

NEW PUBLIC OFFERS AND ADMISSIONS TO TRADING REGIME: FCA CONSULTS ON FURTHER ASPECTS INCLUDING FACILITATING ISSUANCE OF LOW DENOMINATION BONDS

On 31 January 2025, the FCA published [Consultation Paper CP25/2: Further Changes to the Public Offers and Admissions to Trading Regime and the UK Listing Rules](#) which sets out further proposed changes as part of the reforms to the UK prospectus regime and UK Listing Rules. CP25/2 is a follow up to the FCA consultation published in July 2024 ([CP24/12](#)) on the public offers and admissions to trading regime which is covered in further detail in our previous briefings (see [here](#) for the impact on the debt capital markets and [here](#) for the impact on the equity capital markets) as well its final Listing Rule reforms. Alongside CP25/2, the FCA has also published further proposals to support the implementation of public offer platforms ([CP25/3](#)).

In this briefing, we take a look at the key highlights in CP25/2 for issuers in the debt capital markets (DCM).

Background and Commentary

The FCA consultations follow the [Public Offers and Admissions to Trading Regulations](#) (the “POATRs”) which were made by Parliament in January 2024 and provide a new framework to replace the UK Prospectus Regulation (see our previous [briefing](#) on the POATRs). The POATRs give the FCA greater discretion to set rules in this area and CP25/2 as well as CP24/12 relate to the exercise of FCA’s powers under the new regime.

In particular, CP25/2 sets out proposals aimed at facilitating the issuance of low denomination bonds (these were first [outlined](#) by the FCA as part of an engagement process in 2023). These proposals tie in with the FCA’s wider policy aims to improve the attractiveness of UK capital markets and remove barriers to retail participation. In CP25/2, the FCA gives greater thought to how the regulatory framework could be calibrated in order to more easily allow for issuance of low denomination bonds and encourage retail participation in UK corporate bonds. Of course, whether the proposals provide enough

of an incentive for issuers to issue such bonds remains to be seen, particularly given that they are able to successfully access funding in the institutional market.

Key highlights

Single disclosure standard for debt securities - the same prospectus disclosure regime is to apply to wholesale and retail debt securities with the current wholesale disclosure requirements used as a base. A summary is not required where a prospectus relates to the admission to trading on a regulated market of debt securities, regardless of denomination.

Non-complex listed corporate bonds - inclusion of a new definition of, broadly, senior unsecured, plain vanilla, listed bonds issued by UK listed corporates. Issuers that exclusively list non-complex listed corporate bonds and wholesale securities would be exempted from certain disclosure requirements under the FCA’s Disclosure and Transparency Rules (“DTRs”), and such bonds should be treated as ‘simple’ financial instruments for the purposes of application of the UK product governance rules.

Further issuances - removal of the requirement for listing applications for further issuances from the UK Listing Rules, tying in with the FCA’s proposals in CP24/12.

Listing particulars - listing particulars to be removed as an admission document and the PSM to be closed new admissions at the point the new regime comes into force.

CP25/2: Key highlights for Debt Capital Markets

A single standard of disclosure

The current UK prospectus regime contains a lighter disclosure regime for issuances of debt securities with a denomination per unit above €100,000 (‘wholesale securities’) compared to debt securities with a denomination below that threshold (‘retail securities’).

The FCA now proposes to move to a single disclosure standard for wholesale and retail debt securities using the current wholesale disclosure requirements as a base. Further to this, the proposals also set out that a summary is not required where the prospectus relates to the admission to trading on a regulated market of debt securities, regardless of denomination. The FCA acknowledges that the current regime of differentiated disclosure requirements in prospectuses has disincentivised issuers from issuing low denomination (retail) bonds. Together with other factors, this has over time led to significant reduction in such bonds being issued by UK corporates. The FCA hopes that the move to a single wholesale debt-based disclosure standard will simply the rules and enhance access for retail investors.

The FCA proposes that, as under the current regime, securities with more complex features such as asset backed securities and securities with a derivative element would continue to be subject to additional disclosure requirements.

