

## Relaxation of UK prospectus regime steps closer as lawmakers pass underpinning legislation

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By Abhishek Kumar

A radical overhaul of the UK's prospectus regime aimed at making it easier for companies to raise capital is nearing reality after lawmakers this week approved the secondary legislation underpinning it. The new rules, which will revise the framework for public offers of securities and admissions to trading in the UK, are part of a wider post-Brexit reform of financial markets regulation unveiled in December 2022.

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The new rules, which will revise the framework for public offers of securities and admissions to trading in the UK, are part of a wider post-Brexit reform of financial markets regulation unveiled in December 2022 and known as the Edinburgh Reforms.

The rules would see a general prohibition of public offers of securities in tandem with a series of exceptions, meaning that many companies may no longer be required to issue full prospectuses to raise money in the capital markets. They also aim to establish a multilateral trading facility for securities in the regulated markets and create a new regulated activity of "operating an electronic system for public offer of securities above 5 million pounds.

"The new regime will mean companies raising capital are required to publish a prospectus except where they meet a series of exemptions or exceptions, for example where securities are traded on an exchange or where the offer of securities is fewer than 150 investors. This means in practice, we are removing the need for a prospectus to be published in many situations," junior finance minister Bim Afolami told lawmakers today.

The secondary legislation, made under the Financial Services and Markets Act 2023, was considered by committees in the House of Lords, Parliament's upper chamber, yesterday and by the lower chamber, the House of Commons, today.

The new rules, titled the Public Offers and Admissions to Trading Regulations 2023, won't enter force until the Financial Conduct Authority has made a call for feedback on them and issued a final regulatory framework, meaning the new regime could be expected to come into effect toward the end of this year or into next year.

"These changes will allow all firms, small and large to raise large amounts of capital easier and quicker, helping them to grow, hopefully in the UK," Jacqueline Swinburne said in yesterday's Lords debate.

The legislation aims specifically to implement recommendations by Jonathan Hill in his report, "UK Listings Review," published in March 2021. He recommended a fundamental overhaul of the listing regime currently contained largely in EU derived legislation. At the moment, companies making a public offer of unlisted securities of 8 million euros (\$8.7 million) or above are required to issue a prospectus.

The reforms also aim to take forward other recommendations made by the 2021 review, including freeing overseas companies from UK listing requirements to incentivize them to list in the UK and helping UK companies go international.

"I want the committee to be clear on that point," Afolami said today. "This instrument also facilitates UK firms' participation in international securitization markets. And so that should benefit our industry, of course, as well."

Crowdfunding platforms and other companies will be allowed to be more flexible in raising money outside the capital markets in a targeted, flexible and appropriate way, Swinburne said. "This will create flexibility for firms using a crowdfunding platform to raise capital while providing the appropriate level of retail protection in line with their responsibility under our domestic financial services framework."

The new rules will give the FCA additional rulemaking powers that apply directly to companies such as specifying when a prospectus is required, what a prospectus should contain and addressing the manner and timing of validation of publication, among other matters, she said.

They would also seek to bring non-transferrable securities such as municipal bonds into the scope of public offer regime requiring offers to be made through public offer platforms, Swinburne added.

As part of her response to a question about the scrutiny of additional powers to be given to the FCA, she said that regulators should take much of the burden and responsibility for the new rules to be made, adding that parliamentary oversight remains important.

Debate this week on the new rules included lawmakers also voicing concerns about the speed of the FCA's rulemaking, saying it must ensure to bring the legislation into force as soon as possible.

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