

Financial Services and Markets

Changes to the close links regime

On 6 November 2009 the FSA published PS/09/17, its long-awaited feedback to its December 2007 consultation paper on changes to the close links reporting regime (CP 07/21). The FSA has not adopted all of the proposals contained in the original consultation paper.

The changes will come into force on 1 June 2010, giving firms just over six months to prepare.

The most significant changes relate to the notification and reporting regime.

Notification and reporting regime

For the vast majority of firms (i.e., those that report on an event-driven basis, and have not elected to report on a monthly basis) the changes to the existing regime can be summarised as follows:

- A firm will be required to notify the FSA of any close links on a new standardised Close Links Notification Form (not yet seen). In terms of timing, it will be required, as before, to do this 'as soon as reasonably practicable and no later than one month after becoming aware that it has become or ceased to be closely linked with any person'.
- Every close links notification will have to be accompanied by a *separate* post-change organisational chart (there is no prescribed format for this).
- Annual reporting to the FSA must be on the same standardised Close Links Notification Form as for event-driven notifications.
- Every Close Links Annual Report will have to be accompanied by a *separate* organisation chart.
- Firms have the option of not notifying or reporting the following types of holding:
 - shareholdings they hold as **custodian** provided they can only exercise voting rights on instructions; and
 - shares they hold as **collateral taker** under an outright transfer of title arrangement – for instance, under a stock lending or repo agreement - provided they have not declared an intention of exercising and do not exercise the voting rights attached to the shares.

The changes to the notification and reporting regime are summarised in more detail in the tables attached to this note – for ease, there are two separate tables: one for firms which are required to notify as and when they become aware that they have become or ceased to be closely linked (the 'event-driven' notifiers) [[CLICK HERE](#)], the other for firms which have elected to notify close links on a monthly basis [[CLICK HERE](#)].

The policy statement, which contains the relevant rule amendments, is [[HERE](#)]

If you would like further information or advice on these matters, please contact Margaret Chamberlain, Jane Tuckley, Tim Lewis in the Financial Services and Markets Department or your usual contact at Travers Smith.

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