
Title: **Sponsors: Practical implications of competence requirements for sponsors and applicants**

Reference: UKLA/TN/715.1[]-[]

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Rules: LR 8.6.5R; LR 8.6.5CG; LR 8.6.6R; LR 8.6.7R; LR 8.6.7AG; LR 8.6.7BG; LR 8.6.7CG; LR 8.6.7DG; LR 8.6.9BG; LR 8.6.12R; LR 8.6.13G; LR 8.6.19R; LR 8.6.20G; LR 8.7.7R; LR 8.7.7AR.

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Competence requirements

The requirement for a sponsor to be competent is a continuing obligation (LR 8.6.6R). The competence requirements for sponsors and applicants for sponsor approval, which can be found in LR 8.6.7R–LR 8.6.9BG, require a sponsor or applicant:

- to have submitted a sponsor declaration (as defined) to the FCA within the last three years (LR 8.6.7R(1));
- to have a sufficient number of skilled employees who, inter alia, understand what we have referred to in this note as ‘competency sets’ (as set out in LR 8.6.7R(2)(b)), being identified areas of skills, knowledge and expertise that we expect of sponsors; and
- to retain employees who are able to act as ‘key contacts’ when making submissions to the UKLA ~~Department~~ department (requirements for key contacts are set out in LR 8.6.19R, which is summarised below).

A sponsor’s ability to comply with these requirements will be considered in light of the sponsor’s current and proposed business and operations (LR 8.6.7CG).

LR 8.6.12R(9) requires the sponsor to have effective systems and controls in place to comply with these competency sets. LR 8.6.16AR(4) requires a sponsor to record the steps they have taken to comply with its obligations under LR 8.6.6R, which will include its obligations to demonstrate competence to perform sponsor services.

LR 8.6.19R requires a sponsor to ensure that, when it is performing a sponsor service ~~which that~~ requires the submission of a document or contact with the FCA, it provides the FCA with the name of a ‘key contact’. LR 8.6.19R(2) requires a sponsor to ensure that key contacts meet certain criteria including whether they:

- are sufficiently knowledgeable about their client and the matter the subject of the sponsor service;

- can demonstrate an understanding of core skills, knowledge and expertise ~~specified in this rule (essentially by reference to two specified competency sets) (as referred to in LR 8.6.7R(2)(b)(i) and (iv))~~ and
- are authorised to make representations to the FCA for and on behalf of the sponsor-

LR 8.6.20G sets out our expectation that a key contact will have experience of carrying out sponsor services in the last three years.

Considerations relating to sponsor competence

We have set out below a number of questions and answers, some of which will only be relevant to new applicants, and some of which will also be applicable to existing sponsors. This Note is intended to assist ~~employees within~~ sponsors or applicants ~~who are required to~~ in considering whether the firm meets, or continues to meet, the rules requiring sponsors to be competent to provide sponsor services at all times. This Guidance will be particularly relevant to existing sponsors when completing their Annual Notification Form (AN) and to new applicants when completing an application form (New Applicant Form).

(a) We haven't submitted a sponsor declaration of the type specified in LR 8.6.7R(1) in almost three years. Can we rely on other declarations? What action should we take?

We require a sponsor to have submitted a specified sponsor declaration, namely one ~~which that~~ covers confirmations concerning compliance with LRs and DTRs, the effect of the transaction on the issuer and the sufficiency of working capital. Therefore a declaration given on an announcement of a reverse takeover under LR 8.4.17R or in relation to LR 8.2.1R(5) (sponsor appointment where there has been, or may be, a breach of the LRs or DTRs) will not be relevant for satisfying this requirement and we have drafted the definition of 'sponsor declaration' accordingly.

It is likely that the Sponsor Supervision ~~t~~Team will be communicating with sponsors whom they have been able to identify as struggling to satisfy this requirement. However, we expect sponsors to build into their procedures an internal notification requirement ~~which that~~ alerts management to the fact that the firm has not conducted a sponsor transaction resulting in the production of a relevant sponsor declaration for a period of time. Sponsors should be mindful that they remain under an obligation (LR 8.7.8R(1)(a)) to notify us ~~of any possible breach of LR 8.6.5R~~ as soon as possible if they cease to satisfy the criteria in LR 8.6.5R or become aware of any matter that, in their reasonable opinion, would be relevant to the FCA in considering whether the sponsor continues to comply with LR 8.6.6R. In practice, we expect sponsors to contact us well before they ~~face a potential~~ are in actual breach of their obligations under LR 8.6.7R(1).

