

LISTING RULES INSTRUMENT 2005

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 73A (Part 6 rules);
 - (2) section 79 (Listing particulars and other documents);
 - (3) section 88(3) (Sponsors);
 - (4) section 89 (Public censure of sponsor);
 - (5) section 96 (Obligations of issuers of listed securities);
 - (6) section 99 (Fees);
 - (7) section 100 (Penalties);
 - (8) section 101 (Listing rules: general provisions);
 - (9) section 157(1) (Guidance); and
 - (10) paragraphs 1 (general), 4 (rules) and 7(fees) of Schedule 7 (The Authority as Competent Authority for Part VI).

Commencement

- B. This instrument comes into force on 1 July 2005.

Amendments to the Handbook

- C. The Annex to this instrument inserts into the Handbook the new Listing Rules sourcebook (LR).

Notes

- D. In the Annex to this instrument, the "notes" (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- E. This instrument may be cited as the Listing Rules Instrument 2005.

By order of the Board
16 June 2005

Annex

The Listing Rules Sourcebook

In this Annex all text is new and is not underlined. Insert the following new sourcebook, Listing Rules (LR).

1 Preliminary

1.1 Introduction

Application

1.1.1 R LR applies as follows:

- (1) all of *LR* (other than *LR* 8.3, *LR* 8.4, *LR* 8.6 and *LR* 8.7) applies to an *issuer*; and
- (2) *LR* 1, *LR* 8.1, *LR* 8.3, *LR* 8.4, *LR* 8.6 and *LR* 8.7 apply to a *sponsor* and a *person* applying for approval as a *sponsor*.

FSA performing functions as competent authority

Note: In relation to the *listing rules*, the *FSA* is performing functions as the competent authority under Part VI of the *Act* (see section 72(1) of the *Act*).

Note: When exercising functions as the competent authority under Part VI of the *Act*, the *FSA* may use the name: the UK Listing Authority.

Other relevant parts of Handbook

Note: Other parts of the *Handbook* that may also be relevant to *issuers* or *sponsors* include *DR* (the Disclosure Rules sourcebook), *PR* (the Prospectus Rules sourcebook), *COB* (the Conduct of Business sourcebook), *DEC* (the Decision Making manual), Chapter 9 of *SUP* (the Supervision manual), Chapter 21 of *ENF* (the Enforcement manual) and *GEN* (General Provisions).

1.2 Modifying rules and consulting the FSA

Modifying or dispensing with rules

- 1.2.1 R
- (1) The *FSA* may dispense with or modify the *listing rules* in such cases and by reference to such circumstances as it considers appropriate (subject to the terms of EU directives and the *Act*).
 - (2) A dispensation or modification may be either unconditional or subject to specified conditions.

- (3) If an *issuer* or *sponsor* has applied for, or been granted, a dispensation or modification, it must notify the *FSA* immediately it becomes aware of any matter which is material to the relevance or appropriateness of the dispensation or modification.
 - (4) The *FSA* may revoke or modify a dispensation or modification.
- 1.2.2 R (1) An application to the *FSA* to dispense with or modify a *listing rule* must be in writing.
- (2) The application must:
- (a) contain a clear explanation of why the dispensation or modification is requested;
 - (b) include details of any special requirements, for example, the date by which the dispensation or modification is required;
 - (c) contain all relevant information that should reasonably be brought to the *FSA's* attention;
 - (d) contain any statement or information that is required by the *listing rules* to be included for a specific type of dispensation or modification; and
 - (e) include copies of all documents relevant to the application.
- 1.2.3 G An application to dispense with or modify a *listing rule* should ordinarily be made:
- (1) for a *listing rule* that is a continuing obligation, at least five *business days* before the proposed dispensation or modification is to take effect; and
 - (2) for any other *listing rule*, at least ten *business days* before the proposed dispensation or modification is to take effect.

Companies in severe financial difficulty

- 1.2.4 G If an *issuer* applies to the *FSA* to dispense with or modify a *listing rule* on the basis that it is in severe financial difficulty, the *FSA* would ordinarily expect the *issuer* to comply with the conditions in *LR* 10.8 (to the extent relevant to the particular *rule* for which the dispensation or modification is sought). In particular, the *FSA* would expect the *issuer* to comply with those conditions that are directed at demonstrating that it is in severe financial difficulty.

Early consultation with FSA

- 1.2.5 G An *issuer* or *sponsor* should consult with the *FSA* at the earliest possible stage if it:

- (1) is in doubt about how the *listing rules* apply in a particular situation; or
- (2) considers that it may be necessary for the *FSA* to dispense with or modify a *listing rule*.

Address for correspondence

Note: The *FSA's* address for correspondence is:

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London, E14 5HS

Tel: 020 7066 8333
Fax: 020 7066 8362

<http://www.fsa.gov.uk/Pages/Doing/UKLA/index.shtml>

1.3 Information gathering and publication

Information gathering

1.3.1 R An *issuer* must provide to the *FSA* as soon as possible:

- (1) any information and explanations that the *FSA* may reasonably require to decide whether to grant an application for *admission*;
- (2) any information that the *FSA* considers appropriate to protect investors or ensure the smooth operation of the market; and [**Note:** Article 16.1 *CARD*]
- (3) any other information or explanation that the *FSA* may reasonably require to verify whether *listing rules* are being and have been complied with.

FSA may require issuer to publish information

- #### 1.3.2 R
- (1) The *FSA* may, at any time, require an *issuer* to publish such information in such form and within such time limits as it considers appropriate to protect investors or to ensure the smooth operation of the market. [**Note:** Article 16.2 *CARD*]
 - (2) If an *issuer* fails to comply with a requirement under paragraph (1) the *FSA* may itself publish the information (after giving the *issuer* an opportunity to make representations as to why it should not be published). [**Note:** Article 16.2 *CARD*]

Misleading information not to be published

- 1.3.3 R An *issuer* must take reasonable care to ensure that any information it notifies to a *RIS* or makes available through the *FSA* is not misleading, false or deceptive and does not omit anything likely to affect the import of the information.

Notification when a *RIS* is not open for business

- 1.3.4 R If an *issuer* is required to notify information to a *RIS* at a time when a *RIS* is not open for business it must distribute the information as soon as possible to:
- (1) not less than two national newspapers in the *United Kingdom*;
 - (2) two newswire services operating in the *United Kingdom*; and
 - (3) a *RIS* for release as soon as it opens.

1.4 Miscellaneous

Appointment of sponsor

- 1.4.1 R (1) If it appears to the *FSA* that there is, or there may be, a breach of the *listing rules* by an *issuer* with a *primary listing*, the *FSA* may in writing require the *issuer* to appoint a *sponsor* to advise the *issuer* on the application of the *listing rules*.
- (2) If required to do so under paragraph (1), an *issuer* must, as soon as practicable, appoint a *sponsor* to advise it on the application of the *listing rules*.

Note: *LR* 8.2 sets out the various circumstances in which an *issuer* must appoint, or obtain guidance from, a *sponsor*.

Overseas companies

- 1.4.2 R If a *listing rule* refers to a requirement in legislation applicable to a *listed company* incorporated in the *United Kingdom*, a *listed overseas company* must comply with the requirement so far as:
- (1) information available to it enables it to do so; and
 - (2) compliance is not contrary to the law in its country of incorporation.
- 1.4.3 R A *listed overseas company* must, if required to do so by the *FSA*, provide the *FSA* with a letter from an independent legal adviser explaining why compliance with a requirement referred to in *LR* 1.4.2R is contrary to the law in its country of incorporation.

Equivalent information

1.4.4 R An *issuer* whose *securities* are listed on an *overseas investment exchange* operating in a *non-EEA state*, must notify to a *RIS* information equivalent to that notified to the market of the *non-EEA state* if the information may be of importance to evaluate the *securities listed* by the *FSA*. [**Note:** Articles 69 and 82 *CARD*]

1.4.5 G The information required under *LR 1.4.4R* is in addition to information that is required to be disclosed under the *disclosure rules*.

English language

1.4.6 R A *document* that is required under a *listing rule* to be filed, notified to a *RIS*, provided to the *FSA* or sent to *security* holders must be in English.

Market abuse safe harbours

1.4.7 R Pursuant to section 118A(5) of the *Act*, behaviour conforming with the *listing rules* specified in *LR 1 Ann 1R* does not amount to market abuse under section 118(1) of the *Act*.

Fees

1.4.8 R An *issuer* and a *sponsor* must pay the fees set out in *LR App 2R* to the *FSA* when they are due.

Electronic Communication

1.4.9 R If the *listing rules* require an *issuer* to send documents to its *security* holders in the *United Kingdom*, the *issuer* is taken to comply with the requirement for any specific holder if:

- (1) the *issuer* and the *security* holder have agreed to the use of electronic communication for sending copies of documents to the holder and:
 - (a) the documents are documents to which the agreement applies; and
 - (b) copies of the documents are sent using electronic communication to such address, number or other location as may for the time being be notified by the holder to the *issuer* for that purpose; or
- (2) the *issuer* and the *security* holder have agreed to the holder having access to documents on a website (instead of the documents being sent to the holder) and:
 - (a) the documents are documents to which the agreement applies; and
 - (b) the holder is notified in a manner for the time being agreed for the purpose between the holder and the *issuer*, of:

- (i) the publication of the documents on a website;
 - (ii) the address of that website;
 - (iii) the place on that website where the documents may be accessed and how they may be accessed;
 - (iv) the period of time for which the documents will be available on the website, which must be for a period of not less than 21 days from the date of notification or, if later, until the conclusion of any general meeting to which the documents relate; and
- (c) the documents are published on that website throughout the period referred to in paragraph (b)(iv), provided that, if the documents are published on that website for a part but not all of that period, the documents will be treated as published throughout that period if the failure to publish those documents throughout the period is wholly attributable to circumstances which it would not be reasonable to have expected the *issuer* to prevent or avoid.

- 1.4.10 R If an *issuer* makes use of LR 1.4.9R, it must make the documents available during normal business hours to *security* holders for a period of not less than 21 days from the date of communication or notification or, if later, until the conclusion of any general meeting to which the documents relate, in printed form and free of charge in sufficient numbers to satisfy demand from *security* holders at:
- (1) the *issuer's* registered office in the *United Kingdom* (if any); and
 - (2) the offices of any paying agent of the *issuer* in the *United Kingdom*.

LR 1 Annex 1R

Market abuse safe harbours

The *listing rules* referred to in LR 1.4.7R are:

- (1) LR 1.3.3R (Misleading information not to be published);
- (2) LR 1.3.4R (Notification when a *RIS* is not open for business);
- (3) Paragraphs 20, 21 and 22 of the Annex to LR 9 (The Model Code)(Dealings by connected persons and investment managers);
- (4) LR 9.6.6R (Notifications relating to capital);
- (5) LR 9.6.7R, LR 9.6.8R and LR 9.6.10R (Notifications of major

- interests in shares);
- (6) *LR 9.7.1R* and *LR 9.7.2R* (Preliminary statement of annual results and dividends);
 - (7) *LR 9.9.3R* ;
 - (8) *LR 12.2.1R* (4) (Prohibition on purchase of own securities).
 - (9) *LR 12.4.6R* (Notification of purchases);
 - (10) *LR 12.5.2R* and *LR 12.5.3R* (Notifications of purchases, early redemptions and cancellations);
 - (11) *LR 13.3.1R* (1) and *LR 13.3.1R* (2) (Contents of all circulars);
 - (12) *LR 14.3.19R* and *LR 14.3.21R* (Notification of major interests in shares);
 - (13) *LR 14.4.10R*; and
 - (14) *LR 17.3.4R* (Annual accounts).

2 Requirements for listing

2.1 Preliminary

Application

- 2.1.1 R This chapter applies to all *applicants* for *admission to listing* (unless a *rule* is specified only to apply to a particular type of *applicant* or *security*).

Refusal of applications

- 2.1.2 G Under the *Act*, the *FSA* may not grant an application for *admission* unless it is satisfied that:

- (1) the requirements of the *listing rules* are complied with; and
- (2) any special requirement (see *LR 2.1.4R*) is complied with.

- 2.1.3 G Under the *Act*, the *FSA* may also refuse an application for *admission* if it considers that:

- (1) *admission* of the *securities* would be detrimental to investors' interests; or
- (2) for *securities* already listed in another *EEA State*, the *issuer* has failed to comply with any obligations under that listing.

Special requirements

- 2.1.4 R (1) The *FSA* may make the *admission* of *securities* subject to any special requirement that it considers appropriate to protect investors. [**Note:** article 12 *CARD*]
- (2) The *FSA* must explicitly inform the *issuer* of any special requirement that it imposes. [**Note:** article 12 *CARD*]

2.2 Requirements for all securities

Incorporation

- 2.2.1 R An *applicant* (other than a *public sector issuer*) must be:
- (1) duly incorporated or otherwise validly established according to the relevant laws of its place of incorporation or establishment; and
 - (2) operating in conformity with its *constitution*. [**Note:** articles 42 and 52 *CARD*]

Validity

- 2.2.2 R To be *listed, securities* must:
- (1) conform with the law of the *applicant's* place of incorporation;
 - (2) be duly authorised according to the requirements of the *applicant's constitution*; and
 - (3) have any necessary statutory or other consents. [**Note:** articles 45 and 53 *CARD*]

Admission to trading

- 2.2.3 R To be *listed, securities* must be admitted to trading on an *RIE's* market for *listed securities*.

