

Feedback Statement to DP17/2 Review of the Effectiveness of Primary Markets: the UK Primary Markets Landscape

Feedback Statement

FS17/3

October 2017



This relates to

Discussion Paper 17/2 which is available on our website at www.fca.org.uk/publication

Please send any comments or queries to:

Marta Alonso
Markets Policy Department,
Strategy and Competition
Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Email:

dp17-02@fca.org.uk

How to navigate this document onscreen



returns you to the contents list



takes you to helpful abbreviations

Contents

1	Introduction	3
2	The split between standard and premium listing	7
3	Supporting the growth of science and technology companies – Patient Capital	11
4	Retail access to debt markets	15
5	Other topics	18
Annex 1	List of non-confidential respondents	19
Annex 2	Abbreviations used in this paper	21

1 Introduction

Background

- 1.1** We published DP17/2¹ in February 2017 to prompt a broad debate about the effectiveness of UK primary capital markets and how they serve their purpose of providing access to capital for issuers, and investment opportunities for investors. In assessing the functioning of the market and any enhancements that may be appropriate, we recognise that investors and issuers have distinct needs, which can occasionally conflict. At the same time, it is in the long term interests of both issuers and investors that the framework strikes the right balance between these needs.
- The DP presented four areas for discussion:
- the current split between standard and premium listing with a focus on an international segment
 - how to support the growth of science and technology companies
 - the listing of debt securities and debt MTFs
 - retail investor access to debt markets
- 1.2** We received 27 responses from a wide range of stakeholders, including investor groups, listed companies, advisers to listed companies and other wholesale financial markets groups. The views provided show a strong commitment by market participants representing all sides to make sure that UK primary capital markets remain of the highest quality, and continue to serve both issuers and investors in a changing political and economic environment. We also received extensive verbal feedback.
- 1.3** In this paper we provide an overview of the views we received. We are publishing this feedback now to inform further discussion with stakeholders.
- 1.4** Today we also publish two policy statements on our review of primary capital markets. PS17/22² sets out our response to CP17/4.³ It clarifies some of the current premium listing eligibility requirements, and the rules applicable when conducting reverse takeovers and when entering into certain types of classifiable transactions. These proposals received overwhelming support from market participants. PS17/23⁴ – in response to CP 17/5⁵ – relates to the initial public offering (IPO) process, and seeks to improve the range, quality and timeliness of information that is made available to investors during the process. The proposals included in CP17/5 also received positive feedback from market participants.

1 DP17/2 – www.fca.org.uk/publication/discussion/dp17-02.pdf

2 PS17/22 – www.fca.org.uk/publication/policy/ps17-22.pdf

3 CP17/4 – www.fca.org.uk/publication/consultation/cp17-04.pdf

4 PS17/23 – www.fca.org.uk/publication/policy/ps17-23.pdf

5 CP17/5 – www.fca.org.uk/publication/consultation/cp17-05.pdf



- 1.5** We also proposed, in CP17/21⁶ – published on 13 July 2017 – a new listing segment for issuers that are controlled by sovereign countries. This consultation closed for comment on 13 October 2017. We will decide whether to proceed with the sovereign controlled premium listing category once responses to that proposal have been considered, and this does not form part of this paper.
- 1.6** In this Feedback Statement we focus on three areas we think merit further exploration in light of the opinions presented to us:
- the relative positioning of standard versus premium listing (chapter 2)
 - the provision of patient capital to companies that require long-term investment (chapter 3)
 - retail access to debt markets (chapter 4)
- 1.7** We need to have further stakeholder engagement in relation to these topics before any final policy decisions can be taken. We also provide a summary of views received on other topics covered in DP17/2 (in chapter 5).