In most cases, sponsors will seek to recruit in order to satisfy this requirement. For guidance on how our provisions for 'looking through' to individuals apply to these situations, please see question (i) below ~~in relation to~~ on the application of LR 8.6.7AG for new applicants and existing sponsors.

(b) When applying to be a sponsor, does the UKLA Department require us to explain how we are able to meet the requirements of LR 8.6.7R(2)? What information do you require on staffing?

As a new applicant, we would expect to review the full staffing proposition of the business that is to provide sponsor services. We require an applicant to make a submission setting out how it considers itself able to meet the requirements of LR 8.6.7R(2) and how it is able to demonstrate that the sponsor function meets our requirements in relation to all the identified competency sets. Persons considering applying for approval as a sponsor can find the relevant form on our website¹ ~~at the following address: <http://www.fca.org.uk/firms/markets/ukla/sponsor-firms/sponsors/applying>~~. We expect, as part of that submission, to be provided with, inter alia:

- a list of staff providing sponsor services
- an organogram of the sponsor function
- an analysis of how the proposed sponsor function meets the requirement of LR 8.6.7R(2)
- an explanation of how transactions are expected to be staffed
- what reporting lines and control functions are put in place to ensure compliance with LR 8.6.12R (taking into account LR 8.6.7CG), and
- identification of the employees able to meet the key contact requirements in LR 8.6.19R together with an ~~analysis~~ explanation of as to how they meet those requirements-

(c) What should we take into account when considering LR 8.6.7R(2)(a)?

LR 8.6.R(2)(a) requires a sponsor, or a person applying for approval to act as sponsor, to have a sufficient number of employees with the skills, knowledge and expertise necessary for it to provide *sponsor services* in accordance with LR 8.3. The Principles for Sponsors in LR 8.3 (Principles) set out what we see as the role of a sponsor and four key principles ~~which that~~ should apply to that role. These are:

- carrying out sponsor services with due care and skill;
- ascertaining whether directors understand their obligations under the LRs and DTRs;
- being open and co-operative with the FCA, acting with honesty and integrity and, in connection with a sponsor service, raising any failure by its client or itself to comply with the LRs and DTRs of which it is aware,¹ and
- identifying and managing conflicts of interest affecting a sponsor's ability to provide sponsor services-

¹ www.fca.org.uk/firms/markets/ukla/sponsor-firms/sponsors/applying

We expect a sponsor to have considered the scope of the role and the responsibilities that sponsors are subject to when seeking to fulfil that role in accordance with these Principles.

When considering whether a sponsor has an appropriate number of skilled employees for the purposes of LR 8.6.7R(2)(a), we expect a sponsor or person applying for sponsor approval to consider whether, inter alia:

- the number of staff within the organisation will be able to staff the expected pipeline of transactions without compromising the performance of those services to the requisite standard of professional care;
- ~~whether~~ the staff have sufficient expertise to identify and communicate the directors' obligations to them;
- the employees providing sponsor services ~~are able~~ understand the requirement for sponsors to conduct an open and co-operative relationship with the FCA~~;~~ and ~~whether~~ the staffing model for the sponsor function allows the sponsor to identify and manage any potential conflicts of interest in order to allow them to act for current and potential clients.

(d) How can we demonstrate our ability to comply with the requirements set out in LR 8.6.7R(2)(b) relating to competency sets?

The competency sets articulate five areas in which we expect sponsors, or those applying for approval to act as sponsor, to have relevant skills, knowledge and expertise. These are:

- the rules, guidance and ESMA publications directly relevant to sponsor services;
- the procedural requirements and processes of the FCA;
- the due diligence process required in order to provide sponsor services in accordance with LR 8.3 and LR 8.4;
- the responsibilities and obligations of a sponsor set out in LR 8~~;~~ and
- specialist industry sectors, if relevant to the sponsor services it provides or intends to provide.

TN/714~~x~~.1 provides a description of the types of skills, knowledge and expertise that we expect sponsors to consider when assessing their understanding of each of these competency sets; depending on a sponsor's business model, it may wish to consider other relevant areas. However we consider the competency sets listed above to be the core abilities a sponsor should be able to demonstrate when assessing whether it is competent to carry out sponsor services.