Transferability

- 2.2.4 R (1) To be *listed, securities* must be freely transferable. [**Note:** articles 46, 54 and 60 *CARD*]
- (2) To be *listed, shares* must be fully paid and free from all liens and from any restriction on the right of transfer (except any restriction imposed for failure to comply with a notice under section 212 of the Companies Act 1985 (Company investigations)).
- 2.2.5 G The *FSA* may modify *LR 2.2.4R* to allow partly paid *securities* to be *listed* if it is satisfied that their transferability is not restricted and investors have been provided with appropriate information to enable dealings in the *securities* to take place on an open and proper basis. [**Note:** articles 46 and 54 *CARD*]
- 2.2.6 G The *FSA* may in exceptional circumstances modify or dispense with *LR 2.2.4R* where the *applicant* has the power to disapprove the transfer of *shares* if the *FSA* is satisfied that this power would not disturb the market in those *shares*. [**Note:** article 46 *CARD*]

Market capitalisation

- 2.2.7 R (1) The expected aggregate market value of all *securities* (excluding *treasury shares*) to be *listed* must be at least:
- (a) £700,000 for *shares*; and
 - (b) £200,000 for *debt securities*.
- (2) Paragraph (1) does not apply to tap issues where the amount of the *debt securities* is not fixed.
- (3) Paragraph (1) does not apply if *securities* of the same *class* are

already *listed*. [**Note:** articles 43 and 48 *CARD*]

- 2.2.8 G The *FSA* may modify *LR 2.2.7R* to admit *securities* of a lower value if it is satisfied that there will be an adequate market for the *securities* concerned. [**Note:** articles 43 and 58 *CARD*]

Whole class to be listed

- 2.2.9 R An application for *listing* of *securities* of any *class* must:
- (1) if no *securities* of that *class* are already *listed*, relate to all *securities* of that *class*, issued or proposed to be issued; or
 - (2) if *securities* of that *class* are already *listed*, relate to all further *securities* of that *class*, issued or proposed to be issued. [**Note:** articles 49, 56 and 62 *CARD*]

Prospectus

- 2.2.10 R (1) This *rule* applies if under the *Act* or under the law of another *EEA State*:
- (a) a *prospectus* must be approved and published for the *securities*; or
 - (b) the *applicant* is permitted and elects to draw up a *prospectus* for the *securities*.
- (2) To be *listed*:
- (a) a *prospectus* must have been approved by the *FSA* and published in relation to the *securities*; or
 - (b) if another *EEA State* is the *Home Member State* for the *securities*, the relevant competent authority must have supplied the *FSA* with:
 - (i) a certificate of approval;
 - (ii) a copy of the *prospectus* as approved; and
 - (iii) (if applicable) a translation of the *summary* of the *prospectus*.

Listing particulars

- 2.2.11 R (1) This *rule* applies if, under *LR 4*, *listing particulars* must be approved and published for *securities*.
- (2) To be *listed*, *listing particulars* for the *securities* must have been approved by the *FSA* and published in accordance with *LR 4*.

Convertible securities

- 2.2.12 R *Convertible securities* may be *admitted to listing* only if the *securities* into which they are convertible are already, or will become at the same time:
- (1) *listed securities*; or
 - (2) *securities* listed on a regulated, regularly operating, recognised open market. [**Note:** article 59 *CARD*]
- 2.2.13 G The *FSA* may dispense with *LR 2.2.12R* if it is satisfied that holders of the *convertible securities* have at their disposal all the information necessary to form an opinion about the value of the underlying *securities*. [**Note:** article 59 *CARD*]

Warrants or options to subscribe

- 2.2.14 R The requirements for *listing* of warrants to subscribe, or options to subscribe, for *equity securities* (not being options or warrants accompanied by other *securities*) are the same as would apply if the application was for *listing* of the *equity securities* to be subscribed.

3 Listing applications

3.1 Application

3.1.1 R This chapter applies to an *applicant* for the *admission of securities*.

3.2 Application for admission to listing

Location of official list

3.2.1 G The *FSA* will maintain the *official list* on its website.

Method of application

3.2.2 R An *applicant* for *admission* must apply to the *FSA* by:

- (1) submitting, in final form:
 - (a) the documents described in *LR 3.3* in the case of an application in respect of *equity securities*;
 - (b) the documents described in *LR 3.4* in the case of an application in respect of *debt securities* or other *securities*;
 - (c) the documents described in *LR 3.5* in the case of a block listing or a formal application;
- (2) submitting all additional documents, explanations and information as required by the *FSA*;
- (3) submitting verification of any information in such manner as the *FSA* may specify; and
- (4) paying the fee set out in *LR App 2R* at the time the completed Application for Admission of Securities to the Official List is submitted to the *FSA*.

3.2.3 G Before submitting the documents referred to in *LR 3.2.2R(1)*, an *applicant* should contact the *FSA* to agree the date on which the *FSA* will consider the application.

3.2.4 R All documents must be submitted to the Listing Applications team at the *FSA's* address.

Grant of an application for admission to listing

- 3.2.5 G The *FSA* may admit *securities* to *listing* if all relevant documents required by *LR 3.3*, *LR 3.4* or *LR 3.5* have been submitted to the *FSA*.
- 3.2.6 G When considering an application for *admission to listing*, the *FSA* may:
- (1) carry out any enquiries and request any further information which it considers appropriate, including consulting with other regulators or exchanges;
 - (2) request that an *applicant*, or its specified representative answer questions and explain any matter the *FSA* considers relevant to the application for *listing*;
 - (3) take into account any information which it considers appropriate in relation to the *application for listing*;
 - (4) request that any information provided by the *applicant* be verified in such manner as the *FSA* may specify; and
 - (5) impose any additional conditions on the *applicant* as the *FSA* considers appropriate.
- 3.2.7 G The *admission* becomes effective only when the *FSA's* decision to admit the *securities* to *listing* has been announced by being either:
- (1) disseminated by a *RIS*; or
 - (2) posted on a notice board designated by the *FSA* should the electronic systems be unavailable.

3.3 Equity securities

Application

- 3.3.1 R (1) *LR 3.3.2R* to *LR 3.3.7R* apply to an *applicant* which is applying for a *primary listing* of its *equity shares*.
- (2) *LR 3.3.2R* to *LR 3.3.8R* apply to an *applicant* which is applying for:
- (a) a *primary listing* of its *preference shares*; or
 - (b) a *primary listing* of its *securities* that are convertible into *equity shares*; or
 - (c) a *secondary listing* of its *equity securities*.

Documents to be provided 48 hours in advance

- 3.3.2 R The following documents must be submitted, in final form, to the *FSA* by

midday two *business days* before the *FSA* is to consider the application:

- (1) a completed Application for Admission of Securities to the Official List;
- (2) one of:
 - (a) the *prospectus*, or *listing particulars*, that has been approved by the *FSA*; or
 - (b) a copy of the *prospectus*, a certificate of approval and (if applicable) a translation of the *summary* of the *prospectus*, if another *EEA State* is the *home Member State* for the *securities*; or
 - (c) where a *prospectus* has not been produced, a written confirmation, signed by a *director* or duly authorised officer of the *issuer* or *offeror* of the *securities* if the *offeror* is not the *issuer* that:
 - (i) a *prospectus* is not required to be published by the *Prospectus Directive*, setting out the exemption on which the *issuer* or *offeror* is relying; and
 - (ii) the *issuer* or *offeror* will not make an *offer of transferable securities to the public* of, or admit to trading on a *regulated market* in the *UK*, the *securities* which are the subject of the application until those *securities* are *admitted* to the *official list*;
- (3) any *circular* that has been published in connection with the application, if applicable;
- (4) any approved *supplementary prospectus* or approved *supplementary listing particulars*, if applicable; and
- (5) a copy of the resolution of the board of the *applicant* allotting the *securities*. [**Note:** If this is not possible, see *LR 3.3.4R*.]

Note: The Application for Admission of Securities to the Official List form can be found on the UKLA section of the *FSA*'s website.

Documents to be provided on the day

- 3.3.3 R Either of the following documents must be submitted, in final form, to the *FSA* by 9 a.m. on the day the *FSA* is to consider application:
- (1) a completed Shareholder Statement, signed by a *sponsor*, in the case of an *applicant* that is applying for a *listing* of *equity shares* or *preference shares* for the first time; or [**Note:** see *LR 8.4.3R*.]

- (2) a completed Pricing Statement, signed by a *sponsor*, in the case of a *placing* by an *applicant* of *equity shares* of a *class* already *listed*.
[**Note:** see LR 8.4.9R.]

Note: The Shareholder Statement and the Pricing Statement forms can be found on the UKLA section of the *FSA's* website.

- 3.3.4 R If a copy of the resolution of the board allotting the *securities* cannot be submitted to the *FSA* by the deadline set out in LR 3.3.2R the resolution or a written confirmation from the *applicant* or its *sponsor* that the *securities* have been allotted must be submitted to the *FSA* at least one hour before the *admission to listing* is to become effective.

Other documents to be submitted

- 3.3.5 R The following documents must be submitted in final form to the *FSA* as soon as practicable after the *FSA* has considered the application:
- (1) a statement of the number of *securities* that were issued and, where different from the number which were the subject of the application, the aggregate number of *securities* of that *class* in issue;
 - (2) a completed Issuer's Declaration; and
 - (3) in an issue pursuant to a notice served under section 429 of the Companies Act 1985 (Right of offeror to buy out minority shareholders), a copy of the notice.

Note: The Issuer's Declaration form can be found on the UKLA section of the *FSA's* website.

Additional documents

- 3.3.6 R An *applicant* must keep copies of the following for six years after the *admission to listing*:
- (1) any agreement to acquire any assets, business or shares in consideration for or in relation to which the company's *securities* are being issued;
 - (2) any letter, report, valuation, contract or other documents referred to in the *prospectus*, *listing particulars*, *circular* or other document issued in connection with those *securities*;
 - (3) the *applicant's constitution* as at the date of *admission*;
 - (4) the annual report and accounts of the *applicant* and of any guarantor, for each of the periods which form part of the *applicant's* financial record contained in the *prospectus* or *listing particulars*;

- (5) any interim accounts made up since the date to which the last annual report and accounts were made up and prior to the date of *admission*;
- (6) any temporary and definitive documents of title;
- (7) in the case of an application in respect of *securities* issued pursuant to an *employees' share scheme*, the scheme document; and
- (8) where *listing particulars* or another document are published in connection with any scheme requiring court approval, any court order and the certificate of registration issued by the Registrar of Companies.

3.3.7 R An *applicant* must provide to the FSA the documents set out in LR 3.3.6R, if requested to do so.

Equity securities applications other than applications for the primary listing of equity shares

3.3.8 R An *applicant* which is applying for:

- (1) a *primary listing* of its *preference shares*; or
- (2) a *primary listing* of its *securities* that are convertible into *equity shares*; or
- (3) a *secondary listing* of its *equity securities*;

must comply with LR 3.3.2R to LR 3.3.7R except that the document required by LR 3.3.3R(1) is not required to be signed by a *sponsor*.

3.4 Debt and other securities

Application

3.4.1 R LR 3.4.4R to LR 3.4.7R apply to an *applicant* that is seeking *admission* of any of the following types of *securities*:

- (1) *debt securities*;
- (2) *asset-backed securities*;
- (3) *certificates representing certain securities*; and
- (4) *specialist securities* of the following types:
 - (a) *convertible securities* which convert to *debt securities*;

- (b) *convertible securities* which convert to *equity securities*; and
- (c) *convertible securities* which are exchangeable for *securities* of another *company*.

3.4.2 R LR 3.4.4R to LR 3.4.8R apply to an *applicant* for the *admission* of a *debt securities* or *asset-backed securities* issuance programme where the *applicant* is.

- (1) a *new applicant*; or
- (2) seeking an *admission to listing* for an issue made more than 12 months after publication of the *base prospectus* or *listing particulars*.

3.4.3 R LR 3.4.9R to LR 3.4.13R apply to an *applicant* that is a *public sector issuer*.

Securities referred to in LR 3.4.1R: documents to be provided 48 hours in advance

3.4.4 R An *applicant* referred to in LR 3.4.1R must submit, in final form, to the *FSA* by midday two *business days* before the *FSA* is to consider the application:

- (1) a completed Application for Admission of Securities to the Official List;
- (2) either:
 - (a) the *prospectus*, or *listing particulars* that has been approved by the *FSA*; or
 - (b) a copy of the *prospectus*, a certificate of approval and (if applicable) a translation of the *summary* of the *prospectus*, if another *EEA State* is the *home Member State* for the *securities*; and
- (3) any approved *supplementary prospectus* or approved *supplementary listing particulars*, if applicable.

Note: The Application for Admission of Securities to the Official List form can be found on the UKLA section of the *FSA*'s website.

Securities referred to in LR 3.4.1R: documents to be provided on the day

3.4.5 R An *applicant* referred to in LR 3.4.1R must submit in final form to the *FSA* by 9 a.m. on the *day* the *FSA* is to consider the application:

- (1) a copy of the resolution of the board authorising the issue of the *securities*; or
- (2) written confirmation from the *applicant* that the board has authorised the issue of the *securities*.

Securities referred to in LR 3.4.1R: additional documents

- 3.4.6 R An *applicant* referred to in LR 3.4.1R must keep, for six years after the *admission to listing*, a copy of the items set out in LR 3.3.6R(1) to (6) and must provide any of those documents to the *FSA* if requested to do so.

Procedure for issuance programmes: initial offering

- 3.4.7 R An *applicant* referred to in LR 3.4.2R must comply with LR 3.4.4R to LR 3.4.6R with the following modifications:

- (1) an *applicant* must submit a *supplementary prospectus* or *supplementary listing particulars* instead of the document required by LR 3.4.4R(2) in the case of an increase in the maximum amount of *debt securities* which may be in issue and *listed* at any one time under an issuance programme; and
- (2) if the *FSA* approves the application it will admit to listing all *debt securities* which may be issued under the programme within 12 *months* after the publication of the *base prospectus* or *listing particulars* subject to the *FSA*:
 - (a) being advised of the *final terms* of each issue for which a *listing* is sought;
 - (b) receiving and approving for publication any supplementary documents that may be appropriate; and
 - (c) receiving confirmation that the *debt securities* in question have been authorised.

Issuance programmes: final terms

- 3.4.8 R (1) The *final terms* must be submitted in writing to the *FSA* as soon as possible after they have been agreed and no later than 2 p.m. on the day before *listing* is to become effective.
- (2) The *final terms* may be submitted by:
- (a) the *applicant*; or
 - (b) the *applicant's* agent if a letter of appointment signed by a duly authorised officer of the *applicant* has been delivered to the *FSA*.

