readmission based on £700,000 market capitalisation.</li> </ul>	Companies relying on these transitional provisions to act as set out.	<p>2023</p> 	<a href="#">FCA confirm changes to the Listing Rules to improve the effectiveness of UK markets</a>

### Secondary Capital Raising Review

UK Secondary Capital Raising Review	<p>The Secondary Capital Raising Review (<b>SCRR</b>) recommendations were published in July 2022, and set out a series of recommendations for improving further capital raising processes for publicly traded companies in the UK.</p> <p>The recommendations include:</p> <ul style="list-style-type: none"> <li>– Reduced regulatory involvement in larger fundraisings</li> <li>– Changes to existing fundraising structures</li> </ul>	<p>The SCRR envisages that certain recommendations could be implemented “immediately”, with others taking place in the near or medium term. It will be for bodies such as the government (including both BEIS and HM Treasury), the FCA, the Pre-Emption Group and the Investment Association to implement the necessary changes.</p> <p>There may be consultation on some of the proposed measures during 2023, but certain</p>	<p>Not yet known</p> 	<a href="#">Next steps for UK capital markets reform: UK Secondary Capital Raising Review recommendations published.</a>
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Development	Summary	Next steps	Impact date or period	Useful links
<p>Pre-emption: updated Statement of Principles</p>	<ul style="list-style-type: none"> <li>- Increased range of funding structures</li> <li>- Digitised shareholding structure.</li> </ul> <p>The Pre-Emption Group (<b>PEG</b>) published an updated version of its Statement of Principles in November 2022 in response to recommendations in the SCRR.</p> <p>The revised Statement aims to give companies greater flexibility to raise smaller amounts of capital, and also to assist companies that need to raise larger amounts of capital more frequently.</p> <p>In summary, companies may seek shareholder approval by special resolution at AGMs for a disapplication of up to 20%, on a 10%+10% basis (ie increased from 5% + 5%).</p>	<p>measures will require changes to other regimes (such as the <a href="#">prospectus regime</a>) before they can be implemented.</p> <p>See <a href="#">below</a> for changes in relation to pre-emption rights which we are likely to see the impact of during 2023.</p> <p>We expect a number of companies will start to request the larger authorities in line with the revised statement at their 2023 AGM.</p> <p>This will facilitate larger placings, more retail offers and we will see the disclosure of certain additional information in post-transaction reports.</p>	<p>2023</p> 	<p><a href="#">Pre-Emption Group provides additional flexibility for equity placings</a></p>
<p>Digitisation Taskforce launched</p>	<p>The UK government launched the Digitisation Taskforce recommended by the Secondary Capital Raising Review in July 2022.</p> <p>The Taskforce aims to drive forward the modernisation of the UK's shareholding framework, including implementing a fully digitised shareholding structure in the UK and improving the current intermediated system of share ownership.</p>	<p>The Chair is asked to provide a public report on the Taskforce's progress and initial findings by spring 2023. The final recommendations and an implementation plan will not be published until spring 2024.</p>	<p>2024</p> 	<p><a href="#">Government Policy Paper Terms of reference</a></p>




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**Prospectus and public offers**

<p>Changes to the UK prospectus and public offers regime</p>	<p>As part of the package of UK financial services reforms announced in December 2022 (the “<b>Edinburgh Reforms</b>”), HM Treasury has set out how the UK government will make changes to the UK prospectus and public offers regime. An illustrative draft statutory instrument (the Financial Services and Markets Act 2000 (Public Offers and Admissions to Trading) Regulations 2023) has been published. This largely reflects HM Treasury’s policy approach published in March 2021.</p> <p>The changes are intended to make the regime simpler, more agile and effective, and to facilitate wider participation in the ownership of public companies.</p> <p>The general approach is that there will be a shift to FCA rules (rather than statute).</p>	<p>The FCA is likely to engage with the market during 2023 to develop its policy and proposed rule changes.</p>	<p>It is possible that the changes may take effect during 2023</p> 	<p><a href="#">Changes to the UK prospectus and public offers regime</a></p>
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**Takeovers**