Our expectation is that, on an annual basis, in preparing for the submission of the AN, those responsible for the sponsor function within their firms will consider the skills, knowledge and expertise of those performing sponsor services, with reference to the descriptions set out in TN/714~~x~~.1, and form a view, based on the factors set out in LR 8.6.7CG, as to whether they have a sufficient number of employees who can demonstrate the required skills, knowledge and expertise. Further guidance on our expectations of this assessment is set out below.

(e) Do you expect us to assess individuals against the competency sets?

We do not expect sponsors or new applicants to perform a detailed assessment of each individual's understanding of each competency set. However, we would expect ~~staff responsible for any sponsor~~ assessing compliance with LR 8.6.5R(2) to document how they reached a view that the sponsor function, as a whole, is competent to provide sponsor services with reference to each competency set. In firms where the sponsor role is carried out by a limited number of employees, more consideration is likely to be given at an individual level to the ability of the sponsor to meet the requirements of LR 8.6.7R(2)(b).

We envisage that ~~in assessing the a sponsor will, function, those in~~ performing the assessment of the function carrying out sponsor services, ~~will~~ draw on their knowledge of those employees' skills, work experience on sponsor services and other corporate finance activity and recent training. We would also expect those performing the assessment to consider any potential gaps in knowledge ~~which that they~~ might identify, to consider 'key man risk' and/or possible succession planning, and to reflect on any pertinent feedback that they may have received from the UKLA ~~Department—department~~ during the performance of sponsor services. Where a sponsor is of the view that it may not meet the requirements of LR 8.6.6R, it should contact the Sponsor Supervision ~~t~~Team as soon as possible.

(f) Will you expect each employee involved in the provision of sponsor services to be able to demonstrate an understanding of all the competency sets as set out in LR 8.6.7R(2)(b)?

We are aware that sponsors do not all conduct their business in the same way, often using different staffing or management models. We are also aware that, when a firm acts as a sponsor, there will not necessarily be a separate business unit acting 'as sponsor'. Firms may identify employees from a number of different business areas to carry out sponsor services, or function as a sponsor. Depending on the type of service offered and the structure of the sponsor firm, the employees identified may each hold different skill sets and bring different knowledge and expertise to the sponsor team performing the sponsor service. Therefore, we do not expect each employee to be able to demonstrate an understanding of all competency sets.

However, a sponsor is required to have systems and controls in place regarding 'appropriate staffing arrangements': this requirement in LR 8.6.12R(6) seeks to ensure that sponsors consider the ability of the execution team allocated to the sponsor service to comply with the requirements of LR 8, including the Principles for Sponsors in LR 8.3. Therefore, a sponsor should be structured in such a way as to ensure that the approach to staffing sponsor services takes into account the need to consider whether each client or transaction team providing a particular sponsor service is able to meet all competency sets. This does not mean that sponsors will need to restructure their businesses or the way in which they provide corporate advisory work to their clients, but rather that sponsors will need to consider the staffing of each sponsor service in order to determine whether the team allocated to the matter is able, as a whole, to meet our requirements as well as those of their client. This will therefore necessitate a sponsor assessing its ability to meet the requirements of LR 8.6.7R(2)(b) on an ongoing basis as well as on a transactional basis.

(g) Do we need to keep a record of our assessment of competence? What level of records do we need to keep to evidence the steps we have taken to comply with these obligations?

Sponsors are required to keep records of their assessment of competence and to provide evidence to support and an annual confirmation that they satisfy the criteria for approval (LR 8.7.7R and LR 8.7.7AR), including the competence requirements set out in LR 8.6.7R. In addition, sponsors are also required to keep records of the steps that they have taken to comply with their obligations under LR 8.6.6R (LR 8.6.16AR(4)).

Clearly, the level of detail that a sponsor is expected to record when meeting these obligations, particularly in relation to any competence assessment, will differ depending on the size of the firm, the sectors in which it operates and its level of activity. In order to assist with their record-keeping obligations in this area, sponsors may wish to use the AN as a record of the steps that they have taken to comply with their obligations under LR 8.6.16AR(4) and LR 8.7.7AR(1). To this end, the AN includes prompts for sponsors to consider when completing the form. Should sponsors wish, they may of course retain more detailed records underpinning their considerations of compliance with these requirements. This may be the case where the firm already carries out a more in-depth review process of staff or their function for their own or other regulatory purposes.

