

Sponsors

Chapter 24

Sponsors

24.4 Criteria for approval as a sponsor

List of sponsors

24.4.1 **G** The FCA will maintain a *list of sponsors* on its website.

Application for approval as a sponsor

24.4.2 **R** A person wanting to provide *sponsor services*, and to be included on the *list of sponsors*, must apply to the FCA for approval as a *sponsor* by submitting the following to the Primary Market Specialist Supervision Team at the FCA's address:

- (1) a completed Sponsor Firm Application form;
- (2) details of any matter in the past 5 years that would have been notifiable to the FCA pursuant to **UKLR 24.5.12R(2)**, **(3)**, **(4)** or **(5)**, had the person been approved as a *sponsor*; and
- (3) the application fee set out in **FEES 3**.

[**Note:** The Sponsor's Firm Application form can be found on the Primary Markets section of the FCA's website.]

24.4.3 **R** A person wanting to provide *sponsor services* and be included on the *list of sponsors* must also submit:

- (1) all additional documents, explanations and information as required by the FCA; and
- (2) verification of any information in such a manner as the FCA may specify.

24.4.4 **G** When considering an application for approval as a *sponsor*, the FCA may:

- (1) carry out any enquiries and request any further information which it considers appropriate, including consulting other regulators;
- (2) request that the applicant or its specified representative answer questions and explain any matter the FCA considers relevant to the application; and
- (3) take into account any information which it considers appropriate in relation to the application.

[**Note:** The decision-making procedures that the *FCA* will follow when it considers whether to refuse an application for approval as a *sponsor* are set out in *DEPP*.]

Criteria for approval as a sponsor

- 24.4.5** **R** The *FCA* will approve a *person* as a *sponsor* only if it is satisfied that the *person*:
- (1) is an *authorised person* or a *member of a designated professional body*;
 - (2) is competent to provide *sponsor services* in accordance with **■ UKLR 24**; and
 - (3) has appropriate systems and controls in place to carry out its role as a *sponsor* in accordance with **■ UKLR 24**.
- 24.4.6** **G** In assessing whether a *person* wanting to provide *sponsor services* satisfies **■ UKLR 24.4.5R(2)**, the *FCA* will consider a variety of factors, including any matters notified to it pursuant to **■ UKLR 24.4.2R(2)**.
- 24.4.7** **R** The *FCA* may impose restrictions or limitations on the *sponsor services* a *sponsor* can provide at the time of granting a *sponsor's* approval.
- 24.4.8** **G** Situations when the *FCA* may impose restrictions or limitations on the *sponsor services* a *sponsor* can provide, include (but are not limited to) where it appears to the *FCA* that:
- (1) the *employees* of the *person* applying to be a *sponsor* whom it is proposed will perform *sponsor services* have no or limited relevant experience and expertise of the kind described in **■ UKLR 24.4.12R(1)** in relation to certain types of *sponsor services* or in relation to certain types of *company*; or
 - (2) the *person* applying to be a *sponsor* does not have systems and controls in place which are appropriate for the nature of the *sponsor services* which the *person* applying to be a *sponsor* proposes to undertake.
- [**Note:** A *statutory notice* may be required under section 88 of the *Act*. Where this is the case, the procedure for giving a *statutory notice* is set out in *DEPP*.]
- 24.4.9** **G** Where a *person* wishes to apply for approval as a *sponsor* to provide a limited range of *sponsor services*, it may do so on the basis that the *FCA* will impose a limitation or restriction on its approval (in accordance with section 88 of the *Act*). In such circumstances, the *FCA* will assess whether the *person* satisfies **■ UKLR 24.4.5R(2)** and **■ UKLR 24.4.5R(3)** taking into consideration the *sponsor services* to which the approval, as formally limited or restricted by the *FCA*, will relate.

Continuing obligations

24.4.10 **R** A *sponsor* must comply, at all times, with the criteria set out in
 ■ UKLR 24.4.5R.