<p>Takeover Panel Response Statement: amendments to the presumptions of the definition of "acting in concert"</p>	<p>In December 2022, the Code Committee of the Takeover Panel published a Response Statement setting out a number of amendments to the presumptions of the definition of "acting in concert" in the Takeover Code (<b>Code</b>).</p> <p>The key changes include:</p> <ul style="list-style-type: none"> <li>– raising the threshold in what is currently presumption (1) of the definition of "acting in concert"</li> </ul>	<p>The amendments to the Code take effect from 20 February 2023. The Panel held a webinar to outline the amendments on 1 February 2023.</p>	<p>Q1 2023</p> 	<p><a href="#">Takeover Code changes on the horizon</a></p> <p><a href="#">Panel Statement 2022/21</a></p> <p>The slides and webinar recording are available on the <a href="#">Panel website</a>.</p> <p>BVCA <a href="#">update</a> for private equity</p>
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	<p>from 20% to 30%, so as to align it with the threshold in the Code's definition of "control";</p> <ul style="list-style-type: none"> <li>– making explicit that the presumption of acting in concert applies to interests in: (i) shares carrying voting rights (whether or not the shares are also equity share capital); and/or (ii) equity share capital (whether or not the shares also carry voting rights); and</li> <li>– setting out that the new 30% threshold applies differently to interests in voting share capital and (voting or non-voting) equity share capital.</li> </ul>			

Further Takeover Code consultations

In October 2022, the Takeover Panel published a Statement noting that the Code Committee has published two public consultation papers on proposed changes to the Takeover Code (**Code**) as set out below:

[PCP 2022/3](#) – The offer timetable in a competitive situation

[PCP 2022/4](#) – Miscellaneous Code amendments

Both consultations closed on 13 January 2023.

The Code Committee expects to publish Response Statements to PCP 2022/3 and PCP 2022/4 setting out the final amendments to the Code in Spring 2023 and anticipates that the amendments will come into effect approximately one month after publication of the Response Statements.

Spring/Summer 2023



[PCP 2022/3](#)

[PCP 2022/4](#)

### Post-Brexit financial services reform

Financial Services and Markets Bill 2022-23

The Financial Services and Markets Bill 2022-23 (**FSM Bill**) is likely to receive Royal Assent in 2023. It will establish the legislative framework for the revocation of all EU retained law relating to financial services (listed in

Track the progress of the FSM Bill [here](#).

Not yet known



[Bill webpage](#)





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	<p>Schedule 1 to the Bill). This includes, the UK Prospectus Regulation, the UK Market Abuse Regulation and the related subordinate legislation.</p> <p>HM Treasury has said that it does not expect to commence the revocation of individual parts of Schedule 1 unless the regulators have drafted and consulted on rules that are ready to be enforced. It will take a number of years to complete the process of revoking retained EU law although some legislation, such as the UK Prospectus Regulation, may be revoked during 2023 as part of the implementation of capital market regime reforms (see <a href="#">above</a>).</p>			

### Reporting, corporate governance and ESG

Structured digital reporting of financial statements

Issuers with transferable securities admitted to trading on a UK regulated market (eg, Main Market companies) with financial years starting on or after 1 January 2021 must prepare their annual report using the single electronic reporting format specified in the UK version of the Transparency Directive European Single Electronic Format Regulation (EU) 2019/815 (**TD ESEF Regulation**).

In September 2022 the FRC Lab published a report looking at the first year of mandatory structured digital reporting under the TD ESEF Regulation. The review found many companies had risen to the challenge of producing a report in the new digital

Responses are requested by 24 February 2023 and the FCA will publish final rules and guidance later in 2023.


Changes expected late 2023-24.

FRC report to be noted for the current reporting season.





