



5-7 Questions

3. Listing on the LSE

- The United Kingdom Listing Authority (UKLA)
 - Prospectus rules
 - Listing rules
 - Disclosure and transparency rules
- UKLA Prospectus rules
 - Complies with prospectus directive
 - Required for all public offers for securities where capital is raised
 - Includes rights issues
 - Listing particulars required for an introduction
- Exemptions include when the issue is:
 - To qualified investors
 - To fewer than 150 natural persons
 - For offers less than a total consideration of €5m over 12 months
 - Where investors acquire at least €100,000 each
 - Bonus or scrip issue
 - Non-transferrable securities

Further information

Dual-listed company

A corporate structure in which two corporations function as a single business

- Retain separate legal identities
- Have separate stock exchange listings
- E.g. Royal Dutch Shell and BHP Billiton

Cross-listing

Where a firm lists its shares on more than one exchange

- E.g. BP and HSBC



3. Listing on the LSE

The UKLA listing rules: conditions for entry

- Listing rules: conditions for premium listing
 - Status: public company
 - Trading history: three years
 - 12 months working capital
 - Market value of
 - Equity at least £700,000
 - Debt at least £200,000
 - Management with sufficient experience and expertise
 - Sponsors
 - Share ownership
 - At least 25% in public hands (free float)

Applications
go to the
UKLA

Further information

Premium vs. standard listing

A standard listing only requires the following:

- Status: public company
- Market value of securities
- Expert and experienced management
- Free float of 25%



Keeping on target

A company wishes to float on the London Stock Exchange's official list via an offer for sale. Which of the following must the company do to comply with the UKLA's rules regarding floatation?

- I Have a prospectus approved by the UKLA
- II Publish the prospectus
- III Advertise the prospectus in at least one national newspaper

- A: I only
- B: I and II only
- C: II and III only
- D: I, II and III



Further information

High growth segment (HGS)

For companies that cannot yet meet the premium status, but intend to. They have different conditions for entry:

- Incorporation in the EEA
- Commercial company issuing equity only
- Free float of 10%
- Compound average growth rate (CAGR) of 20% over 3 years



3. Listing on the LSE

Alternative investment market (AIM)

- Key roles
 - Nominated adviser (NOMAD)
 - Advise directors of responsibilities
 - Broker
- AIM: conditions for entry
 - Status: public company
 - Accounts must be IAS compliant
 - Admissions document

Further information

AIM is a separate market to the official list which was set up by the LSE (in 1995) specifically to provide a market for smaller, young and growing companies.

The criteria for acceptance are less onerous than those for the official list. A company does **not** apply to the UKLA (the FCA) to join AIM. Instead, it is the LSE itself which has the final say on who joins this junior market. Companies floated on AIM are known as **quoted** companies.



Answer to the question on the previous slide:

D: I, II and III

3. Listing on the LSE

ICAP Securities and Derivatives Exchange (ISDX)

- Closer in nature to the (AIM) than official list
- Conditions for entry:
 - Appoint and retain an ISDX corporate adviser
 - Demonstrate appropriate levels of corporate governance
 - At least one independent director
 - Provide a set of published audited financial reports and accounts
 - Have adequate working capital
 - Have no restriction on the transferability of shares
 - Have its shares available for electronic settlement

Hints

ISDX is not the LSE



4. Continuing Obligations of LSE Companies

The UKLA listing rules: continuing obligations

- A listed company also has an obligation to fulfil the UKLA disclosure and transparency rules (DTR) regarding:
 - Disclosure and control of inside information
 - Relevant persons dealing in own company shares
 - Periodic financial reporting
 - Annual and half-yearly reports
 - Access to information
 - Amendments to constitution
 - Opportunities to exercise shareholder rights
 - Corporate governance
 - Compliance with model code and UK code of corporate governance
- Announcements through a regulatory information service

Further information

Regulatory information service (RIS) or primary information provider (PIP)

A number of RISs are currently approved by the FCA, including the Regulatory News Service (RNS) of the London Stock Exchange, Business Wire and PR Newswire Disclose.



Further information

The UKLA requires all companies listed on the official list to produce a half-yearly financial report. The Companies Act 2006 requires annual financial reports to be published.



4. Continuing Obligations of LSE Companies

UK Code on Corporate Governance

- Leadership
 - Effective board responsible for long-term success
 - Division of responsibilities at top of company
 - Chairman leads board; non-executives should challenge executives
- Effectiveness
 - Board and committees have appropriate balance of skills, experience, independence and knowledge to discharge duties effectively
- Accountability
 - Board to present balanced and understandable assessment of company's position and prospects
 - Board to manage risks proactively, and in a controlled manner
- Remuneration
 - Link corporate and individual performance; formal and transparent
- Shareholder relations
 - Dialogue with shareholders based on mutual understanding of objectives

4. Continuing Obligations of LSE Companies

UK Stewardship Code

- Aimed at institutional investors
 - Encourage them to take an active interest in the corporate governance of companies into which client money is invested
 - ‘Comply or explain’ approach
- Seven principles
 - Public disclosure of stewardship responsibility policy
 - Robust policy on managing stewardship conflicts of interests
 - Monitor investee companies
 - Establish clear guidelines on escalating activities as a method of protecting and enhancing shareholder value
 - Be willing to act collectively with other investors when needed
 - Clear policy on voting, and disclosing voting activity
 - Report periodically on stewardship and voting activities

