



UK Listings: Introducing a new two tier Listing regime

December 2009

The FSA has announced a new two tier Listing regime coming into effect in April 2010 which will allow all companies, UK or overseas, to choose to have a "Premium" or a "Standard" Listing. Other changes came into force in October as a preliminary move towards the new regime.

Premium and Standard to replace Primary and Secondary

The new regime introduces two standards of Listing available to UK and overseas companies wishing to list in London: Premium and Standard.

From 6 April 2010 the current system of Primary and Secondary Listings will be abolished. As a preliminary move there was a slight adjustment to the Secondary Listing regime in October to allow UK companies to be eligible for a Secondary Listing.

The new Premium Listing will be similar to the current Primary Listing requiring compliance with London market requirements that exceed the minimum standards set down in EU legislation. Overseas companies will have to adopt a "comply or explain" approach to the Combined Code, increasing the transparency of their corporate governance practices to investors.

The Standard Listing requirements will be equivalent to meeting those EU minimum standards. Overseas companies with a Standard Listing will need to comply with the EU Company Reporting Directive, implemented as paragraph 7.2 of the Disclosure and Transparency Rules, requiring a corporate governance statement in the annual report containing an explanation of, and reasons for, any departure from this corporate governance code.

Why the changes?

Underpinning these changes has been the FSA's objective of showing that London remains an attractive place to list UK and overseas companies, with strong investor protection; Premium Listing will reflect the premium brand value of a London Listing.

It helps mark out the London listing regime's clearly distinguishable benefits from the other trading platforms and markets, such as Euronext and PLUS Markets, that are now available to issuers.

How standard is a Standard Listing?

Companies applying for a Standard Listing (as is currently the case for Secondary Listings) will not require a 3 year trading record, will not be not required to appoint a sponsor, and will not have to comply with the Listing Rules requiring shareholder approval of substantial or related party transactions. A Standard Listed company could potentially be used to offer stub equity on a takeover. Those with a Standard Listing will not, however, be eligible to participate in any of the FTSE UK indices.

A quick comparison

A helpful comparison between the two regimes and AIM is set out in the table below.

Migration/cancellation of Listing

This will be simplified – 20 business days notice to the FSA will be needed, but a move from Premium Listing or cancellation of a Premium Listing will need shareholder approval under the new regime.

If you would like further details on any of the points mentioned in this note please contact Richard Skelton or your usual contact at the firm.

Since 6 October 2009, UK companies have been eligible for a Secondary Listing, which was previously only available to overseas companies.

This will be followed in April 2010 by the new two tier system of Premium and Standard Listing available to all issuers.

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Comparison of key eligibility criteria and continuing obligations for companies whose shares are admitted to trading on the Main Market and AIM

	Main Market – Primary/Premium Listing	Main Market – Secondary/Standard Listing	AIM
Status			
Regulated market?	Yes (Official List)	Yes (Official List)	No (multilateral trading facility)
Applicable indices	FTSE UK series, where eligible	N/A	FTSE AIM series, where eligible
Documentation / rules			
Documentation required	Prospectus (for both admission to trading on Main Market & offer to the public)	Prospectus (for both admission to trading on Main Market & offer to the public)	Admission document (if admission of securities to AIM) or prospectus (if offer to the public)
Applicable rules	Admission & Disclosure Standards	Admission & Disclosure Standards	AIM Rules
Eligibility requirements			
Minimum free float?	Yes – 25%	Yes – 25%	No – nomad assessment of suitability
Minimum market capitalisation?	Yes – £700,000	Yes – £700,000	No – nomad assessment of suitability
Audited historical financial information	3 years	3 years or such shorter period as issuer has been in operation	3 years or such shorter period as issuer has been in operation
3 year trading record and control over majority of assets over 3 year period?	Yes	No	No
Working capital statement?	Yes (must be unqualified)	Yes	Yes (must be unqualified)
Eligibility for electronic settlement?	Yes	Yes	Yes
Sponsor or Nomad required?	Yes – sponsor required	No	Yes – Nomad required
Continuing Obligations			
Sponsor or nomad required at all times?	No – sponsor required for certain transactions	No	Yes – nomad required at all times
Deadline for publishing annual accounts	4 months after end of financial year	4 months after end of financial year	6 months after end of financial year
Deadline for publishing half-yearly financial report	2 months after end of financial period	2 months after end of financial period	3 months after end of financial period
Requirement to produce interim management statements?	Yes	Yes	No
Requirement to publish price sensitive/ inside information as soon as possible?	Yes	Yes	Yes
Does major shareholder notification regime in DTR 5 apply?	Yes	Yes	Yes, in respect of AIM companies incorporated under the Companies Act 2006 (or predecessors) or bodies corporate incorporated in and having a principal place of business in UK

	Main Market – Primary/Premium Listing	Main Market – Secondary/Standard Listing	AIM
Rules restricting deals by persons discharging managerial responsibilities?	Yes (under DTR)	Yes (under DTR)	Yes (under AIM rules)
Corporate governance requirements	Combined Code	Corporate governance statements	QCA Guidance – some compliance with Code depending on size etc. of company
Share dealing rules	Model Code	N/A	AIM rules
Are there restrictions on pre-emption rights?	Yes – Listing Rules ¹	Depends on company law in relevant jurisdiction (pre-emption provisions exist under English law)	Depends on company law in relevant jurisdiction (pre-emption provisions exist under English law)
Rules on significant transactions?	Yes – class tests	No	Yes – reverse takeovers & fundamental disposals
Related party transactions	Yes	No	Disclosure obligation only
Prospectus/document required for further issues?	Required if more than 10% shares of same class admitted to trading)	Required if more than 10% shares of same class admitted to trading)	Only required if constitutes offer to the public under Prospectus Directive or in event of a reverse takeover
Shareholder approval required for transfer between listing categories? ²	Yes – 75% shareholder approval	No	N/A
Does Takeover Code apply?	Yes (if registered office in UK, Channel Islands or Isle of Man)	Yes (if registered office in UK, Channel Islands or Isle of Man)	Yes (if place of central management and control in the UK, Channel Islands or the Isle of Man)
Shareholder approval required for cancellation of listing?	Yes – 75% shareholder approval	No ³	Yes – 75% shareholder approval

¹ Application to overseas companies to be confirmed.

² Rules relating to transfers between listing categories come into effect from April 2010.

³ Until 6 April 2010, shareholder approval required if the issuer has transferred from a primary listing within 2 years of the proposed cancellation date.