

Mark Austin
Listings Authority Advisory Panel
c/o Panel Secretariat
12 Endeavor Square
London E20 1JN

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Dear Mark,

I want to thank the Panel and all its members for their work with us over the past year.

Recent volatility in the economy and financial markets, and the Government's reform agenda will be a significant part of our ongoing discussions with the Panel in the coming months. Your collective time, support, challenge and expertise have played a vital role in helping us on policy issues and will undoubtedly prove critical as we assess the impact of these emerging issues for the FCA and sector at large.

I particularly appreciated your input on the Primary Market Effectiveness review and your engagement on climate change. I welcome the Panel becoming a statutory Panel under the Future Regulatory Framework (FRF) which will be formalised next year.

I welcome too the publication of your Secondary Capital Raising Review (SCRR) final report. The report aligns with the FCA's strategic priority to ensure UK wholesale markets continue to be regarded as one of the leading global markets of choice for issuers, intermediaries and investors by identifying ways to streamline further capital raising by publicly traded companies and promote access for investors.

I want to take this opportunity to respond to issues you raise in your 2021/22 Annual Report.

Future Regulatory Framework (FRF)

Thank you for your support and input on the Future Regulatory Framework.

We consider the Treasury's framing of the new proposed 'international competitiveness and growth' objective as secondary to our existing operational objectives, to be the right approach. This strikes the right balance of our important role to facilitate international competitiveness and medium- to long-term growth, without detracting from our existing operational objectives or acting in a way that benefits short-term competitiveness at the cost of long-term growth.

The continued future success of the UK's financial services markets includes us supporting long-term economic growth with safe, stable and open markets. The globally interconnected nature of UK financial markets means it is important that markets are open, promote competition and growth, and are underpinned by high international standards in line with our objectives. We will continue considering international standards and good practice when developing domestic policy.

Primary Markets Effectiveness Review

You have asked us to review how the sponsor regime operates and if there was an opportunity to reaffirm the role for investors and to reconsider some of the more prescriptive requirements.

We acknowledge the Panel's views on further reform to the listing framework, including the sponsor regime, and will carefully consider its recent response to our Primary Markets Effectiveness Review discussion paper ([DP/22/2](#)).

DP22/2 sets out a bold concept of a single segment for commercial company equity listings. It summarises the role and purpose of the sponsor regime. This was designed to promote an open debate with the industry on ensuring our listing rules provide a proportionate and effective framework. Ensuring the UK continues to be seen as one of the leading global markets of choice for issuers, intermediaries and investors, compared to other high-quality markets. We are considering the responses and will update and seek the Panel's further input.

Environmental, Social and Governance (ESG)

You have emphasised that alignment is essential to help investors make informed choices and issuers provide meaningful disclosures, as well as firms finding necessary funding for the transition to net zero.

We have been a strong supporter of establishing international sustainability-related disclosure standards. We welcomed the excellent progress in establishing a global baseline for corporate reporting in our [response](#) to the International Sustainability Standards Board's (ISSB) consultation on climate and general sustainability standards.

We welcome the ISSB building from the Taskforce on Climate-related Financial Disclosure's (TCFD) globally accepted recommendations, while raising the bar to provide meaningful disclosures that meet the information needs of investors. We positioned our own TCFD-aligned disclosure requirements for listed issuers as an 'important milestone as work continues to establish a common global baseline...' We also reiterated our commitment to consult on updating those rules to reference the final ISSB standards. This will be adopted for use in the UK and move to a mandatory compliance basis.

Audit Market Reforms

You have concerns that these proposals could risk making the UK less attractive and competitive as a global capital market. You also remained concerned by the timing and wider implications of the comprehensive proposals.

We are very grateful to the Panel for their continuing clear and supportive input ahead of and after the Department for Business, Energy and Industrial Strategy's (BEIS') feedback statement on audit and corporate governance reforms. We acknowledge the strength of concern you raise.

We will continue to work closely with BEIS and the Financial Reporting Council (FRC) to mitigate and manage risks from overlapping responsibilities and to develop a suitable model for future collaboration. We will also update and seek further input from the Panel when we have more clarity on implementing BEIS' confirmed policy, and as the project enters its next phase of more detailed and operational engagement with both BEIS and FRC.

Strategic Initiatives

In your report, on our strategic approach, you have asked us to consider the potentially adverse impact on the UK's capital markets – both in absolute terms and perception. This includes the additional costs and burden of new regulations for issuers and investors.

We agree with the Panel that UK regulation should consider the impact on the capital markets in absolute terms and its perception. This is embedded throughout our policy development process to strengthen UK wholesale market, including through rigorous cost/benefit analysis. We view this as an integral part of our role in promoting the UK growth agenda and delivering on our new growth and competitiveness secondary objective.

We also welcome your engagement on our Transformation programme alongside our strategic initiatives.

I am grateful for your support and collaboration and look forward to continuing our open dialogue and relationship in the year ahead.

Yours sincerely,

Nikhil Rathi
Chief Executive