24.4.11 **G** In assessing whether a *sponsor* satisfies ■ UKLR 24.4.10R, the *FCA* will consider a variety of factors, including any matters notified to it pursuant to
 ■ UKLR 24.5.12R.

Competence of a sponsor

24.4.12 **R** A *sponsor*, or a *person* applying for approval as a *sponsor*, will not satisfy
 ■ UKLR 24.4.5R(2) unless it has:

- (1) a sufficient amount of relevant experience and expertise, demonstrated by having:
 - (a) submitted a *sponsor declaration* to the *FCA*:
 - (i) for a *person* applying for approval as a *sponsor*, within 5 years of the date of its application; and
 - (ii) for a *sponsor*, within the previous 5 years; or
 - (b) provided sufficient relevant corporate finance advisory services within the previous 5 years to *persons*:
 - (i) with securities admitted to trading on, or applying for admission of securities to trading on, a *UK RIE* or a market established under the rules of a *UK RIE*; and
 - (ii) each having an aggregate market value or expected aggregate market value of at least the amount specified in ■ UKLR 3.2.7R(1)(a) or, where the *sponsor* or *person* applying for approval as a *sponsor* is doing so on the basis of providing *sponsor services* to *closed-ended investment funds* only, ■ UKLR 3.2.7R(2),
 at the time such services were provided; and
- (2) a sufficient number of *employees* with the skills and knowledge necessary for it to:
 - (a) provide *sponsor services* in accordance with ■ UKLR 24.2;
 - (b) understand:
 - (i) the *rules* and *guidance* directly relevant to *sponsor services*;
 - (ii) the procedural requirements and processes of the *FCA*;
 - (iii) the due diligence process required in order to provide *sponsor services* in accordance with ■ UKLR 24.2 and ■ UKLR 24.3;
 - (iv) the responsibilities and obligations of a *sponsor* in ■ UKLR 24; and
 - (v) specialist industry sectors and/or certain types of *company*, if relevant to the *sponsor services* it provides or intends to provide; and
 - (c) be able to comply with the key contact requirements in ■ UKLR 24.4.28R.

- 24.4.13** **G** In assessing whether a *sponsor*, or a *person* applying for approval as a *sponsor*, satisfies **■ UKLR 24.4.12R**, the *FCA* will consider a variety of factors, including:
- (1) the nature, scale and complexity of its business;
 - (2) the diversity of its operations;
 - (3) the volume and size of transactions it undertakes;
 - (4) the volume and size of transactions it anticipates undertaking in the following year; and
 - (5) the degree of risk associated with the transactions it undertakes or anticipates undertaking in the following year.
- 24.4.14** **G** To determine whether a *sponsor*, or a *person* applying for approval as a *sponsor*, satisfies **■ UKLR 24.4.12R(1)(a)**, the *FCA* may consider whether any of the *sponsor's* or *person's employees* have had material involvement in the provision of *sponsor services* that have required the submission of a *sponsor declaration* within the previous 5 years.
- 24.4.15** **G** For the purposes of **■ UKLR 24.4.12R(1)(a)**, any declaration or confirmation given by a *sponsor* to the *FCA* that is not a *sponsor declaration* will not be accepted as demonstrating relevant experience and expertise.
- 24.4.16** **G** To determine whether a *sponsor*, or a *person* applying for approval as a *sponsor*, satisfies **■ UKLR 24.4.12R(1)(b)**, the *FCA* may consider a variety of factors, including:
- (1) the cumulative body of its experience and expertise providing relevant corporate finance advisory services, including any *sponsor services* provided where no *sponsor declaration* has been required;
 - (2) the range of skills and knowledge evidenced through its provision of relevant corporate finance advisory services, including:
 - (a) advising on the rules and guidance issued by a regulator or exchange;
 - (b) adhering to the procedural requirements and processes of a regulator or exchange; and
 - (c) undertaking due diligence to:
 - (i) support assurances or information delivered to a regulator or exchange; and
 - (ii) verify public statements made by an issuer; and
 - (3) the extent of the *sponsor services* intended to be provided.
- 24.4.17** **G** To determine whether a *sponsor*, or a *person* applying for approval as a *sponsor*, satisfies **■ UKLR 24.4.12R(1)(b)**, the *FCA* may consider whether any of the *sponsor's* or *person's employees* have within the previous 5 years had

material involvement in the provision of relevant corporate finance advisory services to *persons*:

