**IPO advisers**

This element introduces the advisers that play a role when a company is applying for a listing.

**Advisers on a listing to the Main Market**

There are several parties that play significant roles when a company is applying for a listing.

These include:

**- Investment bank**

**- Corporate broker**

**- Reporting accountants**

**- Sponsor**

**- Lawyer**

**- Other advisors**

Each of these will be considered in turn.

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The **investment bank** heads up the team of advisers. It is sometimes referred to as the 'global co-ordinator', particularly if the offer is being made in more than one country. Its functions can include:

* financial adviser – advising the company on the timing and structure of the offer, valuation, marketing, due diligence, targeting investors and investor expectations;
* acting as lead underwriter;
* preparing research on the company;
* acting as broker (as covered shortly); and
* acting as sponsor (as covered shortly).

**Brokers** act as agents for clients who want to buy or sell shares. They receive a commission for doing this. Brokers often provide other services, such as advising companies on market conditions and the demand for the shares in relation to an IPO.

In the context of a primary issue, the broker will be responsible for finding investors for the shares.

A company wishing to undertake an IPO must appoint a firm of accountants to review the company’s historical financial information, recent trading and its financial systems and controls.  Such **reporting accountants** will produce (amongst many other things):

* the long-form report on the company’s business and financial affairs;
* short-form report on historical financial information;
* the financial position and prospectus procedures report ('**FPPP**');
* the working capital review for the prospectus; plus
* various comfort letters.

**Sponsors must be approved by the FCA** under s.88 FSMA. There are approximately 40 approved sponsors in the UK on the FCA's approved sponsor list. Broadly the role of sponsors is to provide comfort to the FCA and the markets that the issuing companies are complying with the various rules. Sponsors will provide the sponsor service set out in UKLR 4.2.

A listed company or company applying for its admission of equity shares is required to appoint a sponsor for a number of matters, including:

* when submitting a prospectus or supplementary prospectus to the FCA for approval;
* when required to submit a reverse takeover circular for approval;
* to give an opinion that the terms of a material transaction with a related party are "fair and reasonable" as far as shareholders are concerned;
* when required by the FCA as there may have been a breach of the UKLRs or the DTRs; and
* where required by the FCA to have a sponsor letter setting out how an applicant (an issuer apply for admission of securities) satisfies the criteria set out in:
  + UKLR 3 (requirements for listing all securities);
  + UKLR 5 (requirements for listing equity shares (commercial companies));
  + UKLR 11 (closed ended investment funds); and
  + UKLR 13 (equity shares (shell companies)).

The focus of this knowledge stream will be listing equity shares in the commercial companies ('**ESCC**') category.

We do not cover UKLR 11 or UKLR 13 in further detail.

The responsibilities of a **sponsor** are set out in **UKLR 24.2 – 24.3** Generally, it will be the sponsor who drives and project-manages the process of applying for a listing. The sponsor will guide the issuer in understanding and meeting its responsibilities under the UKLRs and the PRRs

The sponsor will provide the FCA with assurances, explanations and confirmations regarding issuers of equity shares and those applying for admission of equity shares under the UKLRs and the PRRs.

The FCA sets out the principles for sponsors including that they act with due care and skill, honesty and integrity and that they must at all times deal and communicate promptly with all enquiries raised by the FCA.

Generally, the sponsor will be either be a broker, the company's investment bank or an independent sponsor.

The **legal advisers** to the company will generally be responsible for ensuring the company is prepared for its IPO. In particular, they will often prepare a legal due diligence report and will draft large parts of the prospectus and verify its contents.

Although the lawyers will generally “hold the pen” on the prospectus (which means that they will have overall editorial control), all of the other advisers are likely to provide their input on the draft prospectus. Market practice is moving towards using collaborative drafting platforms in order to allow multiple parties to work on drafting prospectuses at once.

There is likely to be more than one firm of lawyers working on an IPO. In addition to the lawyers advising the company, the investment bank will have its own legal advisers, who will prepare and review documentation for the investment bank. This will generally involve working with the company’s lawyers on the drafting and verification of the prospectus and preparing and negotiating the underwriting agreement (i.e. where banks agree to buy any shares that are not taken up by investors on a listing).

There are a host of other advisers that may be involved in advising a company on an IPO. For example:

* **public relations advisers** are generally appointed in connection with an IPO, to give advice on the marketing the IPO and corporate messaging;
* **registrars** usually manage shareholder record-keeping and administration for listed companies once they have listed, record share transfers on the register, send out notices to shareholders and process dividends; and
* a '**receiving agent**' is often appointed to carry out the large amount of administration involved in receiving applications for the shares that are to be listed, processing those applications, dealing with payments and crediting shares to applicants’ accounts.

**Summary**

* An IPO is an inherently collaborative process.
* Each of the advisers on an IPO has a defined role but many of them work together on different elements of the deal.
* Most of the advisers are engaged by the company but some (for example, its own lawyers) are engaged by the investment bank.
* The company is obliged to appoint a sponsor under UKLR 4 with its role and responsibilities set out in UKLR 24.