Our role in standard setting

- 1.8** We have periodically reviewed the listing regime to make sure it appropriately balances the needs of investors and issuers, whilst evolving to meet their changing requirements.
- 1.9** Our proposals to make changes to the listing regime are always underpinned by our statutory objective to make markets work well, and our operational objectives of protecting consumers – in this context investors, safeguarding market integrity and promoting competition in the interests of consumers. These objectives are best served by high standards of disclosure and governance. Market participants have unequivocally cited high standards as a reason for UK markets' success to date. This continues to be our focus.
- 1.10** The listing regime should be part of a framework within which issuers and investors can thrive, and markets evolve.
- 1.11** Investors need to have confidence in the companies that raise finance in UK markets. At the same time, the framework should provide investors access to an appropriate range of investment opportunities.
- 1.12** The framework should also allow companies with viable business plans to fund themselves through the different stages of their development. We would expect the range of companies that raise finance to reflect the international nature of UK markets. The cost of capital at which they can access finance should be reflective of the risk attached to investment in their securities.
- 1.13** The publication of our Policy Statement on IPO reform highlights our focus on market quality. We want to make sure that investors have access to appropriate information

6 CP17/21 – www.fca.org.uk/publication/consultation/cp17-21.pdf

with enough time to make informed investment decisions. The proposals to enhance the listing rules – including clarifying the eligibility requirements, as set out in PS17/23 – are also intended to improve the quality of the regulatory regime. In each of these cases there was wide consensus in the market on the proposals.

- 1.14** In relation to other proposals we have put forward, we have received more divergent views, in particular on our suggestions for an international segment.
- 1.15** The current listing regime gives companies that want to list in the UK a binary choice between largely EU directive minimum requirements in the standard segment, and a more demanding set of requirements based around UK corporate governance traditions in the premium segment. Some companies may be unable to meet all of the premium listing requirements, but willing and able to meet others. Introducing different options, and/or raising the minimum requirements for the standard list, could encourage more companies to comply with higher standards. At the same time we recognise that excessive complexity in the range of options available could confuse investors or fail to incentivise issuers to reach the highest standards they credibly can.

Our vision and the work we intend to pursue

- 1.16** We want our regulatory framework to be one which gives investors both the opportunity and the confidence to invest in a wide range of companies. Getting the rules right will maximise the contribution that capital markets make to boosting economic growth. We believe we can best deliver this through a listing regime which encourages a wide range of issuers to meet the highest standards of disclosure and governance that are realistically achievable. Consistent with creating the best opportunities for investors, we want our framework to continue to be attractive to overseas as well as UK companies, providing these companies can meet appropriate standards. We also want the best investment opportunities to be accessible to retail as well as professional investors.
- 1.17** To this end, the topics included in DP17/2 that we propose to consider further are:
- the current split between standard and premium listing, and in particular the scope to raise minimum requirements in the standard list where these do not come from parts of EU Directives that are maximum harmonising.
 - supporting the growth of science and technology companies, focusing on patient capital. We propose to continue to explore areas where improvements to listing rules might facilitate the right environment for investment.
 - Retail access to debt markets. In DP17/2 we explored the barriers that large companies perceive when offering retail tranches as part of their established debt programs. We focused on concerns about the prospectus that needs to be produced. However, respondents highlighted a number of other concerns about the wider regulatory environment that we plan to explore further.



Next steps

- 1.18** We want to further engage stakeholders on the three topics highlighted in paragraph 1.6 and to publish proposals for consultation where appropriate in due course. This paper provides an initial overview of the feedback we received to aid such discussions.
- 1.19** We will decide whether to proceed with the specific proposal on a sovereign controlled issuer category once consultation feedback to that proposal has been considered.
- 1.20** If you are interested in discussing any of the topics presented in this paper, please contact us dp17-02@fca.org.uk.

2 The split between standard and premium listing

Background

- 2.1** Two types of listing are currently available to equity issuers. A standard listing is based largely on EU minimum standards, and relies on disclosure for investors to make informed investment decisions. The premium listing requirements contain a number of UK corporate governance traditions. An applicant has to meet additional standards – for example relating to maturity and independence – when eligibility for premium listing is assessed. Once listed, issuers must meet ongoing governance requirements, such as offering shareholder voting and pre-emption rights. Premium listed issuers must also appoint a sponsor at the time of listing and for certain transactions.
- 2.2** The current split evolved from a system of primary and secondary listing. Secondary listing was designed with companies that had a listing in their home jurisdiction in mind and would thus be subject to regulatory requirements in that jurisdiction. It was not considered necessary to add qualitative requirements for secondary listed companies, and because of this, secondary listing was not open to UK issuers.
- 2.3** When the current premium/standard categorisation was introduced, the prohibition on UK companies listing on the standard segment was removed.
- 2.4** In removing this prohibition, we moved to a model where both issuers and investors have greater choice.

