

Insights

PRIMARY MARKET BULLETIN NO.32 AND QCA REVIEW OF THE CODE

Dec 08, 2020

SUMMARY

The Financial Conduct Authority (FCA) has published Primary Market Bulletin No.32 (PMB No.32) to remind issuers of the changes to market rules as a result of Brexit. Separately the QCA and UHY Hacker Young have published their AIM Good Governance Review 2020/21.

PMB NO.32

MAR – from 11pm 31 December 2020 (IP completion day) MAR will be converted into UK law. From IP completion day, all issuers with financial instruments admitted to trading or traded on a UK trading venue (i.e. Main Market or AIM) which are based in an EU member state will be required to do the following:

- **Art 17** - send the FCA notification of delayed disclosure of inside information using the FCA form.
- **Art 19** - persons discharging managerial responsibilities (PDMRs) will need to send their PDMR transaction reports to the FCA using the FCA form.
- **Art 5** – to benefit from the buy-back exemption, where shares are admitted to trading on an EU trading venue, issuers should report to the EU competent authority of the EU trading venue in line with EU MAR. If the shares are also admitted to a UK trading venue, issuers should report each transaction relating to the buy-back programme to the FCA.

PROSPECTUSES

- After IP completion day, ESMA guidelines, Q&As etc. will not be imported into UK law but the FCA expect market participants to continue to apply the ESMA guidance to the extent that it remains relevant in light of Brexit and associated legislative changes.

- Prospectuses passported into the UK before IP completion day will remain valid for 12 months.
- The passporting regime will not apply after IP completion day.
- PMB No.32 also gives an update on how the short selling provisions will work post IP completion date.

QCA/UHY HACKER YOUNG AIM GOOD GOVERNANCE REVIEW 2020/21

This 8th annual review findings:

- **Responses to COVID-19** – the pandemic has shed a brighter light on shareholder engagement and exposed how some companies regard and treat their shareholders. In some companies the pandemic has accelerated the business digitally, particularly in terms of internal and external stakeholder communications. However, there was a general consensus that the best meetings between investors and companies are still face to face.
- **Executive remuneration** – did the company and the executives share the pain during the pandemic? Where government support was accessed, was this used for balance sheet support rather than executive remuneration. Those executives that gave up valuable bonuses demonstrated an alignment with their employees and others during this difficult time.
- **Environmental, Social and Governance (ESG)** - the pandemic seems to have accelerated the ESG trend and particularly the ‘S’ element i.e. how companies have looked after their employees, customers, suppliers etc has risen further up the agenda.

The annual review also highlighted some areas for concern where disclosure did not always meet the expected standards and could be improved upon. Notably this was in relation to the disclosures on:

- directors’ skill sets and time commitments;
- general meeting vote outcomes; and
- board performance evaluation processes and how these have been applied.

Looking ahead, investors will want to know what the challenges are and how companies plan to manage these. In terms of QCA Code disclosures, the report found high levels of disclosure with a continued focus to show how corporate culture is monitored and reported.

[Primary Market Bulletin No.32 >](#)

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