- (3) The Application for Admission of Securities to the Official List need not be submitted for issues made after the first issue in any 12 *month* period after publication of the *base prospectus* or *listing particulars*.

Note: For further details on *final terms*, see *PR 2.2.9R* and *PR 2.3.2R*.

Public sector issuers

- 3.4.9 R A *public sector issuer* of an *EEA State* that seeks *admission of debt securities* referred to in paragraphs 2 and 4 of Schedule 11A of the *Act* must submit to the *FSA* in final form a completed Application for Admission of Securities to the Official List.

Note: The Application for Admission of Securities to the Official List form can be found on the UKLA section of the *FSA's* website.

- 3.4.10 R *LR 3.4.11R* to *LR 3.4.13R* apply to applications for *admission to listing of debt securities* by a *public sector issuer* other than one referred to in *LR 3.4.9R*.

- 3.4.11 R An *applicant* referred to in *LR 3.4.10R* must submit to the *FSA* in final form by midday two *business days* before the *FSA* is to consider the application:

- (1) the items set out in *LR 3.4.4R*;
- (2) a copy of any consent, order or resolution, authorising the issue of the *debt securities*; and
- (3) where a regional or local authority has offered *debt securities* for sale to or subscription by the public, a Public Sector Issuer Certificate.

Note: The Public Sector Issuer Certificate can be found on the UKLA section of the *FSA's* website.

- 3.4.12 R An *applicant* referred to in *LR 3.4.10R* must submit to the *FSA* as soon as practicable after the *FSA* has considered the application the item set out in *LR 3.3.5R(1)*.

- 3.4.13 R An *applicant* referred to in *LR 3.4.10R* must keep, for six years after the *admission to listing*, a copy of the items set out in *LR 3.3.6R(1)* to (6) and must provide any of those documents to the *FSA* if requested to do so.

3.5 Block listing and formal application

Application

3.5.1 R This section applies to an *applicant* that wishes to apply for *admission* of *securities* using:

- (1) a block listing; or
- (2) a formal application.

When a block listing or a formal application can be used

3.5.2 G If an *applicant* issues *securities* on a regular basis and in circumstances which do not require the production of a *prospectus* or *listing particulars*:

- (1) the *applicant* may make an application for a specified number of *securities* which may be issued in a particular case (“a block listing”); or
- (2) the *applicant* may adopt a simplified application procedure for each issue (“a formal application”).

3.5.3 G The grant of a block listing constitutes *admission to listing* for the *securities* that are the subject of the block. An *applicant* therefore needs to take this into consideration when applying for *admission* of further *securities* in order to ensure compliance with its obligations under *PR* 1.2.3R(1). Separately, the provisions of *PR* 1.2.2R will need to be considered by the *applicant* when the *securities* that are the subject of the block listing are being issued.

Block listing

3.5.4 R An *applicant* applying for *admission to listing* by way of a block listing must submit in final form the following items at least two *business days* before the *FSA* is to consider each application for *admission*:

- (1) a completed Application for Admission of Securities to the Official List; and
- (2) the item set out in *LR* 3.3.2R(2)(c).

Note: The Application for Admission of Securities to the Official List form can be found on the UKLA section of the *FSA*'s website.

3.5.5 R (1) An *applicant* applying for *admission to listing* by way of a block listing must notify an *RIS* of the number and type of *securities* that are the subject of the block listing application and the circumstances of their issue.

- (2) The notification in paragraph (1) must be made by 9 a.m. on the *day* the *FSA* is to consider the application.

- 3.5.6 R Every six *months* the *applicant* must notify a *RIS* of the details of the number of *securities* covered by the block listing which have been allotted in the previous six *months*, using the Block Listing Six Monthly Return. A copy of the notification must also be lodged with the *FSA*.

Formal application

- 3.5.7 R An *applicant* applying for *admission to listing* by way of a formal application must submit, at least two *business days* before the consideration of each application for *admission to listing*:
- (1) all the items set out in *LR 3.5.4R*; and
 - (2) the item set out in *LR 3.3.2R(5)*.
- 3.5.8 R *LR 3.5.5R* applies to an *applicant* applying for *admission to listing* by way of a formal application.

4 Listing particulars for professional securities market and certain other securities

4.1 Application and Purpose

Application

4.1.1 R This chapter applies to an *issuer* that has applied for the *admission* of:

- (1) *securities* specified in Schedule 11A of the *Act* (other than *securities* specified in paragraphs 2, 4 or 9 of that Schedule); or
- (2) any other *specialist securities* for which a *prospectus* is not required under the *prospectus directive*.

Purpose

4.1.2 G The purpose of this chapter is to require *listing particulars* to be prepared and published for *securities* that are the subject of an application for *listing* in the circumstances set out in LR 4.1.1R where a *prospectus* is not required under the *prospectus directive*.

Listing particulars to be approved and published

4.1.3 R An *issuer* must ensure that *listing particulars* for *securities* referred to in LR 4.1.1R are approved by the *FSA* and published in accordance with LR 4.3.5R.

Note: Under LR 2.2.11R, the *securities* will only be *listed* if *listing particulars* for the *securities* have been approved by the *FSA* and published.

4.2 Contents and format of listing particulars

General contents of listing particulars

4.2.1 G Section 80(1) of the *Act* (general duty of disclosure in listing particulars) requires *listing particulars* submitted to the *FSA* to contain all such information as investors and their professional advisers would reasonably require, and reasonably expect to find there, for the purpose of making an informed assessment of:

- (1) the assets and liabilities, financial position, profits and losses, and prospects of the *issuer* of the *securities*; and
- (2) the rights attaching to the *securities*.

Summary

4.2.2 R (1) The *listing particulars* must contain a *summary* that complies with the requirements in section 87A(5) and (6) of the *Act* and PR 2.1.4EU to PR 2.1.7R (as if those requirements applied to the *listing*

particulars).

- (2) Paragraph (1) does not apply:
 - (a) in relation to *specialist securities* referred to in LR 4.1.1R(2); or
 - (b) if, in accordance with PR 2.1.3R, no *summary* would be required in relation to the *securities*.

Format of listing particulars

- 4.2.3 R The *listing particulars* must be in a format that complies with the relevant requirements in PR 2.2 and the *PD Regulation* (as if those requirements applied to the *listing particulars*).

Minimum information to be included

- 4.2.4 R The following minimum information from the *PD Regulation* must be included in *listing particulars*:
- (1) for an issue of bonds including bonds convertible into the *issuer's shares* or exchangeable into a third party *issuer's shares* or derivative *securities*, irrespective of the denomination of the issue, the minimum information required by the *schedules* applicable to debt and derivative securities with a denomination per unit of at least 50,000 euros;
 - (2) the additional information required by the underlying share *building block* where relevant;
 - (3) for an issue of *asset backed securities*, irrespective of the denomination per unit of the issue, the minimum information required by the *schedules* and *building blocks* applicable to *asset backed securities* with a denomination per unit of at least 50,000 euros;
 - (4) for an issue of *certificates representing shares*, irrespective of the denomination per unit of the issue, the *schedule* applicable to depositary receipts over shares with a denomination per unit of at least 50,000 euros (except that item 13.2 (relating to profit forecasts) in Annex 10 is not to apply);
 - (5) for an issue of *securities* by the government of a *non-EEA State* or a local or regional authority of a *non-EEA State*, the *schedule* applicable to *securities* issued by third countries and their regional and local authorities; and
 - (6) for all issues that are guaranteed, the information in the guarantee *building block*.
- 4.2.5 G For all other issues the *FSA* would expect *issuers* to follow the most

appropriate *schedules* and *building blocks* in the *PD Regulation* to determine the minimum information to be included in *listing particulars*.

Incorporation by reference

- 4.2.6 R An *issuer* may incorporate information by reference in the *listing particulars* as if *PR 2.4* and the *PD Regulation* applied to the *listing particulars*.

Equivalent information

- 4.2.7 R An *issuer* may include equivalent information in *listing particulars* as if *PR 2.5.1R* applied to the *listing particulars*.

English language

- 4.2.8 R *Listing particulars* must be in English.

Omission of information

- 4.2.9 G Under section 82 of the *Act* (exemptions from disclosure) the *FSA* may authorise the omission from *listing particulars* of information on specified grounds.
- 4.2.10 R A request to the *FSA* to authorise the omission of specific information in a particular case must:
- (1) be in writing from the *issuer*;
 - (2) identify the specific information concerned and the specific reasons for the omission; and
 - (3) state why in the *issuer's* opinion one or more of the grounds in section 82 of the *Act* applies.
- 4.2.11 R For the purposes of section 82(1)(g) of the *Act*, *specialist securities* are specified.

Responsibility for listing particulars

- 4.2.12 G Part 3 of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001 (SI 2001/2956) sets out the *persons* responsible for *listing particulars*. In particular, in those regulations:
- (1) regulation 6 specifies who is generally responsible for *listing particulars*; and
 - (2) regulation 9 modifies the operation of regulation 6 in relation to *specialist securities*.
- 4.2.13 R (1) In the case of *listing particulars* for *specialist securities*:
- (a) the *issuer* must state in the *listing particulars* that it accepts

responsibility for the *listing particulars*;

- (b) the *directors* may state in the *listing particulars* that they accept responsibility for the *listing particulars*; and
- (c) other *persons* may state in the *listing particulars* that they accept responsibility for all or part of the *listing particulars* and in that case the statement by the *issuer* or *directors* may be appropriately modified.

- (2) An *issuer* that is the government of a *non-EEA State* or a local or regional authority of a *non-EEA State* is not required under paragraph (1)(a) to state that it accepts responsibility for the *listing particulars*.

4.3 Approval and publication of listing particulars

Approval of listing particulars

- 4.3.1 R An application for approval of *listing particulars* or *supplementary listing particulars* must comply with the procedures in *PR 3.1* (as if those procedures applied to the application), except that the applicant does not need to submit a completed form A.
- 4.3.2 R The *FSA* will approve *listing particulars* or *supplementary listing particulars* if it is satisfied that the requirements of the *Act* and this chapter have been complied with.
- 4.3.3 G The *FSA* will try to notify the applicant of its decision on an application for approval of *listing particulars* or *supplementary listing particulars* within the same time limits as are specified in section 87C of the *Act* (consideration of application for approval) for an application for approval of a *prospectus* or *supplementary prospectus*.
- 4.3.4 R An *issuer* must ensure that *listing particulars* or *supplementary listing particulars* are not published until they have been approved by the *FSA*.

Filing and publication of listing particulars etc

- 4.3.5 R An *issuer* must ensure that after *listing particulars* or *supplementary listing particulars* are approved by the *FSA*, the *listing particulars* or *supplementary listing particulars* are filed and published as if the relevant requirements in *PR 3.2* and the *PD Regulation* applied to them.

4.4 Miscellaneous

Supplementary listing particulars

- 4.4.1 G Section 81 of the *Act* (supplementary listing particulars) requires an *issuer* to submit *supplementary listing particulars* to the *FSA* for approval if at any

time after *listing particulars* have been submitted to the *FSA* and before the commencement of dealings in the *securities* following their *admission* to the *official list*:

- (1) there is a significant change affecting any matter contained in those particulars the inclusion of which was required by:
 - (a) section 80 of the *Act* (general duty of disclosure in listing particulars); or
 - (b) *listing rules*; or
 - (c) the *FSA*; or
- (2) a significant new matter arises, the inclusion of information in respect of which would have been so required if it had arisen when the particulars were prepared.

4.4.2 R An *issuer* must ensure that after *supplementary listing particulars* are approved by the *FSA*, the *supplementary listing particulars* are filed and published as if the requirements in *PR 3.2* and the *PD Regulation* applied to them.

5 Suspending, cancelling and restoring listing

5.1 Suspending listing

FSA may suspend listing

- 5.1.1 R (1) The *FSA* may suspend, with effect from such time as it may determine, the *listing* of any *securities* if the smooth operation of the market is, or may be, temporarily jeopardised or it is necessary to protect investors. [**Note:** article 18(1) *CARD*]
- (2) An *issuer* that has the *listing* of any of its *securities* suspended must continue to comply with all *listing rules* applicable to it.
- (3) If the *FSA* suspends the *listing* of any *securities*, it may impose such conditions for lifting the suspension as it considers appropriate.

Examples of when FSA may suspend

- 5.1.2 G Examples of when the *FSA* may suspend the *listing* of *securities* include (but are not limited to) situations where it appears to the *FSA* that:

- (1) the *issuer* has failed to meet its continuing obligations for *listing*; or
- (2) the *issuer* has failed to publish financial information in accordance with the *listing rules*; or
- (3) the *issuer* is unable to assess accurately its financial position and inform the market accordingly; or
- (4) there is insufficient information in the market about a proposed transaction; or
- (5) the *issuer's securities* have been suspended elsewhere; or
- (6) the *issuer* has appointed administrators or receivers, or is an *investment trust* and is winding up; or
- (7) for a *securitised derivative* that relates to a single *underlying instrument*, the *underlying instrument* is suspended; or
- (8) for a *securitised derivative* that relates to a basket of *underlying instruments*, one or more *underlying instruments* of the basket are suspended.

- 5.1.3 G The *FSA* will not suspend the *listing* of a *security* to fix its price at a particular level.

Suspension at issuer's request

- 5.1.4 G An *issuer* that intends to request the *FSA* to suspend the *listing* of its

securities will need to comply with LR 5.3. The FSA will not suspend the *listing* if it is not satisfied that the circumstances justify the suspension.

