

## Insights

# UK COVID-19: FCA PRIMARY MARKET BULLETIN & MARKET WATCH

28 May 2020

The FCA have published temporary measures on the publication of half-yearly financial reports along with commentary on (i) addressing coronavirus-related uncertainties in the 'going concern' assessment and (ii) their expectations of market conduct in the context of increased capital raising events and around inside information, particularly in light of alternative working arrangements due to coronavirus.

### **Temporary relief for half yearly financial reports**

DTR 4 listed companies (i.e. Main Market companies whose home state is the UK) will be allowed an additional one month to publish their half yearly financial reports (from three to four months) without facing enforcement action for breach of DTR 4.2.2R.

### **Market practice on going concern assessments**

Due to the pandemic companies' financial statements may need to include remarks in the auditors opinion on the 'going concern' assessment and issuers are concerned how this will be perceived in the market. The FCA considers that in these unusual times/circumstances, previous market practice needs to adjust and the market should not draw unduly adverse inferences from these disclosures, nor from issuers changing their financial calendars to extend the filing of their yearly or half yearly financial reports.

### **Conflicts of interest and shareholder engagement**

The FCA, along with other institutional bodies, continue to encourage companies to make reasonable efforts to provide the usual degree of engagement with shareholders at this time. This includes considering 'soft pre-emption rights' so shareholders can participate, where possible, in any capital raising.

### **Market Watch 63**

The FCA has also published Market Watch 63 which set out its expectations around the identification and handling of inside information in light of increased capital raisings and new

working arrangements. It reminds issuers of the importance of identifying inside information and what constitutes inside information may have changed in light of coronavirus. In particular, issuers should:

- consider whether their existing procedures, systems, and controls for identifying and handling information take into account the new working arrangements. For example, can staff access to inside information be remotely supervised? Repeating/updating training to refresh staff on how they should handle inside information could be an option;
- continue to maintain insider lists and consider re-affirming that persons on those lists understand their legal and regulatory duties in relation to insider dealing and the unlawful disclosure of inside information given the different risks that arise from working from home;
- assess carefully what constitutes inside information. Issuers should carefully judge what information a reasonable investor would now be likely to use as part of their investment decisions in the context of coronavirus. For example, information that could have a significant effect on a companies' share price could include (but is not limited to):
  - detail on future financial performance, such as access to finance and funding. This includes through government schemes, significant changes in cash flow patterns, force majeure or termination rights in material contracts or financial arrangements, and changes to dividends or buy-back schemes;
  - their ability to continue or resume business, such as changes in strategy or business plans, business resumption plans, arrangements for staff returning to work, and supply chains; and
- consider whether information needs to be disclosed because it is materially different from previous forecasts. See our [earlier client briefing](#) on the disclosure of inside information.

During this period, the FCA have highlighted that they will be monitoring, amongst other things, inside information disclosures and price movements to identify any behaviours which may impact the integrity and orderly functioning of the market.

[Primary Market Bulletin Issue No.28](#)

[Market Watch Issue 63](#)

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## MEET THE TEAM



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