# UKLA Technical Note

## Related party transactions – Modified requirements for smaller related party transactions

Ref: UKLA / TN / 308.~~2~~3 – Guidance Consultation

LR 11

LR 11.1.10R(2)(b) requires a premium listed company to obtain a written confirmation from a sponsor that the terms of the proposed transaction or arrangement with the related party are fair and reasonable as far as the shareholders of the premium listed company are concerned. If we request to see this confirmation, it should be provided to us as soon as possible, as required by LR 1.3.1R. We would only use this confirmation in the exercise of our statutory functions, and it is inappropriate and unnecessary to include language in a confirmation that seeks to limit our use of it. For the same reason, we believe it is unnecessary to include third-party disclaimers, as the purpose for which the sponsor's confirmation is provided to the FCA is clear.

The confirmation provided by the sponsor under LR 11.1.10R(2)(b) is an important shareholder safeguard. Unlike with a larger transaction, shareholders do not have the opportunity to vote on smaller transactions. We rely on the sponsor to undertake sufficient work to reach a considered opinion; there is no need to explain in the confirmation how that opinion was reached. On the contrary, we do not expect to see explanations of the basis of preparation, as it could be seen to limit the validity of the confirmation. Instead, a clean confirmation, tracking the wording used in LR 11.1.10R(2)(b), should be given.

Please note we will still need to have discussions ~~about the substance of the transaction contemplated, as well as~~, where necessary, if a sponsor questions the correct classification under the class tests, before the ~~final letters are submitted~~ transaction is entered into. Sponsors should approach us for guidance in such cases. We would also like to take the opportunity to highlight that a signed, final confirmation needs to be in place before the premium listed company enters into the relevant transaction.