

FCA Consults on Proposals for the UK Wholesale Markets

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On 26 July 2024, the Financial Conduct Authority (FCA) published three consultations in relation to:

- the new Public Offers and Admission to Trading Regulations (POATR) regime (CP24/12);
- the new regime for public offer platforms (POPs) (CP24/13); and
- the derivatives trading obligation (DTO) and post-trade risk reduction (PTRR) services (CP24/14),

(CP24/12, CP24/13 and CP24/14 together, the Consultations).

Alongside the Consultations, the FCA published its final rules (Rules) that give asset managers greater freedom in how they pay for investment research, by allowing the “*bundling*” of payments for research and trade execution.

The Consultations and Rules form part of a package of measures designed to help strengthen the UK’s capital markets and the UK’s and London’s position as a global financial centre.

CP24/12

The FCA’s proposed rules to establish the new POATR regime will replace the existing UK Prospectus Regulation. As part of the POATR, the FCA is also consulting in parallel on the new POPs regime through CP24/13, discussed further below.

CP24/12 covers the FCA's proposals for securities being admitted to a UK regulated market or a "*primary*" multilateral trading facility.

The key proposed rules in CP24/12 relate to:

- increasing the threshold for triggering a prospectus for further issuances from 20% of existing share capital to 75%;
- where an issuer seeking admission of equity securities to a regulated market has identified climate-related risks as risk factors or climate-related opportunities as material to the issuer's prospects, requiring the issuer to make certain climate-related disclosures; and
- providing a clear framework to give companies legal certainty on what information constitutes "*protected forward looking statements*", which will be subject to an amended statutory liability threshold, and to ensure investors can identify and assess such content.

The proposals in CP24/12 aim to make capital raising easier on UK public markets and remove barriers to retail participation, while ensuring that investors have the high-quality information they need.

CP24/13

In CP24/13, the FCA sets out its proposed rules on the new regulated activity of operating an electronic system for public offers of relevant securities (namely, a "public offer platform" or "POP"), created by the POATR. Under the proposals, companies seeking to make public offers of securities outside a public market, to a broad investor base, and where the value of the offer is more than £5m, will need to do so via a POP.

CP24/13 recognises that companies offering securities through a POP may have a more limited track record and pose information asymmetry risks. Consequently, the proposed rules for POP operators focus on two broad aims:

- that investors receive appropriate protections against potential fraudulent offers and receive sufficient information on legitimate securities so they can have confidence in these markets and make informed investment decisions on the investments presented to them; and
- that companies can raise capital efficiently and effectively from a broader investor base according to their needs.

The FCA does not intend to shift investment risk from investors to POP operators, and consumers will remain responsible for their investment decisions and for accepting an appropriate level of risk.

CP24/13 also indicates how the FCA proposes to apply other areas of its existing rules to POP operators, given POP operators are likely to carry out other regulated activities.

CP24/14

The FCA's proposals on the DTO and PTRR services aim to improve the UK's regulation of secondary markets, reduce systemic risk in derivatives markets and avoid fragmentation and disruption for firms trading over-the-counter derivatives subject to the DTO.

CP24/14 sets out proposals on three distinct but interconnected aspects of the DTO:

- including certain overnight index swaps based on the US Secured Overnight Financing Rate within the scope of the DTO;
- expanding the list of PTRR services exempted from the DTO and from other obligations. Among other things, the FCA sets out the characteristics that risk reduction services would need to satisfy to be eligible for exemption. It also proposes requiring PTRR service providers to comply with disclosure and notification obligations; and
- modifying the DTO once the FCA's temporary transitional powers (TTPs) expire on 31 December 2024. The FCA proposes to use its powers granted under UK MiFIR to modify the DTO in a way that maintains the current outcomes, as it considers the conditions that support use of the TTPs continue to be relevant.

Next steps

CP24/14 closes on 30 September 2024. The FCA expects to publish the direction modifying the DTO in the last quarter of 2024.

CP24/12 and CP 24/13 close on 18 October 2024. The FCA expects to finalise rules for the POATR regime in the first half of 2025. The FCA will consider whether there needs to be a transitional regime before the POATR regime comes into force to enable firms to apply for permission to carry on the new regulated activity.

CP24/12, CP24/13, CP24/14 and the FCA's press release are available [here](#), [here](#), [here](#) and [here](#), respectively.

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