



22 March 2024

FAO: Primary Markets Policy Team
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

Via email: cp23-31@fca.org.uk

Dear Sir/Madam,

Consultation CP23/31: Primary Markets Effectiveness Review Feedback to CP23/10 and detailed proposals for listing rules reforms

The UK Corporate Reporting Users' Forum (CRUF) welcomes the opportunity to provide the FCA with our comments on this review which could, in theory, have some potential to improve the effectiveness of the UK equity market's smooth functioning and make the UK a more attractive destination for issuers to list shares.

The CRUF was established in 2005 and we have been holding regular meetings since. CRUF UK has prepared this comment letter based on discussions in CRUF meetings and through the circulation of this response. As always, we do not seek to reach a consensus within the CRUF but to reflect a broad spectrum of users' views. We have highlighted any contrasting views, which arose during the drafting process, in our response. Our comments are based on our professional experience as users of corporate reporting and participants in the UK capital markets.

We continue to support the desire of Government and Regulators to seek ways to make the UK a successful destination for companies to list and, more broadly, to deepen capital markets, creating a vibrant ecosystem which leverages the huge expertise in the City of London. We concur that the UK has more stringent listing standards than some other markets which may well deter a small number of issuers who see these as overly burdensome, but there are many more issues that are linked to this topic which we covered in our response to CP23/10.

You may want to [revisit our response to CP 23/10](#) in the context of your CP23/31 Q58. One of the most important aspects of this previous response was that we believe that the issues dealt with in these papers are interesting and may help at the margin but they are not the most relevant issues for decision makers who are determining where to list. **Most CRUF participants believe that valuation and market liquidity are the first and second considerations for businesses choosing where to list their shares and whilst the reasons for the UK scoring badly here are complex we would point to stamp duty as the single biggest drag for both as it raises the cost of equity by at least the stamp duty cost and makes active trading by liquidity providers prohibitively expensive, further adding to the cost of capital.**

In this context, we support the outcomes, especially the last two, looked for in CP23/31 paragraph 2.42:

1. A listing regime that is sufficiently flexible to enable a diverse range of companies to list and raise capital as efficiently as possible, while providing more investment opportunities for investors on UK markets.
2. Listing rules and categories that are simpler to understand, while still setting standards that support efficient and effective markets for listed securities.
3. High-quality disclosures that empower investors to make informed decisions when investing in listed securities in line with their investment objectives.
4. Rules that provide an appropriate degree of assurance along with oversight to ensure companies meet listing and transparency obligations.

We continue to support the focus on transparency where investors will be equipped with the decision-useful information they need. This is crucial for holding companies to account.

Our answers to most of your questions are yes, we agree with the proposals. Our answer to your Q1 is we believe you have struck the right balance. Rather than going through all 58 questions saying we agree, we set out below our answers to those questions where we do not agree entirely with the proposals.

We continue to disagree with allowing DCSS (CP23/31 Q6). This is a fundamental issue of principle (either all shares have equal votes or they do not) and accordingly we are unable to suggest any alternative proposals. We cannot see the need for any separate enhanced share classes. In our view, it is a US approach to accommodate founders retaining control (and possibly to avoid reporting rules such as reporting requirements where companies exceed a certain number of shareholders) and not needed in the UK. The balance of power between providers of financial capital and others such as founders should be determined by allocating sufficient listed shares to the others to represent the value they have contributed. This would also negate the need for complicated listing rules covering when such enhanced shares are issued or not and when they can vote or not.

We consider that sponsors should be required to report to the FCA and to shareholders that the sponsor considers the applicable rules in respect of significant transactions have been complied with and the requisite disclosures have been made (CP23/31 Q11). Simply relying on the company to “mark its own homework” is no more appropriate in the context of major transactions than would be permitting companies to publish annual results without audit, by relying upon the directors’ legal obligations with regard to the approval of accounts.

Underlying this consideration is also a concern that your high quality disclosures outcome may see a shortfall if current disclosures are removed.

We favour a related party definition based on IFRS accounting standards as consistency in reporting is important to investors (cp23/31 Q18).

We consider formal guidance is not required to clarify the use of ‘explain’ when reporting against the UK CGC. We agree with the FRC in this respect that companies’ boards should think for themselves (CP23/31 Q25).

About the Corporate Reporting Users’ Forum (CRUF)

The CRUF was set up in 2005 by users of financial reports to be an open forum for learning about and responding to the many accounting and regulatory changes that affect corporate reporting. In



particular, participants are keen to have a fuller input into the deliberations of accounting standard setters and regulators. CRUF participants include buy and sell-side analysts, credit ratings analysts, fund managers, investors and corporate governance professionals. Participants focus on equity and fixed income markets. The Forum includes individuals with global or regional responsibilities and from around the world, including Australia, Canada, France, Germany, Hong Kong, India, Japan, New Zealand, South Africa, UK and USA.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations depending on their area of interest or expertise. In our meetings around the world, we seek to explore and understand the differences in opinions of participants. The CRUF does not seek to achieve consensus views, but instead we focus on why reasonable participants can have different positions. Furthermore, it would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative. Also, it would not be correct to assume that nonparticipants agree with the initiative. This response is a summary of the range of opinions discussed at the CRUF meetings held in the UK and provided by participants in drafting the response. Differences of opinion are noted where applicable.

Participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer or other organisations they are a member of or associated with. Accordingly, we sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum and not as representatives of our respective employer or other organisations. The participants in the CRUF that have specifically endorsed this response are listed below.

Signatures

Charles Henderson

Jeremy Stuber

Jed Wrigley

Jane Fuller

Peter Parry

Sue Milton