Summary of questions raised in DP 17/2

- 2.5** Whilst the premium listing regime has broad support, we have had feedback that the standard listing is less well understood and is thought to be less attractive. Our suggestions in the DP were a response to market participant views that there is an important cohort of international issuers that would represent an interesting investment proposition for UK investors, but for whom standard listing is not an attractive option. Market participants advised that these firms seek a listing in other jurisdictions instead.
- 2.6** In light of this feedback we asked in DP 17/2 whether the underlying rationale for standard listing remains valid, including if we should continue to avoid differential treatment for UK and non-UK companies.
- 2.7** We also sought views on whether standard listing is perceived as unattractive, in particular whether the naming when compared to premium listing sends the wrong signals to international companies.

- 2.8** We asked whether the creation of an international segment for companies wishing to observe higher standards, but not the whole suite of UK corporate governance traditions, would address these concerns.

Feedback received

- 2.9** Respondents overwhelmingly commented that UK capital markets are seen to be world-leading and that high standards sit at the heart of their success. Respondents argued this regardless of whether they advocate change or maintenance of the status quo. These standards are seen to drive the reputation of, and trust in, UK capital markets.
- 2.10** Respondents highlighted that a race to the bottom must be avoided, and that it is wrong to assume that lower standards will attract issuers to the UK.
- 2.11** Premium listing in particular has the support of market participants and many commented that it is a recognised and respected brand.
- 2.12** However, respondents had different views on what it means to maintain high standards.
- 2.13** Some respondents, including investor representatives, said that the current premium/standard split is understood and serves the need of the market.
- 2.14** Other respondents, including groups representing a cross-section of market participants, confirmed they perceive gaps in the current offering and that further work should be done to ensure the regime remains fit for purpose for the future. For example, one response argued that what was right for the past 20 years is not necessarily right for the next 20. Several stakeholders pointed to IPOs in other jurisdictions, and to UK investor participation in those IPOs. They noted that those issuers did not, and would not, seek a standard listing in the UK, and that investors probably would not support them if they did.
- 2.15** The majority of respondents said there should be no changes to the premium listing requirements, though some thought minor enhancements may be helpful. One respondent suggested the regime should be updated to allow for the premium listing of global depositary receipts (GDRs), not just equity shares, as investors are not necessarily concerned about the legal form of the instrument they hold as long as all rights and obligations are passed through as if the investor held an equity share.
- 2.16** Most respondents do not want different requirements for international and UK companies, and highlighted that such differing standards could be circumvented through holding company structures. A small number of respondents suggested exploring whether it would be possible to rely on an issuer's home jurisdiction obligations, like the previous secondary listing model. The proposal of an international segment overall did not receive the support of market participants. A number of respondents who did not favour this said other options for improving the regime should be explored.
- 2.17** Views on standard listing were more divergent than those in relation to premium listing. It is seen to offer choice, but not necessarily the right choice.

- 2.18** One respondent highlighted the flexibility it offers to issuers, being able to disclose matters such as corporate governance arrangements that vary from traditional UK practice. The respondent argued that as long as the individual company and its management and business model had the support of investors, a company could succeed with a standard listing.
- 2.19** The same respondent nevertheless suggested that, while standard listing is appropriately calibrated, it has public relations issues.
- 2.20** A number of respondents confirmed that the standard label, especially when juxtaposed with premium, is unhelpful. Other market participants did not recognise this issue. One market participant said that the perception of standard listing is changing, and is now more positive than it was.
- 2.21** One respondent, representing a number of market participants, suggested that there are more fundamental concerns around the quality of some issuers attracted to standard listing, noting at the same time that it had also attracted high quality companies.
- 2.22** Numerous respondents suggested that too many categories or labels would be harmful, as it would lead to confusion and possible fragmentation of the market.
- 2.23** A small number of respondents also suggested that an important contributing factor to the attractiveness of premium listing is the number of issuers that subscribe to it. If this number went down, so would the standing of the premium listing regime. An attractive alternative might dissuade issuers from applying for a premium listing.
- 2.24** A number of respondents raised the free float requirements – which apply to both premium and standard listing and stem from CARD⁷ – as a concern. The location of the shareholders, which a priori have to be in the EEA, was noted as a particular concern.
- 2.25** A small number of respondents also said that they were opposed to dual share classes in the context of listed companies.
- 2.26** A number of respondents commented on the changing landscape in the context of the UK exiting the EU, arguing that the possibility of any enhancements should be seen in that context.