- (1) with securities admitted to trading on, or applying for admission of securities to trading on, a *UK RIE* or a market established under the rules of a *UK RIE*; and
- (2) each having an aggregate market value or expected aggregate market value of at least the amount specified in:
 - (a) ■ UKLR 3.2.7R(1)(a); or
 - (b) where the sponsor or *person* applying for approval as a *sponsor* is doing so on the basis of providing *sponsor services* to *closed-ended investment funds* only, ■ UKLR 3.2.7R(2), at the time such services were provided.

24.4.18 **G** In exceptional circumstances, the *FCA* may consider dispensing with, or modifying, the requirement in ■ UKLR 24.4.12R(1) in accordance with ■ UKLR 1.2.1R.

24.4.19 **G** Notwithstanding ■ UKLR 24.4.13G, when considering whether a *sponsor* satisfies ■ UKLR 24.4.12R(2)(c) the *FCA* expects a *sponsor* to have no fewer than 2 *employees* who are able to satisfy the key contact requirements in ■ UKLR 24.4.28R(2).

24.4.20 **G** In assessing whether a *sponsor*, or a *person* applying for approval as a *sponsor*, can demonstrate it is competent in the areas required under ■ UKLR 24.4.12R(2), the *FCA* may also take into account, where relevant, the guidance or advice on the *listing rules*, the *disclosure requirements* and the *transparency rules* the *sponsor* or *person* has given in circumstances other than in providing *sponsor services*.

Systems and controls: general

24.4.21 **R** A *sponsor*, or a *person* applying for approval as a *sponsor*, will not satisfy ■ UKLR 24.4.5R(3) unless it has in place:

- (1) clear and effective reporting lines for the provision of *sponsor services* (including clear and effective management responsibilities);
- (2) effective systems and controls which require *employees* with management responsibilities for the provision of *sponsor services* to understand and apply the requirements of ■ UKLR 24;
- (3) effective systems and controls for the appropriate supervision of *employees* engaged in the provision of *sponsor services* by the *sponsor*;
- (4) effective systems and controls for compliance with all applicable *listing rules* at all times, including when performing *sponsor services*;
- (5) effective systems and controls which require appropriate staffing arrangements for providing each *sponsor service* in line with the principles for *sponsors* in ■ UKLR 24.2;

- (6) effective systems and controls for *employees* engaged in the provision of *sponsor services* to receive appropriate guidance and training to provide each *sponsor service* in line with the principles for *sponsors* in ■ UKLR 24.2;
- (7) effective systems and controls to identify and manage conflicts of interest;
- (8) effective systems and controls for compliance with each of the requirements in ■ UKLR 24.4.12R(2)(b); and
- (9) systems and controls which comply with the requirements of ■ UKLR 24.4.25R.

24.4.22 **G** When considering a *sponsor's* ability to comply with ■ UKLR 24.4.21R, the *FCA* will consider a variety of factors, including:

- (1) the nature, scale and complexity of its business;
- (2) the diversity of its operations;
- (3) the volume and size of the transactions it undertakes;
- (4) the volume and size of the transactions it anticipates undertaking in the following year; and
- (5) the degree of risk associated with the transactions it undertakes or anticipates undertaking in the following year.

Systems and controls: conflicts of interest.....

24.4.23 **G** A *sponsor* will generally be regarded as having appropriate systems and controls for identifying and managing conflicts if it has in place effective policies and procedures:

- (1) to ensure that decisions taken on managing conflicts of interest are taken by appropriately senior staff and on a timely basis;
- (2) to monitor whether arrangements put in place to manage conflicts are effective; and
- (3) to ensure that individuals within the *sponsor* are appropriately trained to enable them to identify, escalate and manage conflicts of interest.

