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UK FCA Asks Companies to Delay Preliminary Financial Statements Amid COVID-19

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The UK Financial Conduct Authority (FCA) has strongly requested that companies with securities listed on the Official List observe a moratorium on the publication of preliminary financial statements for at least two weeks.

This moratorium is entirely voluntary and the FCA has stated that each company's board must take its own decision based on its own current circumstances.

If companies choose to delay their preliminary financial statements, the FCA suggests they do so via an announcement on a regulatory information service. The FCA is very happy for companies to confirm in their announcements that the delay is at the FCA's request.

What is driving this request?

The FCA notes that investors in capital markets rely on trustworthy information on the companies whose instruments they trade and, further, that the unprecedented events of the last couple of weeks mean that the basis on which companies are reporting and planning is changing rapidly. The FCA has stated that it is important that due consideration is given by companies to these events in preparing their disclosures and that observing timetables set before this crisis arose may not give companies the necessary time to do this.

In addition, listed companies and the audit profession are facing unprecedented practical challenges during the COVID-19 crises. The FCA believes the practice of issuing preliminary financial statements in advance of the full audited financial statements is adding unnecessarily to the pressure on companies and the audit profession at this moment.

What do the rules require?

Full-year audited financial statements do not have to be published until four months following a company's financial year-end but, in practice, many companies release preliminary results well ahead of this time.

Issuing preliminary financial statements is not a requirement under either the FCA's listing rules or disclosure guidance and transparency rules, and therefore no regulatory change is needed to begin the two-week moratorium. Despite the delay, the four-month deadline from a company's financial year-end will remain for publishing audited accounts.

The FCA has also reminded companies that the Market Abuse Regulation remains in full force and listed companies are still required to announce inside information to the market as soon as possible, unless a valid reason to delay disclosure under the regulation exists.

Does this apply to AIM companies?

This request does not apply to companies with securities admitted to trading on Alternative Investment Market (AIM). The FCA states that AIM companies should consult their nominated advisers and they understand that AIM Regulation have written to nominated advisers on this matter.

Is anything else coming down the line?

The FCA is in talks with both the Financial Reporting Council and the Bank of England's Prudential Regulation Authority about a package of measures aimed at ensuring companies take the necessary time in this uncertain environment to prepare appropriate disclosures and address current practice challenges, and the three bodies intend to announce details shortly.

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