Next steps

- 2.27** Stakeholders hold different views that, to a certain extent, reflect the different interests of market participants. We would like, however, to encourage further debate that might generate more consensus. We think that encouraging the largest possible number of companies to achieve the highest listing standards they credibly can will ultimately benefit investors and issuers.
- 2.28** Respondents did not support the differential treatment of international and UK issuers that the international segment as proposed would have introduced. An international

7 Consolidated Admissions and Reporting Directive (Directive 2001/34/EC)



segment as proposed would also have added a further level of complexity. We do not intend to do further work on an international segment at this time.

- 2.29** Whilst premium listing commands strong support, it is less clear what other options for enhancements to the regime stakeholders believe should be explored, including what, if any, enhancements to the standard listing regime may be desirable
- 2.30** We will give further thought to options for raising requirements in the standard list where these do not come from parts of EU Directives that are maximum harmonising. We will discuss the scope for reform in this area with stakeholders in the months ahead. We may present further ideas for public discussion or consultation in due course.
- 2.31** We will consider the feedback received on the more specific proposals for a sovereign controlled premium category (CP17/21) alongside the comments we have received on the broader positioning of standard and premium listing.

3 Supporting the growth of science and technology companies – Patient Capital

Background

- 3.1** In Chapter 4 of DP17/2 we sought to explore the effectiveness of UK primary equity markets in providing 'scale-up' capital⁸ and 'patient' capital⁹, in particular in the context of supporting the growth of science and technology companies.
- 3.2** We had received representations that UK public capital markets often provide insufficient support to these companies, and that these companies therefore either stay private for longer or are unable to access capital.
- 3.3** We were told that the wider framework of market regulation – focused on facilitating secondary market trading – might deter issuers with long-term needs from accessing capital markets and may also drive short-term behaviours.
- 3.4** There have been a number of initiatives in recent years¹⁰ that look at the availability of patient capital and scale-up capital and we have sought to focus in particular on capital markets regulation.

Summary of questions in DP 17/2

- 3.5** In DP 17/2 we asked whether market participants think UK capital markets are effective at providing capital. We asked stakeholders whether the fact that companies are staying private for longer is problematic, or whether it simply represents an evolution of the capital markets landscape.
- 3.6** We also explored what causes the lack of scale-up and patient capital, and what improvements can be made in the regulatory framework to facilitate this type of investment.
- 3.7** We asked if we should explore alternative market structures. For example, facilitating periodic trading to provide some exit opportunities and a level of secondary market liquidity for investors, while allowing issuers to engage meaningfully and efficiently with investors without being subject to the continuous disclosure requirements of the Market Abuse Regulation (MAR) outside these trading periods.

8 Capital required to finance the transformation of small start-up companies into larger and more established businesses. Scale-up companies are commonly defined as having an average growth in employees or turnover of more than 20% per annum over three years, with a minimum of 20 employees at the start.

9 Investment based upon long-term considerations.

10 HM Treasury launched in January 2017 a Patient Capital Review in order to identify barriers to access to long-term finance for growing companies. As part of this, in August 2017, HM Treasury published a consultation to seek views on how to increase the supply of capital to growing innovative firms.