5.2 Cancelling listing

FSA may cancel listing

- 5.2.1 R The FSA may cancel the *listing of securities* if it is satisfied that there are special circumstances that preclude normal regular dealings in them. [Note: article 18(2) CARD]

Examples of when FSA may cancel

- 5.2.2 G Examples of when the FSA may cancel the *listing of securities* include (but are not limited to) situations where it appears to the FSA that:
- (1) the *securities* are no longer admitted to trading as required by these *rules*; or
 - (2) the *issuer* no longer satisfies its continuing obligations for *listing*, for example, if the percentage of *shares* in public hands falls below 25% or such lower percentage as the FSA may permit (the FSA may however allow a reasonable time to restore the percentage, unless this is precluded by the need to maintain the smooth operation of the market or to protect investors); or
 - (3) the *securities listing* has been suspended for more than six months.
- 5.2.3 G The FSA will generally cancel the *listing of a listed company's securities* when it completes a *reverse takeover*.

Cancellation at issuer's request

- 5.2.4 R An *issuer* must satisfy the requirements applicable to it in LR 5.2.5R to LR 5.2.11R and LR 5.3 before the FSA will cancel the *listing of its securities* at its request.

Cancellation of listing of equity securities

- 5.2.5 R Subject to the provisions of LR 5.2.6R and LR 5.2.7R, an *issuer* that wishes the FSA to cancel the *listing of any of its equity securities with a primary listing* must:
- (1) send a *circular* to the holders of the *securities*. The *circular* must:
 - (a) comply with the requirements of LR 13.3.1R and LR 13.3.2R (contents of all circulars);
 - (b) be submitted to the FSA for approval prior to publication; and

- (c) include the anticipated date of cancellation (which must be not less than 20 *business days* following the passing of the resolution referred to in paragraph (2));
 - (2) obtain, at a general meeting, the prior approval of a resolution for the cancellation from a majority of not less than 75% of the holders of the *securities* as (being entitled to do so) vote in person or, where proxies are allowed, by proxy;
 - (3) notify a *RIS*, at the same time as the *circular* is despatched to the relevant *security* holders, of the intended cancellation and of the notice period and meeting; and
 - (4) also notify an *RIS* of the passing of the resolution in accordance with *LR 9.6.18R*.
- 5.2.6 R An *issuer* is not required to seek the prior approval of the holders of the *securities* for which a cancellation is being sought in accordance with *LR 5.2.5R(2)* if the *securities* are admitted to trading on a *regulated market* in an *EEA State* when the cancellation takes effect.
- 5.2.7 R *LR 5.2.5R(2)* will also not apply where an *issuer of equity securities* with a *primary listing* notifies a *RIS*;
- (1) that the financial position of the *issuer* or its *group* is so precarious that, but for the proposal referred to in *LR 5.2.7R(2)*, there is no reasonable prospect that the *issuer* will avoid going into formal insolvency proceedings;
 - (2) that there is a proposal for a transaction, arrangement or other form of reconstruction of the *issuer* or its *group* which is necessary to ensure the survival of the *issuer* or its *group* and the continued *listing* would jeopardise the successful completion of the proposal;
 - (3) explaining;
 - (a) why the cancellation is in the best interests of those to whom the *issuer* or its *directors* have responsibilities (including the bodies of *securities* holders and creditors, taken as a whole); and
 - (b) why the approval of shareholders will not be sought prior to the cancellation of *listing*; and
 - (4) giving at least 20 *business days* notice of the intended cancellation.

Requirements for cancellation of other securities

- 5.2.8 R An *issuer* that wishes the *FSA* to cancel the *listing* of *listed securities* (other than *equity securities* with a *primary listing*) must notify a *RIS*, giving at least 20 *business days* notice of the intended cancellation but is not required to obtain the approval of the holders of those *securities*

contemplated in *LR 5.2.5R(2)*.

- 5.2.9 R *Issuers with debt securities* falling under *LR 5.2.8R* must also notify, in accordance with the terms and conditions of the *issue* of those *securities*, holders of those *securities* or a representative of the holders, such as a trustee, of intended cancellation of those *securities*, but the prior approval of the holders of those *securities* in a general meeting need not be obtained.

Cancellation in relation to takeover offers

- 5.2.10 R A *circular* need not be sent to holders of *listed securities* where that *listing* is intended to be cancelled, and the prior approval of the holders of those *securities* in a general meeting need not be obtained, when, in the case of a takeover offer:
- (1) the *offeror* has by virtue of its shareholdings and acceptances of the offer, acquired or agreed to acquire issued *share* capital carrying 75% of the voting rights of the *issuer*; and
 - (2) the *offeror* has stated in the offer *document* or any subsequent *circular* sent to the *security* holders that a notice period of not less than 20 *business days* prior to cancellation will commence either on the *offeror* attaining the required 75% as described in *LR 5.2.10R(1)* or on the first date of issue of compulsory acquisition notices under section 429 of the Companies Act 1985 (Right of offeror to buy out minority shareholders).
- 5.2.11 R In the circumstances of *LR 5.2.10R*, the *company* must notify the *security* holders that the required 75% has been attained and that the notice period has commenced and of the anticipated date of cancellation or the explanatory letter or other material accompanying the section 429 notice must state that the notice period has commenced and the anticipated date of cancellation.

5.3 Requests to cancel or suspend

Information to be included in request to suspend or cancel

- 5.3.1 R A request by an *issuer* for the *listing* of its *securities* to be suspended or cancelled must be in writing and must include:
- (1) the *issuer's* name;
 - (2) details of the *securities* to which it relates and the *RIEs* on which they are traded;
 - (3) a clear explanation of the background and reasons for the request;
 - (4) the date on which the *issuer* requests the suspension or cancellation to take effect;

- (5) for a suspension, the time the *issuer* wants the suspension to take effect;
- (6) if relevant, a copy of any *circular* or announcement or other document upon which the *issuer* is relying;
- (7) if relevant, evidence of any resolution required under *LR 5.2.5R*;
- (8) if being made by an agent on behalf of the *issuer*, confirmation that the agent has the *issuer's* authority to make it;
- (9) the name and contact details of the *person* at the *issuer* (or, if appropriate, an agent) with whom the *FSA* should liaise in relation to the request;
- (10) if the *issuer* is making a conditional request, a clear statement of the applicable conditions;
- (11) a copy of any announcement the *issuer* proposes to notify to a *RIS* that it is relying on in making its request to suspend or cancel; and
- (12) a copy of any announcement the *issuer* proposes to notify to a *RIS* announcing the suspension or cancellation.

5.3.2 R The *issuer* must also include with a request to cancel the *listing* of its *securities* the following:

- (1) if the cancellation is to take effect after the completion of the compulsory acquisition procedures under Part XIII A of the Companies Act 1985, a copy of the notice sent to dissenting shareholders of the offeree together with written confirmation that there have been no objections made to the court within the prescribed period;
- (2) for a cancellation referred to in *LR 5.2.10R* an extract from, or a copy of, the offer document or relevant circular clearly showing the intention to cancel the offeree's *listing* and a copy of the announcement stating the date on which the cancellation was expected to take effect; and
- (3) if a cancellation is to take place after a scheme of arrangement becomes effective under section 425 of the Companies Act 1985 and a new *company* is to be *listed* as a result of that scheme, either:
 - (a) a copy of the certificate from the Registrar of Companies that the scheme has become effective; or
 - (b) documents which demonstrate adequately that the scheme will become effective on a specified date in the future.

5.3.3 G Announcements referred to in *LR 5.3.1R(12)* should be issued after the

dealing notice issued on an *RIS* announcing the suspension or cancellation.

Timing of suspension requests

- 5.3.4 G A written request by an *issuer* to have the *listing* of its *securities* suspended should be made as soon as practicable. Suspension requests received for the opening of the market should allow sufficient time for the *FSA* to deal with the request before trading starts.

Timing of cancellation requests

- 5.3.5 R A written request by an *issuer* to have the *listing* of its *securities* cancelled must be made not less than 24 hours before the cancellation is expected to take effect.
- 5.3.6 G Cancellations will only be specified to take effect when the market opens on a specified day. An *issuer* should therefore ensure that all accompanying information has been provided to the *FSA* well before the date on which the *issuer* wishes the cancellation to take effect and at the very latest by 3 p.m. on the *business day* before it is to take effect. If the information is received after 3 p.m. on the day before the *issuer* wishes the cancellation to take effect, it will normally be specified to take effect at the start of the *business day* following the next day.

Withdrawing request

- 5.3.7 G (1) If an *issuer* requests the *FSA* to suspend or cancel the *listing* of its *securities*, it may withdraw its request at any time before the suspension or cancellation takes effect. The withdrawal request should initially be made by telephone and then confirmed in writing as soon as possible, with an explanation of the reasons for the withdrawal.
- (2) Even if an *issuer* withdraws its request, the *FSA* may still suspend or cancel the *listing* of the *securities* if it considers it is necessary to do so.
- (3) If an *issuer* has published either a statement or a *circular* that states that the *issuer* is, or intends, to seek a suspension or cancellation and the *issuer* no longer intends to do so, it should, as soon as possible, notify a *RIS* with a statement to that effect.

5.4 Restoring listing

Revoking a cancellation of listing

- 5.4.1 G If an *issuer* has the *listing* of its *securities* cancelled, it may only have them readmitted to the *official list* by re-applying for their listing.

Restoring a listing that is suspended

- 5.4.2 R The *FSA* may restore the *listing* of any *securities* that have been suspended if it considers that the smooth operation of the market is no longer jeopardised or if the suspension is no longer required to protect investors. The *FSA* may restore the *listing* even though the *issuer* does not request it.

Requests to restore

- 5.4.3 G (1) An *issuer* that has the *listing* of any of its *securities* suspended may request the *FSA* to have them restored.
- (2) The request should be made sufficiently in advance of the time and date the *issuer* wishes the *securities* to be restored.
- (3) Requests received for when the market opens should allow sufficient time for the *FSA* to deal with the request.
- (4) The request may be an oral request. The *FSA* may require documentary evidence that the events that lead to the suspension are no longer current (for example, financial reports have been published or an appropriate announcement has been made) to process the request.
- (5) Even if restoration is required urgently, it will normally take up to 30 minutes to be effected.
- (6) The *FSA* will issue a dealing notice on a *RIS* announcing the restoration.

Refusal of request to restore

- 5.4.4 R The *FSA* will refuse a request to restore the *listing* of *securities* if it is not satisfied of the matters set out in *LR* 5.4.2R.

Withdrawal of a request to restore securities

- 5.4.5 G (1) If an *issuer* has requested the *FSA* to restore the *listing* of any *securities*, it may withdraw its request at any time while the *securities* are still suspended. The withdrawal request should initially be made by telephone and then confirmed in writing as soon as possible.
- (2) Even if a request to restore has been withdrawn, the *FSA* may restore the *listing* of *securities* if it believes the circumstances justify it.

Restoring listing of securitised derivatives

- 5.4.6 G (1) If an *underlying instrument* is restored, the *securitised derivative's listing* will normally be restored.
- (2) For a *securitised derivative* relating to a basket of *underlying instruments* that has been suspended, the *securitised derivative's listing* may be restored by the *FSA*, irrespective of whether or not the

underlying instrument has been restored, if:

- (a) the *issuer* of the *securitised derivative* confirms to the *FSA* that despite the relevant *underlying instrument(s)* suspension a market in the *securitised derivative* will continue to be made; and
- (b) the *FSA* is satisfied that restoring the *securitised derivative* is not inconsistent with either the protection of investors or the smooth operation of the market.

5.5 Miscellaneous

Decision-making procedures for suspension, cancellation etc

- 5.5.1 G The decision-making procedures that the *FSA* will follow when it cancels, suspends or to refuses a request to restore *listing* are set out in *DEC* (the Decision Making manual).

Suspension, cancellation or restoration by overseas exchange or authority

- 5.5.2 R An *issuer* must inform the *FSA* if its *listing* has been suspended, cancelled or restored by an *overseas exchange* or *overseas* authority.

- 5.5.3 G
- (1) The *FSA* will not automatically suspend, cancel or restore the *listing* of *securities* at the request of an *overseas exchange* or *overseas* authority (for example, if *listing* of a *secondary listed issuer's securities* are suspended, cancelled or restored on its home exchange).
 - (2) The *FSA* will not normally suspend the *listing* of *securities* where there is a trading halt for the *security* on its home exchange.
 - (3) If a *secondary listed issuer* requests a suspension, cancellation or restoration of the *listing* of its *securities*, after a suspension, cancellation or restoration on its home exchange, the *issuer* should send to the *FSA* written confirmation:
 - (a) that the suspension, cancellation or restoration of *listing* on its home exchange has become effective; or
 - (b) if it has not yet become effective, of the time and date it is proposed to become effective.
 - (4) If an *overseas exchange* or *competent authority* requests the *FSA* to suspend, cancel or restore the *listing* of *securities*, the *FSA* will, wherever practical, contact the *issuer* or its *sponsor* before it suspends, cancels or restores the *listing*. Therefore, *issuers* are encouraged to contact the *FSA* at the same time as they contact their home exchange.

- (5) If the *FSA* is unable to contact the *issuer* or *sponsor*, it will suspend, cancel or restore the *listing* of the *securities* when it is satisfied that the listing of the relevant *securities* has been, or will be, suspended, cancelled or restored on their home exchange.

6 Additional requirements for listing for equity securities

Application

- 6.1.1 R This chapter applies to an *applicant* for the *admission* of *equity securities* to *primary listing*.

Applicant must satisfy requirements in this chapter

- 6.1.2 G An *applicant* for the *admission* of *equity securities* to *primary listing* must satisfy the requirements in this chapter (in addition to those in *LR 2*).

Accounts

- 6.1.3 R (1) A *new applicant* for the *admission* of *shares* or *securities* convertible into its own *shares* must have published or filed audited accounts that:
- (a) cover at least three years; [**Note:** article 44 *CARD*]
 - (b) are the latest accounts for a period ended not more than six months before the date of the *prospectus* or *listing particulars* for the relevant *securities*;
 - (c) are consolidated accounts for the *applicant* and all its *subsidiary undertakings*;
 - (d) have been independently audited, in accordance with the auditing standards applicable in an *EEA State* or an equivalent standard; and
 - (e) have been reported on by the auditors without modification.
- (2) A *new applicant* must:
- (a) take all reasonable steps to ensure that its auditors are independent of it; and
 - (b) obtain written confirmation from its auditors that they comply with guidelines on independence issued by their national accountancy and auditing bodies.

