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The Rt Hon Liam Byrne MP
Chair of the Business and Trade Committee
House of Commons
London
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11 August 2025

Our Ref: MC2025/00470

Dear Mr Byrne,

Thank you for the opportunity to appear before the Committee on 15 July. I am writing to provide further information on some of the topics we discussed.

Prospectus reforms

I would like to follow up on the concerns you raised regarding our prospectus reforms and our subsequent discussion about how these affect market transparency.

As I explained to the Committee, under our new rules for Public Offers and Admissions to Trading we maintain the requirement for a prospectus when companies make an initial public offering (IPO). This ensures that investors receive all necessary information where we consider that there may be highest risks due to a lack of transparency.

Our new rules do not affect wider transparency in relation to corporate governance, requirements under the Companies Act and our Disclosure and Transparency rules that include requiring companies to produce and publish annual financial accounts, and in some cases half-yearly reports as well.

However, we have made an important change to pare back our requirements for a prospectus for further issuances of shares already admitted to trading, because we consider that there is already enough information for investors when shares are already priced on the market.

As noted above, issuers of securities on regulated markets are subject to periodic financial reporting requirements, as well as the UK Market Abuse Regulation. We have therefore raised the threshold at which a prospectus is required from 20% of existing share capital to 75%. This follows a similar move by the European Union, where a prospectus is no longer required for shares trading 18 months or longer.

Our reform makes it easier and cheaper for businesses to raise capital that may be essential for their success. We have, though, given companies the option to publish a prospectus if they choose to do so, which we will still vet and approve.

Sustainability regulations and UK defence

I also agreed to follow up on a point relating to the defence sector. We published a statement in March in response to concerns that our sustainability regulations were preventing defence companies from accessing finance.[1]

We clarified that there is nothing in our rules, including those relating to sustainability, that prevents investment or finance for defence companies. Our sustainable finance rules do not require financial firms to treat defence companies differently because they are in the defence sector. The purpose of these rules is to ensure information about investments claiming to be sustainable can be readily understood and trusted, and to improve the quality of sustainability-related information in the market.

In my answer to the Committee, I referred to the rules in the UK Benchmarks Regulation (UK BMR).[2] I wanted to acknowledge the nuance of these specific rules in relation to defence, noting that these were inherited from the EU as the UK BMR is assimilated law. These rules require benchmark administrators that offer certain types of benchmarks (UK Paris-aligned Benchmarks and UK Climate Transition Benchmarks) to exclude companies involved in activities related to controversial weapons from the benchmark portfolio.

It is up to firms whether they choose to use these particular benchmarks and firms will have their own reasons for doing so. Furthermore, we are aware that the EU Commission has proposed some clarifications on defence in the EU Benchmarks Regulation. If the UK wishes to do the same, this question would be one for the Government to determine, considering the interaction with international treaties.

We are aware of the recent report from the Government's Defence and Economic Growth Taskforce.[3] We are happy to work with the Government in response to its recommendations, including undertaking further engagement with the defence sector to understand any barriers to investment.

I hope that this is helpful.

Yours sincerely,

Sarah Pritchard
Deputy Chief Executive

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[1] https://www.fca.org.uk/news/statements/our-position-sustainability-regulations-and-uk-defence
[2] https://www.fca.org.uk/markets/benchmarks/regulation
[3] https://www.gov.uk/government/news/government-and-business-put-forward-team-uk-approach-to-unleash-defence-sectors-potential