Feedback received

Size and stage of maturity

- 3.8** Market participants reported that patient capital and scale-up capital is available from a range of sources including high-net worth individual investors and institutional investors, but that there are constraints on the availability of capital, in particular in the context of scientific research and technology companies. Market participants also highlighted that this market was less developed in the UK than in the US.
- 3.9** According to the feedback we received, companies that want to raise between £5 million and £150 million are most likely to encounter difficulties. Below the £5 million threshold, companies often raise funds via private placements, and companies raising over £150 million start attracting larger institutional investors. However, attracting investors to issuances in between those figures seems to be harder. Many institutional investors do not want to take a controlling stake in a company, and at the same time require a minimum investment size for an investment to be viable, given the costs involved in investing.
- 3.10** A number of investors also highlighted that for many investors, an investment proposition that may have a fairly binary success or failure outcome, as may be the case with an early stage company, in particular in the context of science and technology companies, is outside their risk appetite or investment mandate.
- 3.11** A company's ability to raise funds is also affected by its maturity. One respondent, citing science and technology companies, indicated that companies struggle most to find funding at the foundation stage and the exit stage. The investors a company can attract at the exit stage or in late rounds of funding will often drive the long-term strategy of the company as far as capital markets are concerned. Feedback suggests that crossover funds, which invest in private companies and when they go public, can heavily influence where companies do their IPO. They stated that if a US crossover fund invests in a company in the UK, it is likely that the company will ultimately list in the US.
- Location**
- 3.12** Another factor influencing companies' ability to raise funds and their ultimate listing destination if they choose to go public is the clustering of sector expertise. Some respondents suggested that the build up of expertise networks in the US is adversely impacting the investment in patient capital and scale-up capital in the UK. Investors with greater sector expertise are likely to price risk differently, leading to better valuations from a company's perspective.
- 3.13** Stakeholders suggested to us that in the US investors in scientific research and technology companies are willing to fund them for longer, while in the UK a funding round may provide an issuer with sufficient capital for a short time before it has to return to investors for further funds. This may also be linked to sector expertise and confidence in the investment decision. There are, however, a number of specialist investors in the UK as well.

Long-term investors vs investors with a long-term focus

- 3.14** Many respondents emphasised the important distinction made in the DP between long-term investors and investors with a long-term focus. The former are investors with long holding periods that will not sell their investments in the short term while the latter, despite having a long-term focus, will sell out if the company abandons long run

growth for short-term earnings, or the long-term prospects of the company change for other reasons. Feedback received encourages fostering the latter.

- 3.15** When looking at the best way to raise funds, companies at an earlier stage and companies with long-term needs will also consider what non-monetary support they wish to receive from their investors. Non-monetary support could include provision of expertise through board members. In this context, raising money in a private environment may be preferable for companies at that stage in their development.

Regulatory implications and liquidity

- 3.16** A number of respondents highlighted that a lack of patient capital and scale-up capital comes from a reduction in equity investment. Respondents suggested that the regulatory framework around solvency and prudential regulation stops institutional investors from investing in equity capital. This encourages pension funds and insurance companies to reduce their risk profiles. Some argue that the changes introduced to these regulations following the financial crisis of 2008 led to a significant reduction in the proportion of equity investment.
- 3.17** Some respondents said that regular valuation requirements can also incentivise short-termism.
- 3.18** An investor's ability to commit to a long-term investment can be affected by a lack of liquidity. Many respondents indicated that, even when an investor has a long-term focus, having enough liquidity to be able to sell, as well as buy more, is important. This liquidity does not necessarily translate into daily trading, but into the possibility of selling out or buying more. Some respondents suggested that daily trading can cause a short-term outlook and, for patient capital investors, it would be preferable to have periodic trading only.
- 3.19** In this context some respondents urged us to explore whether it would be possible to facilitate the emergence of markets that will offer periodic trading, possibly only amongst a select group of investors, to make sure investors have some prospect of liquidity. Some respondents believe that these markets would encourage investors to commit more capital to these companies.
- 3.20** Even though there already are some secondary market providers where trading happens periodically – e.g. monthly or quarterly – some respondents suggested that issuers and investors would benefit from more certainty around the status of the disclosures that issuers make before the trading takes place.
- 3.21** These disclosure obligations are also highly relevant to whether a market is a viable option for issuers and investors.
- 3.22** Stakeholders explained that companies looking for patient capital need to provide investors with detailed information on their long-term prospects. However, an issuer may not want that information to be disseminated more widely. In a context of a regulated market, MTF or OTF, this can raise difficult questions on what constitutes inside information and when information must be disclosed under the Market Abuse Regulation. The speed at which



information has to be disclosed is also a factor, as issuers may wish to have adequate time to want to engage in substantive conversations with investors.