The AN sets out each of the criteria for approval as a sponsor, as well as the more detailed components of the competence requirements (LR 8.6.7R) including the competency sets. Under each requirement, the form provides space for sponsors to record, using free text, how they believe that they are able to meet the requirements. As an example, we set out below an illustration of the type of text a sponsor may provide in relation to the first competency set (LR 8.6.7(2)(b)(i)).

Extract from the AN: Example text

i. Understand :

1. the rules, guidance and ESMA publications directly relevant to sponsor services

(please provide details of the area of the business or identified staff which that the sponsor relies on to demonstrate compliance with this requirement and an indication of how the sponsor is able to demonstrate the skills, knowledge and expertise required, including transactional and advisory experience as well as any relevant training or other resource).

[Sponsor] relies on the employees within the sector teams of the Investment Banking Division (IBD) in the London office to provide expert knowledge of the LRs, DTRs and PRs. In particular, the Real Estate, Retail and Extraction teams carry out the bulk of our sponsor services and much of our expertise resides within the employees in those teams. Where other sector teams intend to undertake sponsor services we ensure that they are supported by staff in our specialist execution team who also undertake sponsor services on a regular basis. In order to ensure that these teams retain up-to-date knowledge of the relevant rules and guidance we undertake the following:

1. We assess on an annual basis the transactional experience of the teams, which is gained acting for FTSE 350 companies, and in particular we identify where the service provided has been a sponsor service. For a breakdown of transaction experience (including the names of those involved in the performance of the service) we would refer you to our

response to Q12 in Part B of this form.

2. We retain ~~2~~two law firms on an ongoing basis to update us on regulatory changes and to provide us with bespoke training on hot topics arising in relation to the provision of corporate advisory services including carrying out the role of sponsor. Details of training provided to IBD and supporting functions this year are set out in Qx below.
3. We have embedded compliance resource within IBD ~~which that~~ ensures that staff providing or likely to provide sponsor services are briefed on regulatory changes, including guidance and other publications from ESMA ~~which that~~ are relevant to the provision of sponsor services.
4. We hold weekly WIP meetings for IBD in order to disseminate knowledge gained on live transactions concerning, amongst other things, interactions and expectations of the UKLA ~~Department~~ department.
5. We currently act as broker to ~~six~~6 FTSE 250 clients whom we regularly advise on announcement and other disclosure obligations.

The above example is modelled on a large integrated firm ~~which that~~ is an approved sponsor. Given the differing types of firms approved as sponsors, the level of detail and evidence relied on is likely to differ from sponsor to sponsor. For instance, a firm operating a corporate-broking business model, or an advisory-only business, may rely on a smaller core team of employees to conduct sponsor services. Such sponsors may seek to demonstrate compliance with LR 8.6.7(2)(b)(i) by making similar submissions as above in relation to transaction experience (paragraph 1), internal dissemination of information (paragraph 4) and other experience of providing advice on the LRs, DTRs and PRs (paragraph 5). ~~However, they would but would~~ describe differing approaches to training and compliance (paragraphs 2 and 3) and staffing of transactions, which may rely more on key individuals, such as directors, rather than team structures as in the example above. Ultimately, however, those responsible for the assessment will need to demonstrate that they have a reasonable basis on which to provide the confirmation that they continue to meet the criteria for approval, including the competence requirements.

(h) How do we comply with LR 8.6.7R(2)(b)(v), which requires a sponsor to have an understanding of specialist industry sectors, where relevant to the sponsor's business?

This requirement is only relevant where a sponsor intends to provide sponsor services to an issuer in a specialist sector. As such, for sponsors that do not operate, or intend to operate, in specialist sectors, such as mineral or property sectors, it will not be necessary to consider whether the sponsor function demonstrates an understanding of this competency set.

For sponsors that do intend to provide sponsor services for specialist sector issuers, it is important that they consider how they are able to meet our expectations: these are more particularly described in section A of TN/714~~x~~.1. It is possible that some sponsors are structured in a way ~~which that~~ recognises

sector expertise and, as such, are able to meet this requirement relatively easily. However, in other cases, it may be necessary for the sponsor to draw together specialists from other areas of the firm, such as ~~research analysts who may need to be well-crossed or~~ colleagues in different jurisdictions with expertise in a particular area. In some cases a sponsor may need to consider how best to enhance existing knowledge within the firm by making use of external specialists. It may also be necessary for the sponsor to arrange additional training for the team involved.