Non-Complex Listed Corporate Bonds

The FCA also proposes to include a new definition of ‘non-complex listed corporate bonds’ which are broadly senior, unsecured plain vanilla debt securities issued by UK corporates (see box for further details) (“**Non-Complex Corporate Bonds**”).

What qualifies as ‘non-complex listed corporate bonds’

Listed debt securities that are:

- issued by an issuer that has an existing listing in the equity shares (commercial companies) category, or are issued by a wholly owned subsidiary of such a listed company, provided the debt securities are fully, unconditionally and irrevocably guaranteed by the issuer’s listed holding company;
- fixed or floating rate securities (subject to certain conditions);
- unsubordinated, unsecured and not subject to a potential write-down or conversion as a result of a resolution authority exercising its powers (i.e. not subject to bail in); and
- not convertible securities, asset backed securities or securities giving rise to payment or delivery obligations linked to an underlying asset or index (other than benchmarks tracking UK inflation).

• Exemption to Financial Reporting Requirements in DTRs

The DTRs contain an exemption from the annual and half-yearly financial reporting requirements for exclusively wholesale debt issuers. The FCA proposes to make changes to the DTRs to also exempt financing subsidiaries that exclusively issue Non-Complex Corporate Bonds (or wholesale securities and Non-Complex Corporate Bonds) from the annual and half-yearly financial reporting requirements in the DTRs.

• Product Governance and PRIIPs

In addition to the disclosure requirements imposed on retail securities in the current prospectus regime, the EU derived MiFID rules on product governance and PRIIPs regime also imposed an additional layer of complexity, with uncertainty over application of these rules acting as a deterrent to issuance of retail debt. To address this, the FCA proposes to issue guidance (in the Product Intervention and Product Governance Sourcebook) to clarify that Non-Complex Corporate Bonds should be treated as ‘simple’ financial instruments which are therefore likely to be compatible with the needs and characteristics of customers in the mass retail market and appropriate for distribution by way of a wide range of channels.

In addition, the FCA has made certain clarifications (in [PS22/2](#)) and proposes further clarifications (in [CP24/30](#)) to the scope of the PRIIPs regime (to be replaced by the new Consumer Compositive Investments regime) to make clear that certain common features in vanilla corporate bonds do not make them a PRIIP.

Further Issuances

The FCA’s proposals include removing the requirement for listing applications for further issuances with various changes being proposed to the UK Listing Rules. In doing so, the FCA aims to address inefficiencies in the listing application process for further issuances and achieve cost savings for issuers. The proposals tie in with the FCA’s proposals in CP24/12 to increase the threshold for triggering a prospectus for further issuances from 20 per cent. (of existing fungible securities) to 75 per cent. across all asset classes. It may be that the further issuances exemption has limited use in the debt capital markets given the existing prevalence of debt issuance programmes.