- 3.23** Some stakeholders also reported fears that if an announcement is misunderstood, there could be problems with follow-on fundraising.

Next steps

- 3.24** Many of the concerns raised are unconnected to the regulation of capital markets. However, in so far as points raised relate to the regulatory framework, we will consider what steps can and should reasonably be taken, and will continue to engage with stakeholders.
- 3.25** The framework for disclosure and multilateral trading in capital markets derives largely from MAR and MiFID II. Encouraging growth companies is of interest in all jurisdictions covered by this EU legislation. Ideas that could support this growth while still preserving the important investor protections and disclosure obligations for securities traded on regulated markets and MTFs, could be of interest both in the UK and other EU member states.

4 Retail access to debt markets

Background

- 4.1** A number of market participants have asked for greater retail participation in debt markets, and for reforms to enable retail investors to more readily access straightforward debt issuances by established corporates on similar terms to institutional investors.
- 4.2** Market participants argue that this would increase the funding available to issuers and give retail investors access to high-quality investment opportunities at lower cost.
- 4.3** However, few established corporates issue debt in denominations accessible to retail investors, and many purposefully structure their debt issuances to ensure only institutional investors participate. We have been told this is driven, in large part, by the different levels of disclosure applied when producing a retail or wholesale debt prospectus.
- 4.4** Clear disclosure, tailored to the intended investor audience, is important in ensuring that retail investors in particular can understand the risks associated with an investment. In the context of a prospectus, disclosure requirements are set out in the Prospectus Directive which requires the prospectus to be easily analysable and comprehensible. Market participants argue that for a subset of 'plain-vanilla' issuance where the nature of the issuer's business model and the risks are widely understood, that standard is adequately met through wholesale bond programme documentation.

Summary of questions in DP17/2

- 4.5** We asked whether market participants agree that there are forms of bond issuance that could be issued to retail investors without the need for more extensive documentation than would be available to institutional investors.
- 4.6** We asked how the population of these issuances could be defined, and whether it should be clearly labelled or identified.

Feedback Received

- 4.7** Respondents reiterated their belief that retail investors should have greater access to debt issued by established listed corporates, and that regulation should not hinder this.
- 4.8** Respondents also highlighted that there is harm associated with investors not having access to high-quality investment opportunities, in particular in the context of a low-interest rate environment.

- 4.9** Market participants noted the comprehensiveness of the regulatory regime applicable to corporate bond issuance by listed companies, compared with requirements applicable to other securities which are accessible to retail, such as unlisted securities issued through crowdfunding platforms. The regulatory environment applicable to listed corporates is perceived as more onerous. Market participants also noted that investors can invest in the equity of those same listed issuers, and that the risk profile of an equity is considerably more complex than that for a bond.
- 4.10** In response to our question on when standard bond programme documentation should be adequate to meet retail investors' needs, market participants stated that where issuers have a well-established track record, are of sufficient size, and are under an obligation to provide regular information to the market – e.g. because they already have securities listed – this should be enough. One respondent suggested that constituents of the FTSE 350 could be considered an appropriate cohort.
- 4.11** One respondent highlighted that most retail investors currently seek exposure to fixed income through bond funds, but that these funds have different characteristics and risk than direct investment in corporate debt issuances. Holding bonds through a fund also means that the investor returns will be reduced by the fee paid to the intermediary. The ability to purchase bonds directly would provide greater control over the exposure an investor seeks, while a fund might provide greater diversification. Open-ended funds in particular might choose to sell bonds to meet a redemption request, whereas an individual investor may choose to hold a bond to maturity.
- 4.12** Respondents perceived the availability of bonds issued in retail denominated tranches as a supply rather than demand problem. Some large corporates would issue retail tranches alongside their wholesale bonds if this did not require compliance with additional regulatory requirements. Respondents noted that issuers are raising funding to finance their business, not to provide an investment product in the way a financial services issuer would. This means there is limited incentive to issue to retail in an environment in which issuers can raise finance relatively easily. The disclosure that has to be included in a prospectus, and in particular whether standard wholesale programme documentation can be used to issue to retail is, therefore, one relevant factor which may affect an issuer's decision to structure its debt programme as wholesale only.
- 4.13** PRIIPS and MiFID product governance requirements were cited as two other regulatory frameworks that could disincentivise corporates not just from issuing or marketing directly to retail investors, but also from denominating securities in a size that means retail investors may purchase these in the secondary market.