24.4.24 **G** The policies and procedures referred to in ■ UKLR 24.4.23G are distinct from the actual organisational and administrative arrangements that a *sponsor* is required to put in place and maintain under ■ UKLR 24.2.14R to manage specific conflicts.

Systems and controls: record management.....

24.4.25 **R** A *sponsor* must have effective arrangements to create and retain for 6 years accessible records which are sufficient to be capable of demonstrating that it

has provided *sponsor services* and otherwise complied with its obligations under ■ UKLR 24, including:

- (1) where a declaration is to be submitted to the *FCA*:
 - (a) under ■ UKLR 24.3.3R(1), ■ UKLR 24.3.7R(1), ■ UKLR 24.3.11R(1) or ■ UKLR 24.3.12R(2); or
 - (b) pursuant to an appointment under ■ UKLR 4.2.1R(5), the basis of each declaration given;
- (2) where any opinion, assurance or confirmation is provided by a *sponsor* to the *FCA* or an *issuer* with a *listing* of *equity shares* or applying for *admission* of its *equity shares* in relation to a *sponsor service*, the basis of that opinion, assurance or confirmation;
- (13) where a sponsor submits a request to the *FCA*:
 - (a) to modify, waive or substitute the operation of ■ UKLR 7, ■ UKLR 8 or ■ UKLR 11 pursuant to ■ UKLR 4.2.3R; or
 - (b) for individual guidance pursuant to ■ UKLR 4.2.4R, the basis upon which any guidance, judgements or opinions made or given by the *sponsor* to an *issuer* which underlie the request have been made or given;
- (4) where a *sponsor* provides guidance to an *issuer* with a *listing* of *equity shares* or applying for *admission* of its *equity shares* pursuant to ■ UKLR 4.2.6R or ■ UKLR 24.2.1R(3), the basis upon which the guidance is given and upon which any judgements or opinions underlying the guidance have been made or given; and
- (5) the steps taken to comply with its obligations under ■ UKLR 24.2.12R, ■ UKLR 24.2.14R, ■ UKLR 24.2.16R and ■ UKLR 24.4.10R.

24.4.26 **G** Records should:

- (1) be capable of timely retrieval; and
- (2) include material communications which relate to the provision of *sponsor services*, including any advice or guidance given to an *issuer* with a *listing* of *equity shares* or applying for *admission* of its *equity shares* in relation to its responsibilities under the *listing rules*, the *disclosure requirements* and the *transparency rules*.

24.4.27 **G** In considering whether a *sponsor* has satisfied the requirements regarding sufficiency of records in ■ UKLR 24.4.25R, the *FCA* will consider whether the records would enable a person with general knowledge of the sponsor regime and a basic understanding of a transaction to which a *sponsor service* relates to understand and verify the basis upon which material judgements have been made throughout the provision of the *sponsor service*.

Key contact

24.4.28 **R** For each *sponsor service* requiring the submission of a document to the *FCA* or contact with the *FCA*, a *sponsor* must:

- (1) at the time of submission or on first making contact with the *FCA* in connection with the *sponsor service*, notify the *FCA* of the name and contact details of a key contact within the *sponsor* for that matter; and
- (2) ensure that its key contact:
 - (a) has sufficient knowledge about the *listed issuer* or *applicant* and the proposed matter to be able to answer queries from the *FCA* about it;
 - (b) is available to answer queries from the *FCA* on any *business day* between 7am and 6pm;
 - (c) is authorised to make representations to the *FCA* for and on behalf of the *sponsor*;
 - (d) possesses technical knowledge of *rules* and *guidance* directly relevant to the *sponsor service*; and
 - (e) understands the responsibilities and obligations of the *sponsor* under ■ UKLR 24 in relation to the *sponsor service*.