[FCA Consultation Paper CP23/2](#)  
[FRC Lab page – structured digital reporting](#)



Development	Summary	Next steps	Impact date or period	Useful links
	<p>format. However, certain areas for improvement were noted.</p> <p>Separately, the FCA has published a consultation which sets out proposed changes to the existing rules on structured digital reporting by in-scope companies.</p> <p>The FCA proposes:</p> <ul style="list-style-type: none"> <li>- simplifying the content and arrangement of its existing requirements by revoking the <a href="#">Technical Standard</a> and putting the key provisions directly in the DTRs;</li> <li>- adding a new rule to the DTRs requiring issuers to tag their annual financial statements using a 'generally accepted taxonomy' for annual corporate reporting in UK regulated markets; and</li> <li>- issuing guidance on what it considers to be 'generally accepted taxonomies' in a new Technical Note, which it will keep updated as new taxonomies emerge.</li> </ul>			
Climate-related financial disclosures – ongoing monitoring	<p>In Primary Market Bulletin 42, the FCA has reminded companies of its rules, guidance and expectations in relation to TCFD-aligned disclosures.</p> <p>The FCA will continue to develop its regulatory approach in this area. This will include:</p> <ul style="list-style-type: none"> <li>- continuing to monitor disclosures (alongside the Financial Reporting</li> </ul>	Listed companies in scope to make TCFD-related disclosures in their 2022 annual report should review this latest guidance from the FCA.	Relevant to 2022 Annual Report 	<a href="#">Primary Market Bulletin 42</a>



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	<p>Council (<b>FRC</b>)) by using multi-firm or thematic reviews;</p> <ul style="list-style-type: none"> <li>- building on TCFD-aligned disclosure rules in line with domestic and international developments (such as the International Sustainability Standards Board's standards once approved for use in the UK) to meet investors' information needs; and</li> <li>- consulting on strengthening disclosure expectations for transition plans, drawing on the output of the Transition Plan Taskforce once finalised.</li> </ul>			
<p>Updated proxy adviser guidance for the 2023 AGM season</p>	<p>Both Institutional Shareholder Services (<b>ISS</b>) and Glass Lewis have published their voting guidelines for the 2023 AGM season.</p> <p>Both guidelines include commentary on matters including board diversity, climate change and audit committees. Both sets of guidelines also approve the revised <a href="#">PEG guidelines</a>.</p> <p>Remuneration Committees are also encouraged to exercise restraint in executive pay awards.</p>	<p>To note for the 2023 AGM season.</p>	<p>2023</p> 	<p><a href="#">ISS UK &amp; Ireland Proxy Voting Guidelines Benchmark Policy Recommendations</a></p> <p><a href="#">Glass Lewis 2023 Policy Guidelines</a></p>
<p>Consultation on the UK Corporate Governance Code</p>	<p>The FRC intends to consult on a revised UK Corporate Governance Code and supporting material from Q1 2023. This follows publication of the Government Response Statement: <i>Restoring trust in audit and corporate governance</i> in May 2022 (see our briefing <a href="#">here</a>).</p>	<p>The FRC have stated they intend to publish the consultation in Q1 2023, to apply to periods commencing on or after 1 January 2024.</p>	<p>January 2024</p> 	<p><a href="#">FRC Position Paper (July 2020)</a></p> <p><a href="#">FRC ESG Statement of Intent: What's Next</a></p>



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	<p>The review will focus on:</p> <ul style="list-style-type: none"> <li>- Providing additional support in relation to the existing Code Provisions, where reporting is currently weaker, taking account of issues raised in the FRC's recent research and reports.</li> <li>- Revising those parts of the Code which deal with the need for a framework of prudent and effective controls to provide a stronger basis for reporting on and evidencing the effectiveness of internal control around the year end reporting process.</li> <li>- Making necessary revisions to reflect the wider responsibilities of the Board and Audit Committee for expanded sustainability and ESG reporting and, where commissioned by the company, appropriate assurance in accordance with a company's audit and assurance policy;</li> <li>- Including a Provision for boards to consider how audit tendering undertaken by the company takes account of the need to expand market diversity; and</li> <li>- Updating the Code to ensure that it covers proposed changes to legal and regulatory requirements as set out in the Government Response, including strengthening reporting on malus and clawback arrangements.</li> </ul>			



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