Next Steps

- 4.14** We will continue to consider the case for identifying circumstances in which standard bond documentation should in principle be enough to meet prospectus requirements, but there seems to be some consensus that large premium-listed companies should be at the centre of any further analysis.

- 4.15** In considering what options might be available to create the right conditions for retail denominated tranches to be issued, we need to have regard to the wider regulatory framework. Some of the ideas raised by respondents would require a further reform of the EU Prospectus Regulation. This has, however, been relatively recently reviewed and such changes are not included in the revised Regulation that will apply from July 2019.

5 Other topics

Wholesale bond markets – Background and feedback received

- 5.1** In chapter 5 of DP17/2 we discussed opportunities to expand the overall UK market offering so it caters better for debt securities for wholesale investors. In particular, we asked for views on the possibility of creating a listed wholesale bond multilateral trading facility (MTF), given that the UK had no unlisted MTF equivalent to the Irish GEM market or Luxembourg's EuroMTF market, both of which are successful specialist MTFs, focused on institutional investors.
- 5.2** Respondents on this topic agreed that, given the launch of the a new debt MTF (the International Securities Market) by the London Stock Exchange earlier this year, further action by us to facilitate a listing segment for a new wholesale bond MTF does not seem necessary.
- 5.3** We received some responses that in due course it may be worthwhile exploring whether a wholesale-only segment on the regulated market should be facilitated.

Next Steps

- 5.4** Based on the feedback received, we propose to take no further action in relation to this topic.

Standard listing of ETFs – Background and feedback received

- 5.5** In DP 17/2 we proposed that there is limited rationale for premium listing of ETFs, and that given the nature of the instruments issued by these companies a standard listing may be more appropriate.
- 5.6** Overall, respondents agreed with this proposal.

Next Steps

- 5.7** We will prepare rules for consultation to facilitate the standard listing of ETFs and discontinue premium listing of these companies. In doing so, we will explore any legacy issues that may arise and we will make sure that any proposed rules are not disruptive for already listed ETFs.

Annex 1

List of non-confidential respondents

Association for Financial Markets in Europe (AFME)

BioIndustry Association

The Bank of New York Mellon

BTA Consulting Ltd

Canaccord Genuity Limited

CBI

City of London Law Society and the Law Society of England and Wales

Financial Reporting Council

Future plc

GC100

Hermes Investment Management

The Investment Association

The Institute of Chartered Accountants in England and Wales (ICAEW)

International Capital Market Association (ICMA)

Institute of Directors

Jardines

Killik & Co

KPMG LLP

Local Authority Pension Fund Forum (LAPPF)

London Stock Exchange Group

Professor Alex Edmans, London Business School

PricewaterhouseCoopers LLP

The Quoted Companies Alliance (QCA)

Support Saudi Women



TheCityUK

Virgin Money plc



Annex 2

Abbreviations used in this paper

CARD	Consolidated Admissions and Reporting Directive
CP	Consultation Paper
DP	Discussion Paper
EEA	European Economic Area
ETF	Exchange traded fund
EU	European Union
FTSE	FTSE International Limited
GDR	Global depositary receipt
IPO	Initial public offering
MAR	Market Abuse Regulation
MiFID	Markets in Financial Instruments Directive
MTF	Multilateral trading facility
OTF	Organised trading facility
PRIIP	Packaged Retail and Insurance-based Investment Product
PS	Policy Statement

We have developed this Feedback Statement in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 9644 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS

