

Chapter 18

Securitised derivatives: requirements for listing and continuing obligations

18.1 Application

- 18.1.1** **R** This chapter applies to an *issuer* of:
- (1) *retail securitised derivatives*;
 - (2) *specialist securitised derivatives*; and
 - (3) other derivative products if the *FCA* has specifically approved their *listing* under this chapter.

Other derivative products

- 18.1.2** **R** For the purposes of this chapter, an *issuer* of other derivative products that have received the specific approval of the *FCA* to be *listed* under this chapter must comply with the *rules* applicable to an *issuer* of *specialist securitised derivatives*, unless otherwise stated.
- 18.1.3** **R** The *FCA* will not admit to *listing*, under this chapter, other derivative products that are likely to be bought and traded by investors who are not *specialist investors*, unless the derivative product falls within the scope of *specified investments* in Part III of the *Regulated Activities Order*.

18.2 Requirements for listing

Requirements for listing: the issuer

- 18.2.1 **R** An applicant for the admission of securitised derivatives must:
- (1) have *permission* under the Act to carry on its activities relating to *securitised derivatives* and be either a *bank* or a *securities and futures firm*;
 - (2) if the *applicant* is an *overseas company*:
 - (a) be regulated by an *overseas regulator* responsible for the regulation of banks, securities firms or futures firms and which has a lead regulation agreement for financial supervision with the FCA; and
 - (b) be carrying on its activities relating to *securitised derivatives* within the approved scope of its business; or
 - (3) arrange for its obligations in relation to the *securitised derivatives* to be unconditionally and irrevocably *guaranteed* by, or benefit from an arrangement which is equivalent in its effect to such a *guarantee* provided by, an entity which satisfies paragraph (1) or (2).

Requirements for listing

- 18.2.2 **R** For a *securitised derivative* to be *listed*, its *underlying instrument* must be traded on a regulated, regularly operating, recognised open market, unless it is:
- (1) a currency;
 - (2) an index;
 - (3) an interest rate; or
 - (4) a basket of any of the above.

- 18.2.3 **R** The FCA may modify or dispense with the requirement in **█** UKLR 18.2.2R for other derivative products.

Requirements for listing: retail products

18.2.4

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To be *listed*, a *retail securitised derivative* must:

- (1) satisfy the requirements set out in ■ UKLR 18.2.2R; and
- (2) not be a *contingent liability investment*.

18.2.5

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To be *listed*, if a *retail securitised derivative* gives its holder a right of exercise, its terms and conditions must provide that:

- (1) for cash settled *securitised derivatives* that are *in the money* at the *exercise time* on the *expiration date*, the exercise of the *securitised derivative* is automatic; or
- (2) for physically settled *securitised derivatives* that are *in the money* at the *exercise time* on the *expiration date*, if the holder fails to deliver an *exercise notice* by the time stipulated in the terms and conditions, the *issuer* will, irrespective of the failure to exercise, pay to the holder an amount in cash in lieu of the holder's failure to deliver the *exercise notice*, the amount and method of calculation of this amount to be determined by the *issuer*.

18.3 Continuing obligations

Application

- 18.3.1 **R** An *issuer* that has only *securitised derivatives listed* is subject to the continuing obligations set out in this chapter.
- 18.3.2 **R** An *issuer* that has both *securitised derivatives* and other *securities listed* is subject to the continuing obligations set out in this chapter and the continuing obligations that are applicable to the other *securities so listed*.

Admission to trading

- 18.3.3 **R**
- (1) An *issuer's listed securitised derivatives* must be admitted to trading on a *RIE's* market for *listed securities* at all times.
 - (2) An *issuer* must inform the *FCA* in writing as soon as possible if it has:
 - (a) requested a *RIE* to admit or re-admit any of its *listed securitised derivatives* to trading;
 - (b) requested a *RIE* to cancel or suspend trading of any of its *listed securitised derivatives*; or
 - (c) been informed by a *RIE* that the trading of any of its *listed securitised derivatives* will be cancelled or suspended.

- 18.3.4 **R** If an issue is *guaranteed* by an *unlisted company*, an *issuer* must submit the guarantor's accounts to the *FCA*.

Settlement arrangements

- 18.3.5 **R**
- (1) An *issuer* must ensure that appropriate settlement arrangements for its *listed securitised derivatives* are in place.
 - (2) *Listed securitised derivatives* must be eligible for electronic settlement, which includes settlement by a relevant system, as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755).

Disclosure requirements and transparency rules

- 18.3.6 **R** An *issuer* must comply with the obligations referred to under articles 17 and 18 of the *Market Abuse Regulation* as if it were an *issuer* for the purposes of those obligations and the *transparency rules*, subject to article 22 of the *Market Abuse Regulation*.

- 18.3.7 **G** An *issuer* whose *securities* are admitted to trading on a *regulated market* should consider its obligations under ■ DTR 4 (Periodic Financial Reporting), ■ DTR 5 (Vote Holder and Issuer Notification Rules) and ■ DTR 6 (Continuing obligations and access to information).
- 18.3.8 **R** For the purposes of compliance with the *transparency rules*, the *FCA* considers that an *issuer of securitised derivatives* should comply with ■ DTR 4, ■ DTR 5 and ■ DTR 6 as if it were an *issuer of debt securities* as defined in the *transparency rules*.
- 18.3.9 **G** An *issuer* that is not already required to comply with the *transparency rules* must comply with ■ DTR 6.3 as if it were an *issuer* for the purposes of the *transparency rules*.

Disclosure of rights attached to securitised derivatives

- 18.3.10 **R** Unless exempted in ■ UKLR 18.3.13R, an *issuer* must:
- (1) forward to the *FCA* for publication a copy of one or more of the following:
 - (a) the approved *prospectus* or *listing particulars* for its *listed securitised derivatives*;
 - (b) the relevant agreement or document setting out the terms and conditions on which its *listed securitised derivatives* were issued; or
 - (c) a document describing:
 - (i) the rights attached to its *listed securitised derivatives*;
 - (ii) limitations on such rights; and
 - (iii) the procedure for the exercise of such rights, produced in accordance with the relevant Annex of the *Prospectus Regulation* that would have applied had the *company* been required to produce a *prospectus* for those *listed securitised derivatives*; and
 - (2) if the information in relation to the rights attached to its *listed securitised derivatives* set out in the document previously forwarded in accordance with paragraph (1) is no longer accurate, forward to the *FCA* for publication a copy of either of the following:
 - (a) a new document in accordance with paragraph (1); or
 - (b) a document describing or setting out the changes which have occurred in relation to the rights attached to the *issuer's listed securitised derivatives*.
- 18.3.11 **R** The documents in ■ UKLR 18.3.10R must be forwarded to the *FCA* for publication by uploading them to the *national storage mechanism*.
- 18.3.12 **G** The purpose of ■ UKLR 18.3.10R is to require *issuers* to maintain publicly available information in relation to the rights attached to their *listed securitised derivatives* so that investors can access such information.

18.3.13 **R** An *issuer* is exempt from ■ UKLR 18.3.10R where:

- (1) it has previously forwarded to the *FCA* for publication, or otherwise filed with the *FCA*, a document specified in ■ UKLR 18.3.10R(1);
- (2) if the information in relation to the rights attached to its *listed securitised derivatives* set out in the document previously forwarded or filed in accordance with paragraph (1) is no longer accurate, it has forwarded to the *FCA* for publication, or otherwise filed with the *FCA*, a copy of either of the following:
 - (a) one of the documents specified in ■ UKLR 18.3.10R(1); or
 - (b) a document describing or setting out the changes which have occurred in relation to the rights attached to the *issuer's listed securitised derivatives*; and
- (3) the documents in paragraph (1) and (2) have been forwarded to the *FCA* for publication, or otherwise filed with the *FCA*, by:
 - (a) forwarding them for publication on a location previously identified on the *FCA* website where the public can inspect documents referred to in the *listing rules* as being documents to be made available at the document viewing facility; or
 - (b) uploading them to the *national storage mechanism*.

Documents of title
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18.3.14 **R** An *issuer* must comply with the requirements in ■ UKLR 9.4.18R (Temporary documents of title (including renounceable documents)) and ■ UKLR 9.4.19R (Definitive documents of title) so far as relevant to *securitised derivatives*.



18.4 Disclosures

18.4.1 **R** An issuer must submit to the FCA a copy of any document required by **■** UKLR 18.4.2R to **■** UKLR 18.4.4R at the same time as the document is issued, by uploading it to the *national storage mechanism*.

18.4.2 **R** An issuer must notify a RIS of all notices to holders of *listed securitised derivatives* no later than the date of despatch or publication.

Underlying instruments

18.4.3 **R** An issuer must notify a RIS of any adjustment or modification it makes to the *securitised derivative* as a result of any change in or to the *underlying instrument*, including details of the underlying event that necessitated the adjustment or modification.

Suspension of listing

18.4.4 **R** An issuer must inform the FCA immediately if it becomes aware that an *underlying instrument* that is *listed* or traded outside the *United Kingdom* has been suspended.