(i) LR 8.6.7AG indicates that in order to meet the requirement of providing a sponsor declaration in the last three years, you may 'look through' to individuals to satisfy this requirement. What does this mean? Is this only relevant to new applicants?

At the point of application, a new applicant is unlikely to be able to satisfy the requirement of LR 8.6.7R(1) as it would not have submitted a sponsor declaration to the FCA. LR 8.6.7AG indicates that for the purposes of complying with LR 8.6.7R(1), individuals will be viewed as representing the experience of the firm for the purposes of the provision of a sponsor declaration. In LR 8.6.7AG we have highlighted that we will consider whether any of the applicant's employees have had material involvement in the provision of sponsor services that have required the submission of a sponsor declaration within the previous three years.

This requirement may also be relevant to existing sponsors which, due to low activity, wish to rely on newly recruited personnel in order to satisfy the requirement of LR 8.6.7AG.

We expect to derive a similar level of comfort from 'looking through' to individuals as we would from a sponsor having submitted a declaration. By this we mean that, in order to satisfy LR 8.6.7AG, a new applicant or existing sponsor unable to meet LR 8.6.7R(1), should retain relevant employees who understand the process behind a sponsor declaration, what our expectations are in terms of reaching a reasonable opinion after due and careful enquiry, and what obligations apply to a sponsor before submitting a declaration. This should be evidenced at least through an employee's appropriate level of involvement in submitting a sponsor declaration at their previous employer (being an approved sponsor), thereby demonstrating an understanding of these requirements.

We would therefore not consider the following examples, by themselves, to demonstrate an appropriate level of involvement:

- *Signing a sponsor declaration*: sponsor declarations are given by firms, not individuals. Declarations are required to be signed by a duly authorised officer of the sponsor, although individuals completing the form on behalf of the sponsor may not have been involved in the execution of any of that sponsor service and may have been providing an executive or peer-review function at their previous employer. While the expectation is that the individual signing the declaration has sufficient understanding of the sponsor regime to provide sufficient comfort that the sponsor requirements have been complied with, we would not assume this is the case based solely on the execution of that declaration.

- *Submitting documents to the UKLA Department:* we recognise that someone making submissions to the UKLA Department during the course of a sponsor service may not have the requisite skills in order to satisfy this requirement, and therefore we cannot make the assumption that being a contact for a transaction will satisfy this requirement.

(j) What is the minimum number of employees a new applicant needs to retain in order to be approved as a sponsor?

Our rules relating to sponsor competence require a sponsor to maintain a sufficient number of skilled staff (LR 8.6.7R(2)), in other words, adequacy of resource. New applicants will need to determine whether they have sufficient resource to meet their expected business activity, in light of the guidance set out in LR8.6.7CG, and whether they will be able to provide sponsor services in accordance with the Principles for Sponsors, including the need to provide sponsor services with due care and skill. ~~We do not expect any sponsor to be able to satisfy this requirement by employing the minimum number of employees capable of meeting the key contact requirements in LR 8.6.19R. Despite the expectation set out in LR 8.6.7D that new applicants (and sponsors) need a minimum of two employees capable of meeting the key contact requirements sponsors and new applicants will need to consider whether they meet our expectations in light of the guidance as set out in LR 8.6.7CG and LR 8.6.7DG.~~ Furthermore, ~~a~~Although LR 8.6.7DG indicates that in order to be competent, we would expect a sponsor to have a minimum of two employees capable of performing the role of key contact in order to minimise key person risk, a sponsor will need to consider the number of key contacts it needs in the context of its business model and activity levels. This may require a sponsor to staff its operations with significantly more than the minimum number of key contacts set out in LR8.6.7DG.

New applicants will also need to consider how they intend to satisfy LR 8.6.7R(1) (submission of a sponsor declaration in the last three years) and may need to recruit employees to meet these requirements by applying the provisions of LR 8.6.7AG as discussed in question (i) above. Employees capable of meeting this requirement may also be able to meet the key contact requirements in LR 8.6.19R.

