City watchdog to relax float rules to attract tech firms

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HE CITY watchdog today moved to relax the listing rules to beef up London's appeal as a tech centre in the wake of fears that it is losing out to rivals, New York in particular.

Strict rules on dual class shares that make it hard for owner/entrepreneurs to sell stock in a float while keeping control of their business look set to be eased, a radical move that might upset the City old guard.

The Financial Conduct Authority today launches a consultation that builds on the UK Listing Review, led by Lord Hill, and the Kalifa Review of UK FinTech, which both argue for an overhaul of the rules.

The FCA is to consult on plans to cut the amount of shares in a floated business that must be in public hands from 25% to 10%. That should boost the appeal of London to "unicorn" tech businesses seeking to raise funds.

Clare Cole, director of market oversight at the FCA, said:

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"Effective public markets are critical in enabling companies to finance their businesses, which in turn creates growth and jobs for the UK economy. These proposals are essential if we intend for the UK to continue to be a modern and dynamic market. Today, we are acting assertively to meet the needs of an evolving marketplace.”

The FCA plans to move fast. It will consult for 10 weeks and put in new rules before the end of this year.

The aim is to widen the range of companies listing in the UK.

Cole added: “They are intended to encourage high quality companies to list earlier, and so increase the possibility of a wider investor base being able to access growth in these companies.”

Figures from the FCA show the size of the problem the watchdog wants to address. Between 2015 and 2020 the UK accounted for only 5% of IPOs globally, a poor return for the second largest financial centre after New York

Critics of the moves might argue that London attracts much of its business precisely because it has a strict legal and regulatory framework that ensures higher levels of investor protection than elsewhere.