Removal of Listing Particulars as an admission document

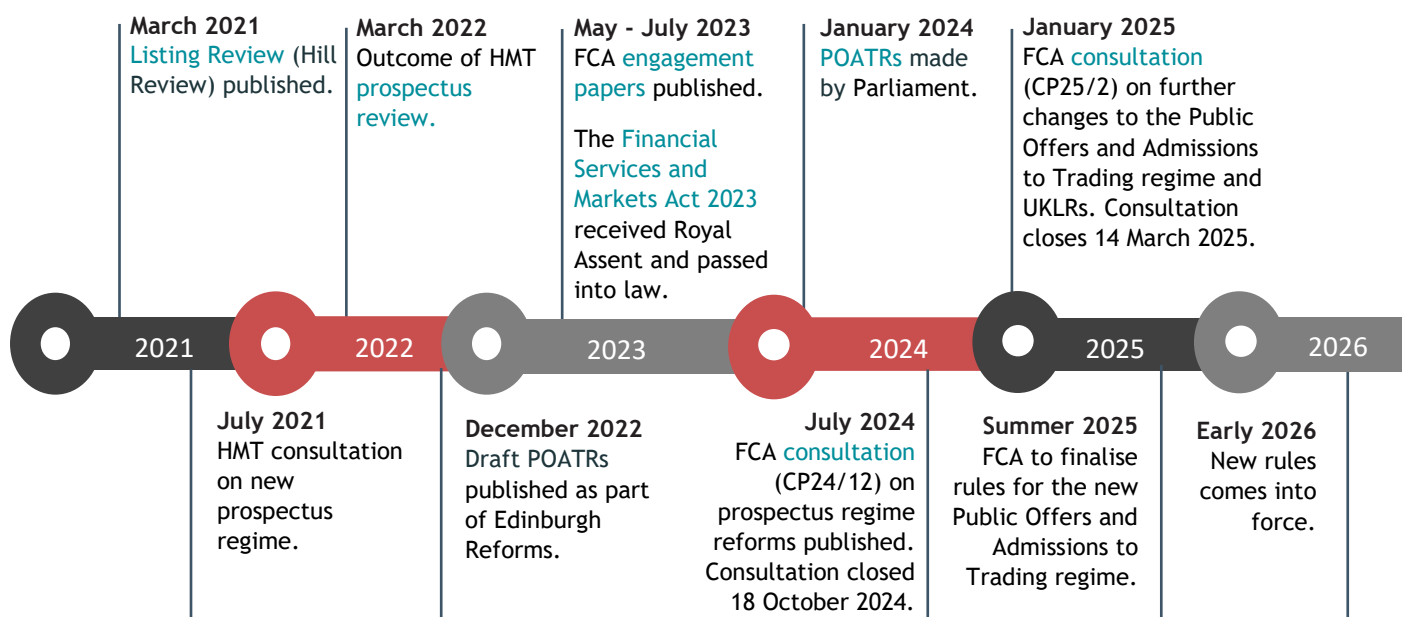
Listing particulars are a type of admission document prepared and published for securities that are the subject of an application for listing where a prospectus is not required (primarily used in DCM for listing on the LSE's Professional Securities Market ("PSM")).

The FCA notes that debt securities in more recent years are listed on the LSE's Main Market (a regulated market) or the LSE's International Securities Market (an MTF market for qualified investors) in comparison to very low numbers on the PSM. Therefore, the FCA proposes to close the PSM to new admissions at the point the new regime comes into force (expected to be early 2026). Transitional provisions are expected to apply for issuers with existing PSM listed securities such that those securities will remain listed and admitted to trading on the PSM for as long as the LSE chooses to maintain it.

Publication of Prospectus Prior to Offer

The POATRs set out various exemptions from the general prohibition on offers to the public, including the exemption for an offer of transferable securities where the offer is conditional on the admission of the transferable securities to trading on a regulated market or primary MTF. CP25/2 sets out that in order to rely on the above exemption, a prospectus must be made available to the public in accordance with the rules before that offer is made.

Timeline for UK Prospectus Regime Reforms



Transitional Provisions and Incorporation by Reference

Under the POATRs, any prospectuses or supplementary prospectuses approved by the FCA before the new prospectus and admissions to trading regime comes into force will remain valid for the period provided for in the current UK Prospectus Regulation (typically 12 months from the date of approval). This has been reflected in the draft Prospectus Rules: Admission to Trading on a Regulated Market sourcebook ("PRM") transitional provisions as part of CP25/2.

The FCA also proposes to expand the list of documents in the PRM that can be incorporated by reference into prospectuses (under the new regime) to enable the incorporation by reference of prospectuses or other documents approved by the FCA prior to the commencement of the new regime as well as prospectuses or other documents approved by an EU competent authority prior to 31 December 2020 (IP completion day).

Timing and Next Steps

Comments on the consultation are requested by 14 March 2025. The FCA aims to finalise the rules for the new Public Offers and Admissions to Trading regime by the summer of 2025. The new rules are then expected to come into force in early 2026.

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