Nature and duration of business activities

- 6.1.4 R A *new applicant* for the *admission* of *shares* or *securities* convertible into its own *shares* must demonstrate that:
- (1) at least 75% of the *applicant's* business is supported by a historic revenue earning record which covers the period for which accounts are required under *LR 6.1.3R(1)*;

- (2) it controls the majority of its assets and has done so for at least the period referred to in paragraph (1); and
 - (3) it will be carrying on an independent business as its main activity.
- 6.1.5 G In determining what amounts to 75% of the *applicant's* business for the purposes of LR 6.1.4R(1), the FSA will take into account factors such as the assets, profitability and market capitalisation of the business.
- 6.1.6 G LR 6.1.4R is intended to enable prospective investors to make a reasonable assessment of what the future prospects of the *applicant's* business might be. Investors are then able to consider the *company's* historic revenue earning record in light of its particular competitive advantages, the outlook for the sector in which it operates and the general macro economic climate.
- 6.1.7 G If an *applicant's* business has been in existence for the period referred to in LR 6.1.4R but part or all of its business has one or more of the following characteristics it may not satisfy that rule:
- (1) a business strategy that places significant emphasis on the development or marketing of products or services which have not formed a significant part of the issuer's historic revenue earning record; or
 - (2) the value of the business on admission will be determined, to a significant degree, by reference to future developments rather than past performance; or
 - (3) the relationship between the value of the business and its revenue or profit earning record is significantly different from those of similar companies in the same sector; or
 - (4) there is no record of consistent revenue, cash flow or profit growth throughout the historic revenue earning record; or
 - (5) the *applicant's* business has undergone a significant change in its scale of operations during the period of the historic revenue earning record; or
 - (6) it has significant levels of research and development expenditure or significant levels of capital expenditure.

Mineral companies

- 6.1.8 R If a *mineral company* applies for the *admission* of its *equity securities*:
- (1) LR 6.1.3R(1)(a) does not apply to the application; and
 - (2) LR 6.1.3R(1)(b) to (e) and (2) apply to the *mineral company* only to the extent that it has published accounts.
- 6.1.9 R LR 6.1.4R does not apply to a *mineral company* that applies for the

admission of its equity securities.

- 6.1.10 R (1) This *rule* applies to a *mineral company* that is a *new applicant* for the *admission of its equity securities*.
- (2) If the *mineral company* does not hold controlling interests in a majority (by value) of the properties, fields, mines or other assets in which it has invested, it must demonstrate that it has a reasonable spread of direct interests in mineral resources and has rights to participate actively in their extraction, whether by voting or through other rights which give it influence in decisions over the timing and method of extraction of those resources.

Scientific research based companies

- 6.1.11 R If a *scientific research based company* applies for the *admission of its equity securities*:
- (1) *LR 6.1.3R(1)(a)* does not apply to the application; and
- (2) *LR 6.1.3R(1)(b) to (e)* and (2) apply to the *scientific research based company* only to the extent that it has published accounts.
- 6.1.12 R An *applicant* for the *admission of equity securities* of a *scientific research based company* does not need to satisfy *LR 6.1.4R* but must:
- (1) demonstrate its ability to attract funds from sophisticated investors;
- (2) intend to raise at least £10 million pursuant to a marketing at the time of *listing*;
- (3) have a capitalisation, before the marketing at the time of *listing*, of at least £20 million (based on the issue price and excluding the value of any *securities* which have been issued in the six months before *listing*);
- (4) have as its primary reason for *listing* the raising of finance to bring identified products to a stage where they can generate significant revenues; and
- (5) demonstrate that it has a three year record of operations in laboratory research and development including:
- (a) details of patents granted or details of progress of patent applications; and
- (b) the successful completion of, or the successful progression of, significant testing of the effectiveness of its products.

Other cases where the FSA may modify accounts and track record requirements

- 6.1.13 G The *FSA* may modify or dispense with *LR 6.1.3R(1)(a)* or *LR 6.1.4R* if it is

satisfied that it is desirable in the interests of investors and that investors have the necessary information available to arrive at an informed judgment about the *applicant* and the *securities* for which *listing* is sought. [Note: article 44 *CARD*]

- 6.1.14 G Before modifying or dispensing with *LR 6.1.4R*, the *FSA* must also be satisfied that there is an overriding reason for the *applicant* seeking *listing* (rather than seeking admission to a market more suited to a *company* without a historic revenue earning record).
- 6.1.15 G For the purposes of *LR 6.1.14G* the *FSA* will take into account factors such as whether the *applicant*:
- (1) is attracting significant funds from sophisticated investors;
 - (2) is undertaking a significant marketing of *securities* in connection with the *admission* and has demonstrated that having *listed* status is a significant factor in the ability to raise funds; and
 - (3) has demonstrated that it will have a significant market capitalisation on *admission*.

Working capital

- 6.1.16 R An *applicant* for the *admission* of *shares* must satisfy the *FSA* that it and its *subsidiary undertakings* (if any) have sufficient working capital available for the group's requirements for at least the next 12 months from the date of publication of the *prospectus* or *listing particulars* (as the case may be) for the *shares* that are being *admitted*.
- 6.1.17 G The *FSA* may dispense with the requirement under *LR 6.1.16R* if an *applicant* already has *equity securities listed*, and the *FSA* is satisfied that the *prospectus* or *listing particulars* (as the case may be) contain satisfactory proposals for providing the additional working capital thought by the *applicant* to be necessary.
- 6.1.18 G The *FSA* may dispense with the requirement under *LR 6.1.16R* if the *FSA* is satisfied that:
- (1) the *applicant's* business is entirely or substantially that of banking, insurance or providing similar financial services;
 - (2) the *applicant's* solvency and capital adequacy is regulated by the *FSA* or is suitably regulated by another regulatory body; and
 - (3) the *applicant* is meeting its solvency and capital adequacy requirements and is expected to do so for the next 12 months without having to raise further capital.

Shares in public hands

- 6.1.19 R (1) If an application is made for the *admission* of a *class* of *shares*, a

sufficient number of *shares* of that *class* must, no later than the time of *admission*, be distributed to the public in one or more *EEA States*.

- (2) For the purposes of paragraph (1), account may also be taken of holders in one or more states that are not *EEA States*, if the *shares* are listed in the state or states.
- (3) For the purposes of paragraph (1), a sufficient number of *shares* will be taken to have been distributed to the public when 25% of the *shares* for which application for *admission* has been made are in public hands.
- (4) For the purposes of paragraphs (1), (2) and (3), *shares* are not held in public hands if they are held, directly or indirectly, by:
 - (a) a *director* of the *applicant* or of any of its *subsidiary undertakings*; or
 - (b) a *person* connected with a *director* of the *applicant* or of any of its *subsidiary undertakings*; or
 - (c) the trustees of any *employees' share scheme* or pension fund established for the benefit of any *directors* and *employees* of the *applicant* and its *subsidiary undertakings*; or
 - (d) any *person* who under any agreement has a right to nominate a *person* to the board of *directors* of the *applicant*; or
 - (e) any *person* or *persons* in the same *group* who have an interest in 5% or more of the *shares* of the relevant class.
- (5) For the purposes of paragraph (3), *treasury shares* are not to be taken into consideration when calculating the number of *shares* of the *class*. [**Note:** article 48 *CARD*]

- 6.1.20 G The *FSA* may modify *LR* 6.1.19R to accept a percentage lower than 25% if it considers that the market will operate properly with a lower percentage in view of the large number of *shares* of the same *class* and the extent of their distribution to the public. [**Note:** article 48 *CARD*]

Shares of a non-EEA company

- 6.1.21 R The *FSA* will not *admit shares* of a *company* incorporated in a *non-EEA State* that are not listed either in its country of incorporation or in the country in which a majority of its *shares* are held, unless the *FSA* is satisfied that the absence of the listing is not due to the need to protect investors. [**Note:** article 51 *CARD*]

Warrants or options to subscribe

- 6.1.22 R (1) The total of all issued warrants to subscribe for *equity shares* or options to subscribe for *equity shares* must not exceed 20% of the

issued *equity share capital* (excluding *treasury shares*) of the *applicant* as at the time of issue of the warrants or options.

- (2) Rights under *employees' share schemes* are not included for the purpose of the 20% limit in paragraph (1).

Settlement

- 6.1.23 R To be *listed, securities* must be eligible for electronic settlement.
- 6.1.24 G In *LR 6.1.23R*, electronic settlement includes settlement by a “relevant system” (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)).

- 7 Listing Principles
- 7.1 Application and purpose
- Application
- 7.1.1 R The Listing Principles apply to every *listed company* with a *primary listing* of *equity securities* in respect of all its obligations arising from the *listing rules* and the *disclosure rules*.
- Purpose
- 7.1.2 G The purpose of the Listing Principles is to ensure that *listed companies* pay due regard to the fundamental role they play in maintaining market confidence and ensuring fair and orderly markets.
- 7.1.3 G The Listing Principles are designed to assist *listed companies* in identifying their obligations and responsibilities under the *listing rules* and the *disclosure rules*. The Listing Principles should be interpreted together with relevant *rules* and *guidance* which underpin the Listing Principles.
- 7.1.4 G *ENF 21* (Official listing – investigation powers and discipline) sets out *guidance* on the consequences of breaching the Listing Principles.
- 7.2 The Listing Principles
- 7.2.1 R The Listing Principles are as follows:
- Principle 1 *A listed company* must take reasonable steps to enable its *directors* to understand their responsibilities and obligations as *directors*.
- Principle 2 *A listed company* must take reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations.
- Principle 3 *A listed company* must act with integrity towards holders and potential holders of its *listed equity securities*.
- Principle 4 *A listed company* must communicate information to holders and potential holders of its *listed equity securities* in such a way as to avoid the creation or continuation of a false market in such *listed equity securities*.
- Principle 5 *A listed company* must ensure that it treats all holders of the same *class* of its *listed equity securities* that are in the same position equally in respect of the rights attaching to such *listed equity securities*.
- Principle 6 *A listed company* must deal with the *FSA* in an open and co-

operative manner.

Guidance on Principle 2

- 7.2.2 G Principle 2 is intended to ensure that *listed companies* have adequate procedures, systems and controls to enable them to comply with their obligations under the *listing rules* and *disclosure rules*. In particular, the *FSA* considers that *listed companies* should place particular emphasis on ensuring that they have adequate procedures, systems and controls in relation to:
- (1) identifying whether any obligations arise under *LR 10* (Significant transactions) and *LR 11* (Related party transactions); and
 - (2) the timely and accurate disclosure of information to the market.
- 7.2.3 G Timely and accurate disclosure of information to the market is a key obligation of *listed companies*. For the purposes of Principle 2, a *listed company* with a *primary listing* of *equity securities* should have adequate systems and controls to be able to:
- (1) ensure that it can properly identify information which requires disclosure under the *listing rules* or *disclosure rules* in a timely manner; and
 - (2) ensure that any information identified under paragraph (1) is properly considered by the *directors* and that such a consideration encompasses whether the information should be disclosed.

8 Sponsors

8.1 Application

Sponsors and applicants

8.1.1 R A *sponsor* and a *person* which is applying for approval as a *sponsor* must comply with:

- (1) LR 8.3 to LR 8.4; and
- (2) LR 8.6 to LR 8.7.

Listed companies and applicants

8.1.2 R A *company* with, or applying for, a *primary listing* of its *equity securities* must comply with LR 8.2 (When a sponsor must be appointed or its assistance obtained) and LR 8.5 (Responsibilities of listed companies).

8.2 When a sponsor must be appointed or its assistance obtained

When a sponsor must be appointed

8.2.1 R A *company* with, or applying for, a *primary listing* of its *equity securities* must appoint a *sponsor* on each occasion that it:

- (1) makes an application for *admission of equity securities* which:
 - (a) requires the production of a *prospectus*; or
 - (b) is accompanied by a certificate of approval from another competent authority; or
 - (c) is accompanied by a summary document as required by PR 1.2.3R(8); or
- (2) is required to produce a *class 1 circular*; or
- (3) is producing a *circular* that proposes a reconstruction or a refinancing which does not constitute a *class 1 transaction*; or
- (4) is producing a *circular* for the proposed purchase of own *shares*:
 - (a) which does not constitute a *class 1 circular*; and
 - (b) is required by LR 13.7.1R(2) to include a working capital statement; or
- (5) is required to do so by the *FSA* because it appears to the *FSA* that there is, or there may be, a breach of the *listing rules* or the

disclosure rules by the listed company.

When a listed company must obtain a sponsor's assistance

- 8.2.2 R If a *listed company* is proposing to enter into a transaction which due to its size or nature could amount to a *class 1 transaction* or a *reverse takeover* it must obtain the guidance of a *sponsor* to assess the application of *LR 10*.
- 8.2.3 R If a *listed company* is proposing to enter into a transaction which is, or may be, a *related party transaction* it must obtain the guidance of a *sponsor* in order to assess the application of *LR 11*.

8.3 Role of a sponsor: general

Responsibilities of a sponsor

- 8.3.1 R Where a *sponsor* has been appointed under *LR 8.2* by a *listed company* or an *applicant*, a *sponsor* must:
- (1) provide assurance to the *FSA* when required that the responsibilities of the *listed company* or *applicant* under the *listing rules* have been met; and
 - (2) guide the *listed company* or *applicant* in understanding and meeting its responsibilities under the *listing rules* and *disclosure rules*.
- 8.3.2 G A *sponsor* will be the main point of contact with the *FSA* for any matter where the *sponsor* has been appointed by a *listed company* or *applicant*. The *FSA* expects to discuss all issues relating to a transaction and any draft or final document directly with the *sponsor*. However, in appropriate circumstances, the *FSA* will communicate directly with the *listed company* or *applicant*.

Principles for sponsors: due care and skill

- 8.3.3 R A *sponsor* must provide:
- (1) any service as set out in *LR 8.4*; or
 - (2) any assurance, guidance or advice to a *listed company* or *applicant* in relation to the application or interpretation of the *listing rules* and *disclosure rules*;
- with due care and skill.