LR 8.6.20G sets out our expectation that key contacts will have undertaken a sponsor service in the last three years. This is because we do not expect key contacts to be able to meet these requirements through training alone, particularly the need for key contacts to be knowledgeable in relevant parts of the Handbook and applicable guidance referred to in LR 8.6.19R(d). We would therefore expect a sponsor or new applicant to contact us to discuss whether an individual should be identified as a key contact where they have limited or no practical experience of providing sponsor services to certain types of companies.

(k) We only want to provide sponsor services to premium listed investment companies. Can we still apply?

In April 2013, the FCA received powers ~~which~~ that enabled us to approve sponsors with restrictions or limitations. LR 8.6.5CG provides for firms who wish to apply on a limited approval basis. We recognise that one area where firms may wish to specialise is by providing sponsor services to premium listed investment companies only. The competence requirements set out in LR 8.6.7 are the same for any new applicant or sponsor. However, recognising that the regime for premium listed investment companies differs from premium listed commercial companies in some areas, we have provided separate guidance on the competency sets in TN/714~~x~~.1 for persons wishing to provide sponsor services solely to premium listed investment companies or premium listed commercial companies. A new applicant wishing to provide sponsor services solely to premium listed investment companies should refer to Section B of TN/714~~x~~.1.

(l) We are a Nominated Adviser for the purposes of the AIM Rules for Companies. Can we become a sponsor based solely on this experience?

~~We believe~~ In our view the sponsor regime is an expert regime in its own right and that the best indicator of competence is through previous experience of performing the role. Based on discussions with stakeholders, it is our view that the role of the sponsor cannot be replicated by other experience.

(m) We have experience of providing sponsor services to premium listed investment companies but have only acted for commercial companies in ~~other~~ corporate advisory roles, other than a sponsor role. We wish to apply for sponsor approval. Can we meet the criteria for approval without being subject to a restriction or limitation?

Should an applicant be able to demonstrate that it has submitted a declaration in the previous three years on a sponsor service for a premium listed investment company, either on a firm basis or on a 'look-through' basis, it will meet the requirements of LR 8.6.7R(1). However, we would need to be satisfied that the firm has the necessary skills, knowledge and expertise to meet the competence requirements in LR 8.6.7R(2) and that it has a sufficient number of key contacts who can meet the requirements of LR 8.6.19R.

In our experience, given the specialist and expert nature of our regime, experience obtained in other corporate advisory work is unlikely, by itself, to demonstrate that the applicant is able to meet the competence requirements for sponsors. For instance, premium listed companies are subject to requirements applying to significant and related party transactions in LR 10 and LR 11. Furthermore, different regimes do not require the same consideration of areas of due diligence that LR 8 requires of sponsors. We believe the nature of the relationship between the FCA and sponsors is not replicated by any other regime, in terms of both operational matters and issues of responsibility. Therefore, ~~should we believe~~ that an applicant has limited or no experience in providing sponsor services of a particular type or to a certain type of company, we may consider the applicant to be unable to meet LR 8.6.5R(2), and seek to impose restrictions under LR 8.6.5AR as envisaged through LR 8.6.5BG.

Should an applicant be seeking approval as a sponsor without restriction or limitation, we would also expect its employees acting as key contacts to have had experience of providing sponsor services to companies in both premium listed segments in order to demonstrate an ability to comply with LR 8.6.19R.

(n) Can we have more than one key contact on a transaction?

In relation to a live sponsor service, the sponsor should allocate only one key contact to that service. As the allocated key contact will have the authority to make representations for and on behalf of the sponsor, we believe it is important that we are able to place reliance on, and ensure continuity through, the use of that one named key contact. However, we recognise that key contacts may need to draw on other experience within the sponsor firm during the course of the sponsor service.

Should sponsors consider there to be a need to use an alternate key contact, it is up to the sponsor to notify the UKLA department as and when they consider appropriate as to the identity of the alternative contact. For instance, ~~if~~ there may be circumstances, such as sickness or holiday absence, where the allocated key contact may not be available. In ~~those circumstances~~ any event, the sponsor should inform the FCA of ~~the new~~ an alternate key contact as soon as possible to ensure that the sponsor is able to comply with LR 8.6.19R during the provision of a sponsor service.

We do not prescribe that all communications with the UKLA Department must be through the key contact identified for a particular matter – for more guidance on this, please refer to (o) below.

(o) Do we need to identify key contacts on an annual basis or on a transaction basis?

