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Information flows on UK IPOs

FCA reverses 2018 changes to COBS rules

Following changes to the FCA Handbook made this month, on a Main Market IPO syndicate banks no longer have to offer unconnected analysts equal access to the issuer, and can disseminate research immediately after a registration document has been published. IPO processes should therefore become slightly shorter and simpler. This briefing provides further details.

Background

In July 2018, the FCA introduced a package of rules in chapter 11A of its Conduct of Business sourcebook (COBS) designed to improve the quality and availability of information during the UK equity IPO process. Overall, the reforms sought to address perceived risks of bias in investment research (connected research) disseminated by banks involved in marketing or underwriting a Main Market IPO (syndicate banks), promote the availability of unconnected research and ensure that an FCA-approved prospectus or registration document was the primary source of information for investors in an IPO process. As the FCA put it in CP 26/14:

> "*Connected research had typically been released at the same time as the 'intention to float' (ITF) announcement and was therefore often the sole written source of information on the company during the early stages of an IPO. As such, it played a significant and potentially unbalanced role in guiding price formation. An unapproved near-final draft prospectus (pathfinder prospectus) may also have been distributed, but generally no other sources of information would be publicly available until the FCA approved prospectus was published, after pricing was confirmed.*"

The COBS 11A rules were designed to address this by giving unconnected analysts an opportunity to publish independent research before or around the same time as the publication of connected research, and to restore the primacy of the registration document or prospectus by requiring this to be published before banks disseminated their connected research. In particular, under COBS 11A.1.4A and related rules, where a syndicate bank intended to disseminate connected research before the shares were admitted to trading, broadly the syndicate bank had to:

- ensure that an appropriate range of unconnected analysts - i.e. analysts who did not work for a syndicate bank - were offered the same access to the issuer's management as connected analysts, either at the same time as connected analysts (joint access) or separately (separate access). In practice, issuers and syndicate banks had to put in place protocols to demonstrate compliance with these requirements, including keeping careful track of what information was provided in presentations to connected analysts and related communications, and were expected to follow industry guidelines published by AFME and Euro IRP;
- comply with timing restrictions on disseminating connected research:
  - where **separate access** was offered, connected research could not be disseminated until **seven days** after the issuer had published either an FCA-approved registration document or a full prospectus; or
  - where **joint access** was offered, connected research could be published from **one day** after the registration document or prospectus was published; and
- ensure that connected analysts did not participate in pitches for IPO mandates.

In practice, most issuers chose to publish a registration document in conjunction with an "expected intention to float" (EITF) announcement that included an open invitation to unconnected analysts to contact the company if they wished to receive the information provided to connected analysts (i.e. separate access was offered). Syndicate banks therefore had to wait seven days from publication of the registration document before disseminating connected research, which extended the public period for an IPO and thus increased execution risk. But little independent research was published, and market participants criticised the rules for adding delay and complexity to the IPO process and putting the UK at a competitive disadvantage compared with other jurisdictions.

FCA amends the COBS rules

In response to the criticisms, in April this year the FCA set out proposals in CP26/14 to reverse most of the changes made in 2018. On 5 August the changes were finalised as originally proposed with the publication of FCA Policy Statement on *Changes to information flows for UK equity IPOs* (PS26/16) and *Changes to Information Flows for UK Equity IPOs Instrument 2026* (FCA 2026/53). The changes to COBS 11A took effect from 5 August 2026.

Under the amended rules:

- Syndicate banks are no longer required to offer a range of unconnected analysts access to the same information on the issuer – i.e. they are no longer required to offer either joint access or separate access. This removes some of the restrictions that previously applied to issuer communications with connected analysts. Unconnected analysts continue to be free to request information from issuers and negotiate terms on a commercial basis, as was the position prior to 2018 – and in such circumstances the AFME / Euro IRP guidelines may continue to be useful.
- A syndicate bank is now permitted to disseminate connected research as soon as the issuer has published either (i) an FCA-approved prospectus; or (ii) an FCA-approved registration document. Usually syndicate banks will want to disseminate connected research before the full prospectus is published, so they will now be able to do so as soon as the registration document has been published. In principle, this will shorten the public phase of the IPO process by seven days.

Possible future changes to IPO prospectus requirements and research coverage

In CP 26/14 the FCA also sought views on other rules in this area, including whether to relax the restrictions in COBS 12.2.21C(2) to (5) on analysts participating in pitches for an IPO mandate and whether the rules should continue to require a registration document or prospectus to have been published before any connected research is disseminated. For the time being, the FCA does not propose any further changes, but it will consider introducing amendments in the future and welcomes further engagement from market participants.

Contact

Richard Smith
Partner
T: +44(0) 20 7909 3386
E: Richard.Smith@slaughterandmay.com

Simon Tysoe
Partner
T: +44(0) 20 7909 3490
E: simon.tysoe@slaughterandmay.com

Peter Bateman
Knowledge Counsel
T: +44(0) 20 7909 4577
E: Peter.Bateman@Slaughterandmay.com

London
T +44 (0)20 7600 1200
F +44 (0)20 7090 5000

Brussels
T +32 (0)2 737 94 00
F +32 (0)2 737 94 01

Hong Kong
T +852 2521 0551
F +852 2845 2125

Beijing
T +86 10 5965 0600
F +86 10 5965 0650

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