Principles for sponsors: duty regarding directors of listed companies

- 8.3.4 R Where a *sponsor* gives any guidance or advice to a *listed company* or *applicant* in relation to the application or interpretation of the *listing rules* or *disclosure rules*, the *sponsor* must take reasonable steps to satisfy itself that

the *director* or *directors* of the *listed company* understand the nature and extent of their responsibilities under the *listing rules* and *disclosure rules*.

Principles for sponsors: relations with the FSA

- 8.3.5 R A *sponsor* must:
- (1) deal with the *FSA* in an open and co-operative way;
 - (2) deal with all enquiries raised by the *FSA* promptly; and
 - (3) disclose to the *FSA* in a timely manner any material information relating to the *sponsor* or to a *listed company* or *applicant* of which it has knowledge which addresses non-compliance with the *listing rules* or *disclosure rules*.

Principles for sponsors: independence

- 8.3.6 R (1) A *sponsor* must be independent of the *listed company* or *applicant* where a *sponsor* provides any service, assurance, guidance or advice and in any event must not act if the *sponsor* or another *company* in the *sponsor's group* has:
- (a) an interest in, or a holding that is referenced to, 30% or more of the *equity shares* of the *listed company* or *applicant* or any other *company* in that *company's group*; or
 - (b) a significant interest in the *debt securities* of a *listed company* or *applicant* or any other *company* in that *company's group*; or
 - (c) a business relationship with, or financial interest in the *listed company* or *applicant* or any other *company* in the *listed company's group* that would give the *sponsor* or the *sponsor's group* a material interest in the outcome of the transaction.
- (2) Any interest that arises as a result of the *sponsor's* discretionary client holdings is not to be included in the determination of the threshold set out in LR 8.3.6R(1)(a).
- (3) A *sponsor* will not be independent of a *listed company* or *applicant* if a *director*, partner or *employee* of the *sponsor* or of another *company* in the *sponsor's group*:
- (a) is involved in the provision of *sponsor* services; and
 - (b) has a material interest in the *listed company* or *applicant* or any other *company* in that *company's group*.

- 8.3.7 G (1) A *sponsor* and the *sponsor's group* should have a sufficient degree of independence from the *listed company* or *applicant* and from the transaction so that the role of the *sponsor* can be discharged in a way that will not:
- (a) affect the outcome of the transaction; or
 - (b) affect the nature of the advice given to the *listed company* or *applicant*; or
 - (c) be perceived to have affected either the outcome of the transaction or the nature of the advice given to the *listed company* or *applicant*.
- (2) In cases where a *company* in, or an *employee* of, the *sponsor's group* has an interest or a relationship that may be perceived to cause a conflict it may be possible to demonstrate to the *FSA* that adequate separation exists in respect of the transaction.

8.4 Role of a sponsor: transactions

Application for admission: new applicants

- 8.4.1 R *LR 8.4.2R* to *LR 8.4.6R* apply in relation to an application for *admission of equity securities* if an *applicant* does not have *equity securities* already listed and:
- (1) the production of a *prospectus* is required; or
 - (2) the application is accompanied by a certificate of approval from another competent authority; or
 - (3) the application is accompanied by a summary document as required by *PR 1.2.3R(8)*.
- 8.4.2 R A *sponsor* must not submit to the *FSA* an application on behalf of an *applicant*, in accordance with *LR 3*, unless it has come to a reasonable opinion, after having made due and careful enquiry, that:
- (1) the *applicant* has satisfied all requirements of the *listing rules* relevant to an application for *admission to listing*;
 - (2) the *applicant* has satisfied all applicable requirements set out in the *prospectus rules* unless the *home Member State* of the *applicant* is not, or will not be, the *United Kingdom*;
 - (3) the *directors* of the *applicant* have established procedures which enable the *applicant* to comply with the *listing rules* and the

disclosure rules on an ongoing basis;

- (4) the *directors* of the *applicant* have established procedures which provide a reasonable basis for them to make proper judgments on an ongoing basis as to the financial position and prospects of the *applicant* and its *group*; and
- (5) the *directors* of the *applicant* have a reasonable basis on which to make the working capital statement required by *LR 6.1.16R*.

New applicants: procedure

8.4.3 R A *sponsor* must:

- (1) submit a completed Sponsor's Declaration on an Application for Listing to the *FSA* either:
 - (a) on the day the *FSA* is to consider the application for approval of the *prospectus* and prior to the time the *prospectus* is approved; or
 - (b) at a time agreed with the *FSA*, if the *FSA* is not approving the *prospectus*;
- (2) submit a completed Shareholder Statement or a Pricing Statement, as applicable, to the *FSA* by 9 a.m. on the day the *FSA* is to consider the application;
- (3) ensure that all matters known to it which, in its reasonable opinion, should be taken into account by the *FSA* in considering:
 - (a) the application for *listing*; and
 - (b) whether the *admission* of the *equity shares* would be detrimental to investors' interests;

have been disclosed with sufficient prominence in the *prospectus* or otherwise in writing to the *FSA*; and

- (4) submit a letter to the *FSA* setting out how the *applicant* satisfies the criteria in *LR 2* (Requirements for listing – all securities) and *LR 6* (Additional requirements for listing for equity securities) no later than when the first draft of the *prospectus* is submitted (or, if the *FSA* is not approving a *prospectus*, at a time to be agreed with the *FSA*).

Note: The Sponsor's Declaration on an Application for Listing, the Shareholder Statement and the Pricing Statement forms can be found on the UKLA section of the *FSA*'s website.

8.4.4 G Depending on the circumstances of the case, a *sponsor* providing services to an *applicant* on an application for *admission to listing* may have to confirm

in writing to the *FSA* that the board of the *applicant* has allotted the *equity securities*. [**Note:** see *LR 3.3.4R*]

New applicants: marketing

- 8.4.5 R A *sponsor* must:
- (1) ensure that no *equity shares* are placed with *connected clients* of the *sponsor* or of any securities house or other intermediary assisting with the offer, unless placed with a market maker or fund manager for the purpose of its business as such;
 - (2) ensure that the results of any marketing, including the basis of allotment where applicable, are notified to a *RIS* before *admission* is expected to become effective; and
 - (3) ensure that if, after an *offer for sale*, *offer for subscription*, *placing* or *intermediaries offer*, any of the *listed company's* advisers or any intermediary becomes interested in 3% or more of any *class* of *equity shares* being marketed (calculated exclusive of *treasury shares*) the interest is notified to a *RIS* before *admission* is expected to become effective.
- 8.4.6 R (1) For the purposes of *LR 8.4.5R(3)* an adviser or intermediary:
- (a) will usually be regarded as having an interest if any market maker in the *group* of *companies* to which the adviser or intermediary belongs holds any *equity shares* of the *applicant*; and
 - (b) will not have an interest if the holding of the market maker arises solely from holdings of *equity shares* held on behalf of clients.
- (2) In assessing the percentage size of the interest, the *equity shares* being marketed are to be treated as having already been issued.

Application for admission: further issues

- 8.4.7 R *LR 8.4.8R* to *LR 8.4.10R* apply in relation to an application for *admission* of *equity securities* of an *applicant* that has *equity securities* already *listed*.
- 8.4.8 R A *sponsor* must not submit to the *FSA* an application on behalf of an *applicant*, in accordance with *LR 3* (Listing applications), unless it has come to a reasonable opinion, after having made due and careful enquiry, that:
- (1) the *applicant* has satisfied all requirements of the *listing rules* relevant to an application for *admission to listing*;
 - (2) the *applicant* has satisfied all applicable requirements set out in the

prospectus rules unless the *home Member State* of the *applicant* is not, or will not be, the *United Kingdom*; and

- (3) the *directors* of the *applicant* have a reasonable basis on which to make the working capital statement required by LR 6.1.16R.

Further issues: procedure

8.4.9 R A *sponsor* must:

- (1) submit a completed Sponsor's Declaration on an Application for Listing to the *FSA* either:
 - (a) on the day the *FSA* is to consider the application for approval of the *prospectus* and prior to the time the *prospectus* is approved; or
 - (b) at a time agreed with the *FSA* if the *FSA* is not approving the *prospectus*;
- (2) submit a completed Shareholder Statement or a Pricing Statement, as applicable, to the *FSA* by 9 a.m. on the day the *FSA* is to consider the application; and
- (3) ensure that all matters known to it which, in its reasonable opinion, should be taken into account by the *FSA* in considering the application for *listing* have been disclosed with sufficient prominence in the *prospectus* or otherwise in writing to the *FSA*.

Note: The Sponsor's Declaration on an Application for Listing, the Shareholder Statement and the Pricing Statement forms can be found on the on the UKLA section of the *FSA's* website.

8.4.10 G Depending on the circumstances of the case, a *sponsor* providing services to an *applicant* on an application for *admission to listing* may have to confirm in writing to the *FSA* that the board of the *applicant* has allotted the *securities*. [**Note:** see LR 3.3.4R]

Class 1 circulars, refinancing and purchase of own equity shares

8.4.11 R LR 8.4.12R to LR 8.4.13R apply in relation to transactions involving a *listed company* of *equity shares* with a *primary listing* that:

- (1) is required to produce a *class 1 circular*;
- (2) is producing a *circular* that proposes a reconstruction or a refinancing which does not constitute a *class 1 transaction*; or
- (3) is producing a *circular* for the proposed purchase of own *shares*;

- (a) which does not constitute a *class 1 circular*; and
- (b) is required by *LR 13.7.1R(2)* to include a working capital statement.

8.4.12 R A *sponsor* must not submit to the *FSA*, on behalf of a *listed company*, an application for approval of a *circular* regarding a transaction set out in *LR 8.4.11R*, unless the *sponsor* has come to a reasonable opinion, after having made due and careful enquiry, that:

- (1) the *listed company* has satisfied all requirements of the *listing rules* relevant to the production of a *class 1 circular* or other *circular*;
- (2) the transaction will not have an adverse impact on the *listed company's* ability to comply with the *listing rules* or the *disclosure rules*; and
- (3) the *directors* of the *listed company* have a reasonable basis on which to make the working capital statement required by *LR 9.5.12R*, *LR 13.4.1R* or *LR 13.7.1R*.

Circulars: procedure

8.4.13 R A *sponsor* acting on a transaction falling within *LR 8.4.11R* must:

- (1) submit a completed Sponsor's Declaration for the Production of a Circular to the *FSA* on the day the *circular* is to be approved by the *FSA* and prior to the time the *circular* is approved;
- (2) submit a completed Pricing Statement, if applicable, to the *FSA* by 9 a.m. on the day the *FSA* is to consider the application; and
- (3) ensure that all matters known to it which, in its reasonable opinion, should be taken into account by the *FSA* in considering the transaction have been disclosed with sufficient prominence in the documentation or otherwise in writing to the *FSA*.

Note: The Sponsor's Declaration for the Production of a Circular and the Pricing Statement forms can be found on the UKLA section of the *FSA's* website.

8.5 Responsibilities of listed companies

Notifications to FSA

8.5.1 R A *listed company* or *applicant* must inform the *FSA* promptly of the name and contact details of a *sponsor* appointed in accordance with the *listing rules*.

8.5.2 R (1) A *listed company* or *applicant* must notify the *FSA* in writing immediately of the resignation or dismissal of any *sponsor* that it had

appointed.

- (2) In the case of a dismissal, the reasons for the dismissal must be included in the notification.
- (3) The notification must be copied to the *sponsor*.

Listed company appoints more than one sponsor

- 8.5.3 R Where a *listed company* or *applicant* appoints more than one *sponsor*, the *company* must:
- (1) ensure that one of the *sponsors* that is appointed:
 - (a) takes primary responsibility for contact with the *FSA* in respect of the entire application or transaction; and
 - (b) appoints a suitably experienced *employee*, whose name appears on the list described in *LR 8.6.15R* to liaise with the *FSA*; and
 - (2) inform the *FSA*, in writing, of the name and contact details of the *sponsor* taking responsibility under paragraph *LR 8.5.3R(1)(a)*.
- 8.5.4 R The appointment of more than one *sponsor* does not relieve any of the *sponsors* so appointed of their obligations under the *listing rules*.
- 8.5.5 G Where a *listed company* or *applicant* appoints more than one *sponsor* in relation to a transaction, the *FSA* will consider all *sponsors* so appointed as jointly responsible for compliance with the *listing rules*.

8.6 Criteria for approval as a sponsor

List of sponsors

- 8.6.1 G The *FSA* will maintain a *list of sponsors* on its website.

Application for approval as a sponsor

- 8.6.2 R A *person* wanting to provide services as a *sponsor*, and to be included on the *list of sponsors*, must apply to the *FSA* for approval as a *sponsor* by submitting the following to the Sponsor Supervision Team at the *FSA*'s address:
- (1) a completed Sponsor Firm Application Form;
 - (2) completed Sponsor Employee Application Forms; and
 - (3) the application fee set out in *LR App 2*.

Note: The Sponsor's Firm Application Form and the Sponsor Employee Application Form can be found on the UKLA section of the *FSA's* website.

- 8.6.3 R A *person* wanting to provide services as a *sponsor* and be included on the *list of sponsors* must also submit:
- (1) all additional documents, explanations and information as required by the *FSA*; and
 - (2) verification of any information in such a manner as the *FSA* may specify.

- 8.6.4 G When considering an application for approval as a *sponsor* the *FSA* may:
- (1) carry out any enquiries and request any further information which it considers appropriate, including consulting other regulators;
 - (2) request that the applicant or its specified representative answer questions and explain any matter the *FSA* considers relevant to the application;
 - (3) take into account any information which it considers appropriate in relation to the application; and
 - (4) request that any information provided by the applicant is verified in such a manner as the *FSA* may specify.

Note: The decision-making procedures that the *FSA* will follow when it considers whether to refuse an application for approval as a *sponsor* are set out in *DEC*.

