



POWER TO BLOCK LISTINGS ON GROUNDS OF NATIONAL SECURITY

Issued 27 August 2021

ICAEW welcomes the opportunity to comment on the consultation on a *Power to block listings on national security grounds* published by HM Treasury on 7 June 2021, a copy of which is available from this [link](#).

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KEY POINTS

1. ICAEW's vision is a world of strong economies. We work closely and collaboratively with government and other bodies to tackle economic crime. Our members are a force for tackling economic crime both domestically and internationally, with evidence that higher numbers of professional accountants in a country is linked with better scores in corruption indexes.
2. In pursuit of our vision, we recognise that capital markets play a major part in the global economy. ICAEW and its members have an important role in ensuring that high standards characterise their work in those markets. When capital markets work effectively, they become a primary focus for international organisations to raise funds and locate headquarters.
3. The new power to block listings on national security ground is intended to help maintain the leading status of the UK's capital markets. If the UK is to continue to be a competitive destination for listing on public markets, any new or adapted measures within the listing regime should only be adopted after careful evaluation. We thus support efforts, including by way of this consultation paper, to identify the consequences for companies facing additional requirements as a result of the Government using its new power. In this regard, ICAEW has engaged with the Government, making representations and contributing to its expert panel, as more stringent rules have been developed around investment in businesses and M&A and culminated in the National Security and Investment Act 2021.
4. We have included below where we believe the proposals in this paper fall short on detail; for example, on listed debt securities (para 7), and the pre-clearance process (paras 10 and 11). We also highlight that more commentary will be useful around delisting (para 8).
5. Notwithstanding the commentary in Chapter 2, points 2.7 to 2.10, on why it is not considered appropriate for the listing authority to have responsibility for the exercise of the new power, we would urge reconsideration of aspects or tasks that could be delegated to the regulator and be integrated in the listing process.
6. We have a wider point regarding other reforms being proposed to the UK's capital markets. The paper recognises that relevant public consultations are also underway – principally, from HM Treasury¹ and the FCA², in response to recommendations from the Hill Review of UK Listings – and that interactions exist between the power to block listings and the capital markets regime and processes. Despite this recognition, considerations in this paper may be out of date. For example, the Government's commentary on pre-clearance refers to appointment of a Sponsor (point 4.5), whereas in its own consultation, the FCA is currently reassessing the benefit of this role in the listing regime. There is an urgent need for a joined-up approach between Government and regulator, so that the formal responses to these consultations are considered collectively, taking into account interactions and possible integration of processes, and published in the appropriate order.

¹ UK Prospectus Regime: a consultation

² CP21/21: Primary Markets Effectiveness Review

ANSWERS TO SPECIFIC QUESTIONS

I) What are your views on the Government's intended scope of the listings blocking power as outlined in point 3.6?

II) What are your views on the exclusion of debt securities from the scope of the blocking power?

7. The Government has not set out in the consultation paper why it believes it is appropriate to exclude listed debt securities from the scope of the blocking powers. Without information on the grounds for their exclusion, we believe that such securities should be in scope.
8. Point 3.8 states that the power will not extend to delisting companies. Can the Government provide more information about its capability to respond where it becomes clear that a listed company is operating for purposes that could be detrimental to national security?

III) Do you agree with the list of disclosures outlined? Do you have any other comment about the disclosures outlined?

IV) In your view, will the disclosures outlined in Chart 4.A add a material burden to the listing or admission process?

V) Where a prospectus is not produced, what burdens, if any, do you anticipate the disclosures outlined in Chart 4.A creating for prospective issuers and, in particular, SMEs?

9. We have no specific comment regarding the proposed disclosures.

VI) At what stage in the listing process would you consider most appropriate for these disclosures to be submitted?

VII) What are your views on the pre-clearance process proposed in point 4.5?

VIII) What are your views on the likelihood of companies choosing a pre-clearance process when they would otherwise be able to make the disclosures outlined in Chart 4.A alongside the prospectus?

10. It is very likely that companies will prefer to seek pre-clearance before submitting admission documents. This will be driven by the need for certainty - for the business, its advisers, and potential investors - and the likely pressures on the listing timetable where there are additional interventions.
11. The Government should expedite publishing how it envisages that the pre-clearance process would work. This will help provide reassurance on the listing power for both companies and investors, as well as practical information that will assist all parties' planning.