International
Capital
Market
Association

27 August 2021

ICMA RESPONSE TO HM TREASURY CONSULTATION ON POWER TO BLOCK LISTINGS ON NATIONAL SECURITY GROUNDS[1]

Introduction

1. The International Capital Market Association (ICMA) is responding to HM Treasury's consultation on power to block listings on national security grounds from the perspective of the international bond markets.

2. ICMA is a not-for-profit membership association, headquartered in Zurich, with offices in London, Paris, Brussels and Hong Kong, committed to serving the needs of its wide range of member firms active in the international debt capital markets. ICMA currently has more than 600 members active in all segments of the sell-side and buy-side international debt capital markets in over 60 jurisdictions.

3. In developing this response, ICMA has consulted the ICMA Legal & Documentation Committee and other ICMA members active in primary debt capital markets.

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

4. The Government's intention to exclude debt securities from the scope of the blocking power is sensible. This approach seems to be an appropriate reflection of the balance between the risk of harm arising and the importance of ensuring open financial markets with minimal barriers to entry.

5. We also note that the extension of any such power to debt securities would seem unlikely to achieve a key policy objective behind the proposal. A primary concern seems to be about providing access to the UK's deep and liquid equity capital markets as a source of finance for companies that present a national security risk. A listing of debt securities in London does not have the same advantage to an issuer in providing access to a deep investor base in the UK, in particular for wholesale debt securities. The same or very similar access can be achieved by listing debt securities in Luxembourg, Dublin, Hong Kong or other stock exchanges. Therefore introducing an additional power to seek information and block listings of wholesale debt on

[1] 20210526_OFF-SEN_Power_to_block_listings_-_Consultation.pdf (publishing.service.gov.uk)

national security grounds would not seem to support the policy objective of preventing issuers from accessing the deep pools of liquidity that a listing of equity in London provides.

6. While ICMA is agnostic as to the competitiveness of one listing venue over another given our international membership, as a general principle it is important that barriers to entry for debt capital markets are minimised to the extent appropriate to ensure access to capital while maintaining investor protection and other relevant interests such as national security. We would anticipate that the introduction of new disclosure requirements for listings of debt securities, particularly in the form envisaged in Chapter 4 of the consultation paper, could impact upon the competitiveness of London as a listing venue.

7. In particular, we note that the proposed disclosure requirements set out in Chapter 4 of the consultation paper extend beyond the disclosure requirements of the UK Prospectus Regulation for debt securities and so could be perceived as a relatively significant additional burden for debt issuers.

8. There would also be practical questions to consider if the power were to be extended to debt securities. These include: (a) whether the power would apply to *all* applications for listing of debt securities that an issuer makes, or only its *first* application for listing of debt securities (mirroring the approach of only applying the power to initial equity listings); and (b) how the power would operate in the context of debt securities issued under debt issuance programmes (which would be applicable to the large majority of vanilla debt securities) where the base prospectus is approved by the FCA and then one or more issues of debt securities are issued and listed on a short timetable at a later date.

9. We therefore support HM Treasury's proposed approach of excluding debt securities from the scope of the blocking power. We would be interested to engage with HM Treasury further on this matter if this proposed approach changes.

10. As a final point, we note that convertible securities will be in-scope of the power. We assume that this does not include capital instruments that convert to shares upon a prudential trigger event, noting that these instruments are issued by regulated banks and insurers and so would not seem to be the types of securities issues that could pose a threat to national security.