Criteria for approval as a sponsor

- 8.6.5 R The *FSA* will approve a *person* as a *sponsor* only if it is satisfied that the *person* is:
- (1) an *authorised person* or a *member of a designated professional body*;
 - (2) competent to perform the services set out in *LR 8.2*, *LR 8.3* and *LR 8.4*; and
 - (3) has adequate systems and controls in place to ensure that it can carry out its role as a *sponsor*.

- 8.6.6 R A *sponsor* must comply, at all times, with the criteria set out in *LR 8.6.5R*.

Competence of a sponsor

- 8.6.7 R A *sponsor* will be competent to perform the services set out in *LR 8.2*, *LR 8.3* and *LR 8.4* if it has a broad range of relevant experience and expertise in

providing advice to *listed companies* and on the *listing rules*.

- 8.6.8 G In assessing the competence of a *sponsor*, the *FSA* will have regard to:
- (1) the number of suitably experienced *employees* retained by the *sponsor*, taking into account the size, number and nature of transactions undertaken and anticipated by the *sponsor*;
 - (2) the experience of those *employees* who are held out to the *FSA* as being suitably experienced *employees*; and
 - (3) the seniority of those suitably experienced *employees*.
- 8.6.9 G (1) An *employee* will generally be accepted as suitably experienced if he or she has recent experience providing, in a competent manner, advice and services and fulfilling all the responsibilities of a *sponsor* in relation to a transaction when a *sponsor* must be appointed.
- (2) The *FSA* may consider, in addition to the experience described in paragraph (1), an *employee's* recent experience, acting in a senior capacity, providing advice and services in a competent manner on:
- (a) transactions where a *prospectus* is required under the *Prospectus Directive*; and
 - (b) transactions which are similar in terms of size and complexity to those transactions set out in *LR 8.2.1R*.
- (3) Recent experience would normally be demonstrated if an *employee* has provided advice or services:
- (a) at least three times in the preceding 36 months; and
 - (b) at least once in the preceding 12 months.
- 8.6.10 R A *sponsor* must have a sufficient number of suitably experienced *employees* to provide the services described in *LR 8.2*, *LR 8.3* and *LR 8.4* to a competent standard at all times.
- 8.6.11 G The fewer the number of suitably experienced *employees* that a *sponsor* has, the greater the need that those *employees* do not rely on the same transactions to demonstrate their experience in advising on the *listing rules*, unless each of those *employees* has extensive experience in providing advice on the *listing rules*.

Systems and controls: general

- 8.6.12 G A *sponsor* will generally be regarded as having adequate systems and controls if there are:

- (1) clear and effective reporting lines in place;
- (2) effective systems and controls for the adequate supervision of *employees* performing any of the services set out in *LR 8.2, LR 8.3* and *LR 8.4*;
- (3) effective systems and controls to ensure its compliance with all applicable *listing rules* when performing any of the services set out in *LR 8.2, LR 8.3* or *LR 8.4*;
- (4) effective systems and controls for identifying and managing conflicts of interest; and
- (5) effective arrangements for making and retaining, for 6 years, adequate records of all matters relating to the provision of any services to a *listed company* or *applicant*.

8.6.13 G The nature and extent of the systems and controls which a *sponsor* will need to maintain will depend upon a variety of factors including:

- (1) the nature, scale and complexity of its business;
- (2) the diversity of its operations;
- (3) the volume and size of the transactions it undertakes; and
- (4) the volume and size of the transactions it anticipates undertaking in the following year.

8.6.14 G To enable it to comply with its obligation to maintain appropriate systems and controls, a *sponsor* should carry out an annual review of them.

Systems and controls: employees

8.6.15 R A *sponsor* must keep an up to date list of all suitably experienced *employees* on whom it relies to demonstrate that it satisfies the criteria set out in *LR 8.6.5R*.

8.6.16 G A *sponsor* will generally be regarded as having effective systems and controls for the adequate supervision of *employees* if:

- (1) all *employees* involved in the provision of any of the services described in *LR 8.2, LR 8.3* and *LR 8.4* are adequately supervised by a suitably experienced *employee*;
- (2) all *employees* providing any of the services described in *LR 8.2, LR 8.3* and *LR 8.4* do not act beyond their proper authority;
- (3) for each transaction which requires a *sponsor* as set out in *LR 8.2, LR 8.3* and *LR 8.4*, an *employee*, whose name is on the list required by

LR 8.6.15R:

- (a) is appointed by the *sponsor* to liaise with the *FSA*;
 - (b) reviews all the assurances provided to the *FSA*; and
 - (c) signs the Confirmation of Independence, the Sponsor's Declaration and any Listing Application forms that may be required; and
- (4) for each transaction which requires a *sponsor* as set out in LR 8.2, *employees* who are sufficiently knowledgeable about the transaction are available to answer queries from the *FSA* on any *business day* between the hours of 8 a.m. and 6 p.m.

8.7 Supervision of sponsors

- 8.7.1 G The *FSA* expects to have an open, co-operative and constructive relationship with a *sponsor* to enable it to have a broad picture of the *sponsor's* activities and its ability to satisfy the criteria for approval as a *sponsor* as set out in LR 8.6.5R.

Supervisory tools

- 8.7.2 G The *FSA* uses a variety of tools to monitor whether a *sponsor*:
- (1) continues to satisfy the criteria for approval as a *sponsor* as set out in LR 8.6.5R; and
 - (2) remains in compliance with all applicable *listing rules*.
- 8.7.3 G *FSA* staff, after notifying the *sponsor*, may make supervisory visits to a *sponsor* on a periodic and an ad hoc basis.
- 8.7.4 G The *FSA* will give reasonable notice to a *sponsor* of requests for meetings or requests for access to a *sponsor's* documents and records.

Requests from other regulators

- 8.7.5 G The *FSA*, on behalf of other regulators, may request information from a *sponsor* or pass information on to other regulators to enable such regulators to discharge their functions.

Fees

- 8.7.6 R A *sponsor* must pay the annual fee set out in LR App 2 in order to remain on the *list of sponsors*.

Annual notifications

- 8.7.7 R A *sponsor* must provide to the *FSA* on an annual basis:
- (1) written confirmation that it continues to satisfy the criteria for approval as a *sponsor* as set out in *LR 8.6.5R*;
 - (2) an up to date list of *employees* that are suitably experienced on whom the *sponsor* can rely to demonstrate that it satisfies the criteria set out in *LR 8.6.5R*;
 - (3) for each *employee* whose name is on the list maintained by the sponsor under *LR 8.6.15R*, details of the transactions on which the *employee* has acted in the previous twelve months; and
 - (4) a list of transactions on which the *sponsor* was appointed as agent under *LR 8.7.16R*, if applicable.

General notifications

- 8.7.8 R A *sponsor* must notify the *FSA* in writing as soon as possible if:
- (1) the *sponsor* ceases to satisfy the criteria for approval as a *sponsor* set out in *LR 8.6.5R*; or
 - (2) the *sponsor*, or any of its *employees* whose names are on the list maintained by the *sponsor* under *LR 8.6.15R*, are:
 - (a) convicted of any offence involving fraud, theft or other dishonesty; or
 - (b) the subject of a bankruptcy proceeding, a receiving order or an administration order; or
 - (3) any of its *employees* whose names are on the list maintained by the *sponsor* under *LR 8.6.15R* are disqualified by a court from acting as a *director* of a *company* or from acting in a management capacity or conducting the affairs of any *company*; or
 - (4) the *sponsor*, or any of its *employees* whose names are on the list maintained by the sponsor under *LR 8.6.15R*, are subject to any public criticism, regulatory intervention or disciplinary action:
 - (a) by the *FSA*; or
 - (b) by any *designated professional body*; or
 - (c) by any body that is comparable to the *FSA* or a *designated professional body*; or
 - (d) under any comparable legislation in any jurisdiction outside

the *United Kingdom*; or

- (5) the *sponsor* resigns or is dismissed by a *listed company* or *applicant*, giving details of any relevant facts or circumstances; or
- (6) the *sponsor* changes its name; or
- (7) the list of *employees* that are suitably experienced to enable the *sponsor* to demonstrate that it satisfies the criteria set out in *LR 8.6.5R* is amended, either because an *employee* is added to or is removed from the list; or
- (8) a *listed company* or *applicant* denies the *sponsor* access to documents or information that have been the subject of a reasonable request by the *sponsor*; or
- (9) a review carried out under *LR 8.6.14G* reveals any material deficiencies in the *sponsor's* systems and controls.

8.7.9 G General notifications may be made in the first instance by telephone, but must be confirmed promptly in writing.

8.7.10 G Written notifications should be sent to the Sponsor Supervision Team at the *FSA's* address.

Transaction notification rules: appointment of FSA liaison

8.7.11 R Each time a *sponsor* is appointed to act for a *listed company* or *applicant* as required by the *listing rules* it must inform the *FSA* as soon as possible of the name of the suitably experienced senior *employee*, whose name appears on the list described in *LR 8.6.15R*, who has been appointed by the *sponsor* to liaise with the *FSA*.

Transaction notification rules: sponsor independence

- 8.7.12 R
- (1) Each time a *sponsor* is appointed to act as a *sponsor* as required by the *listing rules* it must complete a Confirmation of Independence.
 - (2) The completed Confirmation of Independence must be submitted to the *FSA* at the same time as any documents in connection with a transaction are first submitted to the *FSA*.

Note: The Confirmation of Independence form can be found on the UKLA section of the *FSA's* website.

8.7.13 R If, after submitting a Confirmation of Independence but prior to the *day* of approval of the *prospectus* or *circular*, a *sponsor* becomes aware that it is not independent of the *listed company* or *applicant* or the transaction, it must notify the *FSA* immediately. The details of the lack of independence must be confirmed to the *FSA* in writing.

- 8.7.14 R On the day of approval of the *prospectus* or *circular*:
- (1) a written confirmation that there has been no material change to the Confirmation of Independence; or
 - (2) an updated Confirmation of Independence reflecting any and all changes;

must be submitted to the *FSA*.

- 8.7.15 G The *FSA* will notify the *sponsor* of any concerns it has in relation to the *sponsor's* independence as soon as possible following receipt of the Confirmation of Independence as set out in *LR 8.7.12R* or *LR 8.7.14R* or other notification regarding the *sponsor's* independence.

Appointment of an agent

- 8.7.16 R A *sponsor* may not delegate any of its functions as such, except to another *person* on the *list of sponsors*.
- 8.7.17 R (1) A *sponsor* that delegates any of its functions under *LR 8.7.16R* is not relieved of its obligations under the *listing rules*.
- (2) A *sponsor* that has been appointed as an agent by another *sponsor* under *LR 8.7.16R* must comply with the requirements set out in *LR 8.3*.
- 8.7.18 R A *sponsor* must notify the *FSA* in writing of:
- (1) the identity of any delegate appointed under *LR 8.7.16R*; and
 - (2) a detailed description of the scope of any delegation made under *LR 8.7.16R*.

Discipline of sponsors

- 8.7.19 R If the *FSA* considers that a *sponsor* has breached any provision of the *listing rules* and considers it appropriate to impose a sanction it will publish a statement censuring the *sponsor*.
- 8.7.20 G *ENF 21* (Official listing – investigation powers and discipline) sets out the *FSA's* policy on when and how it will use its disciplinary powers in relation to a *sponsor*.

Cancellation of a sponsor's approval at the sponsor's request

- 8.7.21 G A *sponsor* that intends to request the *FSA* to cancel its approval as a *sponsor* will need to comply with *LR 8.7.22R*.

- 8.7.22 R A request by a *sponsor* for its approval as a *sponsor* to be cancelled must be in writing and must include:
- (1) the *sponsor's* name;
 - (2) a clear explanation of the background and reasons for the request;
 - (3) the date on which the *sponsor* requests the cancellation to take effect, after having taken into account *LR 8.7.24G(2)*;
 - (4) a signed confirmation that the *sponsor* will not participate in any services described in *LR 8.2* as of the date the request is submitted to the *FSA*; and
 - (5) the name and contact details of the *person* at the *sponsor* with whom the *FSA* should liaise with in relation to the request.
- 8.7.23 G A *sponsor* may withdraw its request at any time before the cancellation takes effect. The withdrawal request should initially be made by telephone and then confirmed in writing as soon as possible, with an explanation of the reasons for the withdrawal.
- 8.7.24 G
- (1) The decision-making procedures that the *FSA* will follow when it cancels a *sponsor's* approval at the *sponsor's* request are set out in *DEC*.
 - (2) Under the statutory notice procedure set out in *DEC* a request for cancellation of approval will take a minimum of 8 weeks to take effect.

9 Continuing obligations

9.1 Preliminary

Application: equity shares

- 9.1.1 R A *company* that has a *primary listing* of *equity shares* must comply with all of the requirements of this chapter.

Application: preference shares

- 9.1.2 R A *company* that has a *primary listing* of *preference shares* must comply with:

- (1) LR 9.2.1R to LR 9.2.6R;
- (2) LR 9.2.11R to LR 9.2.12G;
- (3) LR 9.2.14R to LR 9.2.17G;
- (4) LR 9.3.1R to LR 9.3.10G;
- (5) LR 9.5.1R to LR 9.5.9R;
- (6) LR 9.6.1R to LR 9.6.4R;
- (7) LR 9.6.6R;
- (8) LR 9.6.11R;
- (9) LR 9.6.19R to LR 9.6.22G;
- (10) LR 9.7;
- (11) LR 9.8, but not:
 - (a) LR 9.8.4R(3);
 - (b) LR 9.8.4R(5) and (6);
 - (c) LR 9.8.4R(12) and (13);
 - (d) LR 9.8.6R(6) and (7); and
 - (e) LR 9.8.8R; and
- (12) LR 9.9.

