

Insights

CHANGES TO UK PROSPECTUS REQUIREMENTS

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In conversation with the Sunday Times, Nikhil Rathi, the head of the FCA, has confirmed his intentions of making it easier for companies to raise money on the UK's public markets.

I have often spoken about one of the key benefits of being on a public market being the ability to raise capital relatively quickly and efficiently in order to meet the funding requirements for the listed company and it appears that the FCA is planning to make this even easier.

Rathi has confirmed “we’re about to put through some very significant reforms to prospectuses to make it much easier for companies who already have securities on the market to raise further capital,” said Rathi.

The latest changes will mean that companies that are already trading on the stock exchange will not need to issue a lengthy prospectus outlining their business model and the potential risks they face in order to raise more money from investors, except in a few circumstances. The consultation on the changes to the prospectus rules suggested companies will be able to raise up to 75 per cent of their value by issuing new shares without producing a lengthy and costly prospectus. Previously they were allowed to raise up to 20 per cent before the need to issue a prospectus. Although not confirmed, it appears from this interview that this proposal may be implemented.

Rathi thinks that these changes, along with wider reforms aimed at fulfilling the chancellor’s pro-growth agenda, would add to the attractiveness of companies picking London over exchanges in continental Europe or New York. With increasing suggestions of capital re-allocation across markets, it may be that these changes are incredibly timely.

“A dynamic growing economy is going to produce companies that want to raise equity capital on public markets,” said Rathi.

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