5. Company Meetings

- Company meetings: types
 - Annual general meetings (AGM)
 - General meetings
- Right to call meetings
 - AGM: the board
 - Other meeting: the board or 5% or more of the voting shares
- Notice of meetings
 - AGM: 21 calendar days
 - Other meeting: 14 calendar days
- Resolutions
 - Ordinary (more than 50%)
 - Special (at least 75%)

Further information

Examples of issues approved by ordinary resolution include:

- Approval of the annual financial statements
- Appointment and removal of auditors
- Appointment and removal of directors
- Approval of a dividend

Examples of issues approved by special resolution include:

- Changing the company's name
- Waiving pre-emption rights
- Change to the Memorandum or Articles of Association
- Share buy-backs



5. Company Meetings

Passing resolutions

- Show of hands
- Written ballot
- Proxies
 - Proxy forms
 - Used to appoint a proxy
 - Deposited at least 48 hours before the meeting
 - Special (two-way) proxy – directed by the shareholder
 - General proxy – uses discretion

Hints

Proxy forms are valid for the meeting indicated and any adjournment of that meeting.



6. Notifiable Interests

UK disclosure requirements

- Disclosure to the company within two business days:
 - Reach 3%
 - (Above 3%) change up or down to the next whole % point
 - Fall below 3%
- Connected parties:
 - The person's spouse
 - The person's minor children (<18 years)
 - Companies where the person controls more than a third of the votes
 - 'Concert party'

Example: four parties holding 1% – combined holding of 4% required to be disclosed.

Further information

The issuer must keep records of disclosures. The issuer may request an individual to disclose any beneficial shareholding in the last three years.



Further information

Under the EU Transparency Directive, interests should be disclosed at 5% within four business days.



7. Statutory Control of Takeovers and Mergers

Statutory control of takeovers and mergers

- Enterprise and Regulatory Reform Act 2013
 - Empowers the Competition and Markets Authority (CMA)
- A qualifying merger (one that requires investigation)
 - Share of supply test
 - Combined entity accounts for at least 25% of supply or acquisition
 - Turnover test
 - Turnover of entity being acquired exceeds £70m
 - Any other substantial lessening of competition
- Phase one
 - The CMA has 40 days to complete its initial study
- Phase two
 - The CMA has the power to prevent or restrict the takeover or merger

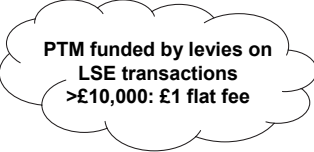
Further information

Where there may be concerns of national security, for example, the Secretary of State for Business, Innovation and Skills will intervene and come to a decision on the takeover or merger.



8. The Takeover Panel

- The Takeover Panel (also known as the 'Panel on Takeovers and Mergers', 'PTM' or 'POTAM')
 - Chairman appointed by Bank of England
 - Funded by the PTM levy
 - Independent, statutory body
 - Responsible for writing and monitoring the takeover code (also known as the 'city code')
- Takeover code: application
 - Listed and unlisted public companies resident in the UK, Channel Islands or Isle of Man
 - Complies with the EU takeover directive
- Takeover code: general principles
 - All shareholders to be treated equally during takeover and protected after takeover
 - Shareholders must be given sufficient time and information to reach a decision on the bid



PTM funded by levies on
LSE transactions
>£10,000: £1 flat fee

Further information

The code has its drawbacks. Once a takeover has actually occurred, the panel is unable to impose sanctions retrospectively, and it is argued that this limits the panel's effectiveness.



Keeping on target

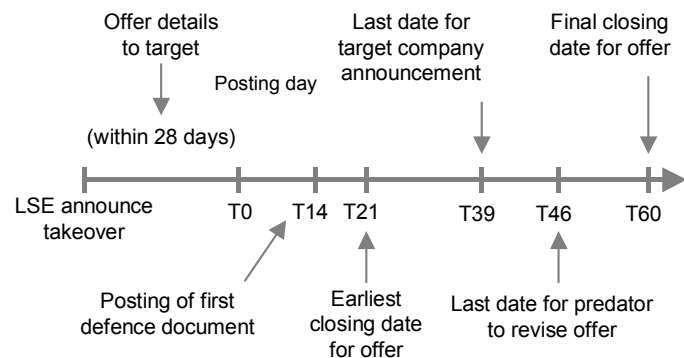
Who has the power to stop a merger on the grounds of public interest?

- A: The Takeover Panel
- B: The Department of Business, Enterprise and Regulatory Reform
- C: The Competition and Markets Authority
- D: The Office of Fair Trading



8. The Takeover Panel

Takeover code: timing and revision



Further information

Takeover code

It possibly goes without saying that any information announced must be accurate and fairly presented. Under Rule 19, it is the responsibility of the directors of the offeror and offeree to take a duty of care to ensure this is so and also to ensure that omissions that could mislead the market are avoided.

The final closing date for the offer is T60. If the bid lapses on this date then the predator company will be unable to make another offer for 12 months.



Answer to the question on the previous slide:

C: The Competition and Markets Authority

8. The Takeover Panel

Takeover code: restrictions on the acquisition of shares

- Compulsory bids
 - Acquire shares carrying 30% or more of the voting rights ('effective control')
 - Make offer for all remaining shares
 - Offer must be in cash or accompanied by a cash alternative
 - Highest price paid in last 12 months
 - Offer must remain open for at least 21 days
 - Unconditional once predator gains more than 50% (legal control) of the target
- Squeeze-out – any takeover bid (whether mandatory or voluntary)
 - If 90% acceptance – 'squeeze-out'