Each time a sponsor provides a sponsor service requiring the submission of a document or contact with the FCA, it must identify a key contact (LR 8.6.19R(1)). However, in order to ensure a suitable level of resource at all times, sponsors are required to retain a sufficient number of employees who are able to meet the requirements of LR 8.6.19R in light of the expected pipeline of sponsor work (LR 8.6.7R(2)(c) and LR 8.6.7CG). Our expectation is that sponsors will be able to identify employees capable of acting as key contacts on an ongoing basis and provide details of those individuals in each AN submitted. As set out in LR 8.6.7DG, as a minimum, we would expect a sponsor to identify two employees who are qualified to carry out the key contact role. Sponsors may identify more employees in their AN and may, at any point, notify the FCA of additional key contacts. This can be communicated directly to the Sponsor Supervision ~~Team~~. Where the FCA considers that more key contacts are required than the number identified in the AN, we may seek to challenge and discuss this with the sponsor. It should be noted that, as a key contact is required to be sufficiently knowledgeable about the client and the transaction or matter the subject of the sponsor service, our expectation is that the key contact is drawn from the transaction or client team providing the sponsor service.

(p) What level of involvement do you expect from a key contact on a sponsor service?

The purpose of the key contact requirements set out in LR 8.6.19R is to ensure that when a sponsor acts on a sponsor service, it is communicating with us through appropriately skilled and experienced staff who have the authority to make representations on behalf of the sponsor. LR 8.6.19R sets out the specific requirements for key contacts, highlighting that they must be knowledgeable about the issuer and matter under consideration, that they should be available to answer queries from the FCA during specified hours, are authorised to make representations to the FCA for and on behalf of the sponsor and that they are able to demonstrate an understanding of two specified competency sets. We have also set out our expectation that key contacts have previous recent experience of providing sponsor services. In selecting an individual to act as a key contact on a sponsor service, we would expect a sponsor to consider take into account the nature of the transaction or service being provided when putting staffing arrangements in place, including the identification of a key contact. ~~the person best placed to meet the requirements of LR 8.6.19R in relation to that particular service.~~

We expect a key contact to be involved in communications with the UKLA ~~D~~department ~~which~~ that require, or may require, the sponsor to provide confirmations or explanations on which we will rely in order to determine compliance with the LRs, PRs and DTRs. For example, this could include calls to discuss comments raised by the document vetting process that relate to matters covered by the sponsor declaration such as working capital, or questions concerning the issuer's compliance with a necessary disclosure in a public document, or discussions in relation to eligibility matters. We would also expect the key contact to play a role in the preparation or review of any written submissions to the FCA as that individual will need to be available to answer any queries we may have on these types of communications. However, as key contacts are required to be able to make representations on behalf of the sponsor, our expectation is that they will be likely to hold a more senior position in the firm. We would not expect a key contact to be involved in every call or communication with the FCA, as we recognise that some discussions may be more administrative in nature or relatively straightforward and, as such, capable of being dealt with by other members of the team. We will endeavour to ensure that calls where a key contact should be in attendance are flagged to the sponsor. However, ultimately we will expect sponsors to use judgement when considering whether a key contact should be involved in a particular communication.

(q) What happens if employees providing sponsor services, including key contacts, leave the firm? Will we still be competent?

The number of employees who are capable of meeting the key contact requirements must be proportionate to a sponsor's business and operations (LR 8.6.7CG), with the caveat that we expect all sponsors to retain at least two employees capable of acting as a 'key contact'. Sponsors may be able to replace an employee who is a key contact from existing staff in which case they will continue to satisfy LR 8.6.7R(2)(c).

However, should any employee providing sponsor services leave a firm, whether or not they are a key contact, the sponsor must consider whether they are staffing sponsor services in a way that allows them to continue with fewer personnel or whether they need to consider recruiting further staff in order to satisfy the requirements set out in LR 8.6.7R(2).

A sponsor must notify the Sponsor Supervision Team of any material changes in personnel under LR 8.7.8R(1) should the departure impact on the sponsor's ability to satisfy the criteria for approval (LR 8.6.5R).

Where we believe that remedial steps can be taken in the short term, a sponsor may seek to suspend its sponsor activity until such time as it can recruit further staff or take other steps in order to satisfy these requirements. Where it is unlikely that a sponsor will meet these requirements, a sponsor may need to consider seeking a cancellation of its approval.