Application: securities convertible into equity shares

9.1.3 R A company that has a *primary listing* of securities convertible into equity shares must comply with:

- (1) LR 9.2.1R to LR 9.2.6R;
- (2) LR 9.2.11R;
- (3) LR 9.2.13G;
- (4) LR 9.3.1R to LR 9.3.5R;
- (5) LR 9.5.11R to LR 9.5.12R;
- (6) LR 9.5.15R to LR 9.5.16R;
- (7) LR 9.6.1R;
- (8) LR 9.6.3R;
- (9) LR 9.6.4R to LR 9.6.6R;
- (10) LR 9.6.19R to LR 9.6.22G;
- (11) LR 9.8 but not:
 - (a) LR 9.8.4R(3);
 - (b) LR 9.8.4R(5) and (6);
 - (c) LR 9.8.4R(12) and (13);
 - (d) LR 9.8.6R(6) and (7); and
 - (e) LR 9.8.8R.

9.1.4 R A company that has a *primary listing* of securities convertible into equity shares must comply with LR 9.2.7R to LR 9.2.10R if the equity shares that the securities convert into are *listed*.

9.2 Requirements with continuing application

Admission to trading

9.2.1 R A *listed company* must comply with LR 2.2.3R at all times.

9.2.2 R A *listed company* must inform the FSA in writing as soon as possible if it has:

- (1) requested a *RIE* to admit or re-admit any of its *listed equity securities* or *listed preference shares* to trading; or
- (2) requested a *RIE* to cancel or suspend trading of any of its *listed equity securities* or *listed preference shares*; or
- (3) been informed by a *RIE* that trading of any of its *listed equity securities* or *listed preference shares* will be cancelled or suspended.

Settlement arrangements

- 9.2.3 R A *listed company* must comply with *LR 6.1.23R* at all times.

Registrar

- 9.2.4 R A *listed company* must appoint a registrar in the *United Kingdom* unless it provides financial services and itself performs the functions of a registrar in the *United Kingdom*. [Note: Article 65(2) *CARD*]

Compliance with the disclosure rules

- 9.2.5 G A *listed company*, whose *securities* are admitted to trading on a *regulated market* in the *United Kingdom*, should consider its obligations under *DR 2* (Disclosure and control of inside information by issuers).
- 9.2.6 R A *listed company* that is not already required to comply with *DR 2* (Disclosure and control of inside information by issuers) must comply with *DR 2* as if it were an *issuer* for the purposes of the *disclosure rules*.

Compliance with the Model Code

- 9.2.7 R No dealings in any *securities* may be effected by or on behalf of a *listed company* or any other member in its *group* at a time when, under the provisions of the *Model Code*, a *director* of the *company* would be prohibited from dealing in its *securities*, unless such dealings are entered into:
- (1) in the ordinary course of business by a securities dealing business; or
 - (2) on behalf of third parties by the *company* or any other member of its *group*.
- 9.2.8 R A *listed company* must require:
- (1) every person discharging managerial responsibilities, including *directors*; and
 - (2) every employee of the *company* or any *group company* with access to *inside information*;

to comply with the *Model Code* and to take all proper and reasonable steps to secure their compliance.

- 9.2.9 G A *listed company* may impose more rigorous dealing obligations than those required by the *Model Code*.
- 9.2.10 R Where clearance is given to a *person* to deal in exceptional circumstances (pursuant to paragraph 9 of the *Model Code*) in a *close period*, the notification to a *RIS* required by *DR 3.1.4R* must also include a statement of the exceptional circumstances.

Contact details

- 9.2.11 R A *listed company* must ensure that the *FSA* is provided with up to date contact details of at least one appropriate person nominated by it to act as the first point of contact with the *FSA* in relation to the *company's* compliance with the *listing rules* and the *disclosure rules*.
- 9.2.12 G The contact person referred to in *LR 9.2.11R* will be expected to be:
- (1) knowledgeable about the *listed company* and the *listing rules* applicable to it;
 - (2) capable of ensuring that appropriate action is taken on a timely basis; and
 - (3) contactable on *business days* between the hours of 7 a.m. and 7 p.m.

Sponsors

- 9.2.13 G A *listed company* should consider its notification obligations under *LR 8.5*.

Amendments to constitution

- 9.2.14 R A *listed company* must lodge two copies of any proposed amendment to its *constitution* with the *FSA* no later than when it sends the notice convening the meeting to decide on the amendment. [**Note:** Article 66 *CARD*]

Shares in public hands

- 9.2.15 R A *listed company* must comply with *LR 6.1.19R* at all times.
- 9.2.16 R A *listed company* that no longer complies with *LR 6.1.19R* must notify the *FSA* as soon as possible of its non-compliance.
- 9.2.17 G A *listed company* should consider *LR 5.2.2G(2)* in relation to its compliance with *LR 6.1.19R*.

Publication of unaudited financial information

- 9.2.18 R (1) This *rule* applies to a *listed company* that has published:
- (a) any unaudited financial information in a *class 1 circular* or a

prospectus; or

(b) any *profit forecast* or *profit estimate*.

(2) The first time a *listed company* publishes financial information as required by *LR 9.7* to *LR 9.9* after the publication of the unaudited financial information, *profit forecast* or *profit estimate*, it must:

(a) reproduce that financial information, *profit forecast* or *profit estimate* in its next annual report and accounts;

(b) produce and disclose in the annual report and accounts the actual figures for the same period covered by the information reproduced under paragraph (2)(a); and

(c) provide an explanation of the difference, if there is a difference of 10% or more between the figures required by paragraph (2)(b) and those reproduced under paragraph (2)(a).

9.2.19 G *LR 9.2.18R* does not apply to:

(1) pro forma financial information prepared in accordance with Annex 1 and Annex 2 of the *PD Regulation*; or

(2) any preliminary statements of annual results or half-yearly or quarterly reports that are reproduced with the unaudited financial information.

9.3 Continuing obligations - holders

Equality of treatment

9.3.1 R A *listed company* must ensure equality of treatment for all holders of *listed equity securities* or *listed preference shares* who are in the same position. [Note: Article 65(1) *CARD*]

9.3.2 G *LR 9.3.1R* includes the obligation to post all *circulars* to overseas holders.

Prescribed information to holders

9.3.3 R A *listed company* must ensure that at least in each *EEA State* in which its *equity securities* or *preference shares* are listed all the necessary facilities and information are available to enable holders to exercise their rights. In particular it must:

(1) inform holders of meetings which they are entitled to attend;

- (2) enable them to exercise their vote, where applicable; and
- (3) publish notices or distribute circulars giving information on:
 - (a) the allocation and payment of dividends and/or interest;
 - (b) the issue of new *securities*, including arrangements for the allotment, subscription, conversion or exchange of such *securities*; and
 - (c) redemption or repayment of the *securities*. [**Note:** Article 65(2) *CARD*]

Use of airmail and first class mail

- 9.3.4 R Where available, airmail or an equivalent service that is no slower must be used when sending documents to holders of *listed equity securities* or *listed preference shares* in *non-EEA States*.
- 9.3.5 R Where available, first class mail or an equivalent service that is no slower must be used when sending documents to holders of *listed equity securities* or *listed preference shares* in the *United Kingdom* and other *EEA States*.

Proxy forms

- 9.3.6 R A *listed company* must ensure that a proxy form:
 - (1) is sent with the notice convening a meeting of holders of *listed shares* to each *person* entitled to vote at the meeting;
 - (2) provides for at least two-way voting on all resolutions intended to be proposed (except that it is not necessary to provide proxy forms with two-way voting on procedural resolutions);
 - (3) states that a shareholder is entitled to appoint a proxy of his own choice and that it provides a space for insertion of the name of the proxy; and
 - (4) states that if it is returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his discretion as to whether, and if so how, he votes.

Proxy forms for re-election of retiring directors

- 9.3.7 R A *listed company* must ensure that, if the resolutions to be proposed include the re-election of retiring *directors* and the number of retiring *directors* standing for re-election exceeds five, the proxy form gives shareholders the opportunity to vote for or against the re-election of the retiring *directors* as a whole but may also allow votes to be cast for or against the re-election of the retiring *directors* individually.

Communications with holders of bearer shares

- 9.3.8 R (1) A *listed company* required to communicate with holders of its *listed* bearer shares must publish an advertisement in at least one national newspaper referring to the communication and giving the address or addresses from which copies of the communication can be obtained.
- (2) A *listed company* is not required to comply with paragraph (1) if:
- (a) the *listed* bearer shares are in global form; and
 - (b) the *listed company* can confirm that notices will be transmitted as soon as possible to all holders.

Sanctions

- 9.3.9 R Where a *listed company* has taken a power in its *constitution* to impose sanctions on a shareholder who is in default in complying with a notice served under section 212 of the Companies Act 1985 (Company investigations):
- (1) sanctions may not take effect earlier than 14 days after service of the notice;
 - (2) for a shareholding of less than 0.25% of the *shares* of a particular *class* (calculated exclusive of *treasury shares*), the only sanction the *constitution* may provide for is a prohibition against attending meetings and voting;
 - (3) for a shareholding of 0.25% or more of the *shares* of a particular *class* (calculated exclusive of *treasury shares*), the *constitution* may provide:
 - (a) for a prohibition against attending meetings and voting;
 - (b) for the withholding of the payment of dividends (including *shares* issued in lieu of dividend) on the *shares* concerned; and
 - (c) for the placing of restrictions on the transfer of *shares*, provided that restrictions on transfer do not apply to a sale to a genuine unconnected third party (such as through a *RIE* or an *overseas* exchange or by the acceptance of a takeover offer); and
 - (4) any sanctions imposed in accordance with paragraph (2) or (3) above must cease to apply after a specified period of not more than seven days after the earlier of:
 - (a) receipt by the *issuer* of notice that the shareholding has been sold to an unconnected third party through a *RIE* or an *overseas* exchange or by the acceptance of a takeover offer;

and

- (b) due compliance, to the satisfaction of the *issuer*, with the notice under section 212.

9.3.10 G An *overseas company* with a *primary listing* is not required to comply with LR 9.3.9R.

Pre-emption rights

9.3.11 R A *listed company* proposing to issue *equity shares* for cash or to sell *treasury shares* that are *equity securities* for cash must first offer those securities in proportion to their existing holdings to:

- (1) existing holders of that class of *equity shares* (other than the *listed company* itself by virtue of it holding *treasury shares*); and
- (2) holders of other *equity shares* of the *listed company* who are entitled to be offered them.

9.3.12 R LR 9.3.11R does not apply if:

- (1) a general disapplication of statutory pre-emption rights has been authorised by shareholders in accordance with section 95 of the Companies Act 1985 (Disapplication of pre-emption rights) and the issue of *equity securities* or sale of *treasury shares* that are *equity shares* by the *listed company* is within the terms of the authority; or
- (2) the *listed company* is undertaking a *rights issue* or an *open offer* and the disapplication of pre-emption rights is with respect to:
 - (a) *equity shares* representing fractional entitlements; or
 - (b) *equity shares* which the *company* considers necessary or expedient to exclude from the offer on account of the laws or regulatory requirements of another territory; or
- (3) the *listed company* is selling *treasury shares* for cash to an *employee share scheme*; or
- (4) the *company* is an *overseas company* with a *primary listing*.

- 9.4 Documents requiring prior approval
- Employees' share schemes and long-term incentive plans
- 9.4.1 R (1) This *rule* applies to the following schemes of a *listed company* incorporated in the *United Kingdom* and of any of its *major subsidiary undertakings* (even if that *major subsidiary undertaking* is incorporated or operates overseas):
- (a) an *employees' share scheme* if the scheme involves or may involve the issue of new *shares* or the transfer of *treasury shares*; and
 - (b) a *long-term incentive scheme* in which one or more *directors* of the *listed company* is eligible to participate.
- (2) The *listed company* must ensure that the *employees' share scheme* or *long term incentive scheme* is approved by an ordinary resolution of the shareholders of the *listed company* in general meeting before it is adopted.
- 9.4.2 R *LR 9.4.1R* does not apply to the following *long-term incentive schemes*:
- (1) an arrangement where participation is offered on similar terms to all or substantially all *employees* of the *listed company* or any of its *subsidiary undertakings* whose *employees* are eligible to participate in the arrangement (provided that all or substantially all *employees* are not *directors* of the *listed company*); and
 - (2) an arrangement where the only participant is a *director* of the *listed company* (or an individual whose appointment as a *director* of the *listed company* is being contemplated) and the arrangement is established specifically to facilitate, in unusual circumstances, the recruitment or retention of the relevant individual.
- 9.4.3 R For a scheme referred to in *LR 9.4.2R(2)*, the following information must be disclosed in the first annual report published by the *listed company* after the date on which the relevant individual becomes eligible to participate in the arrangement:
- (1) all of the information prescribed in *LR 13.8.11R*;
 - (2) the name of the sole participant;
 - (3) the date on which the participant first became eligible to participate in the arrangement;
 - (4) an explanation of why the circumstances in which the arrangement was established were unusual;

- (5) the conditions to be satisfied under the terms of the arrangement; and
- (6) the maximum award(s) under the terms of the arrangement or, if there is no maximum, the basis on which awards will be determined.

Discounted option arrangements

- 9.4.4 R (1) This *rule* applies to the grant to a *director* or *employee* of a *listed company* or of any *subsidiary undertaking* of a *listed company* of an option to subscribe, warrant to subscribe or other similar right to subscribe for *shares* in the capital of the *listed company* or any of its *subsidiary undertakings*.
- (2) A *listed company* must not, without the prior approval by an ordinary resolution of the shareholders of the *listed company* in a general meeting, grant the option, warrant or other right if the price per *share* payable on the exercise of the option, warrant or other similar right to subscribe is less than whichever of the following is used to calculate the exercise price:
- (a) the market value of the *share* on the date when the exercise price is determined; or
 - (b) the market value of the *share* on the *business day* before that date; or
 - (c) the average of the market values for a number of dealing days within a period not exceeding 30 *days* immediately before that date.
- 9.4.5 R *LR 9.4.4R* does not apply to the grant of an option to subscribe, warrant to subscribe or other similar right to subscribe for *shares* in the capital of a *listed company* or any of its *subsidiary undertakings*:
- (1) under an *employees' share scheme* if participation is offered on similar terms to all or substantially all *employees* of the *listed company* or any of its *subsidiary undertakings* whose *employees* are entitled to participate in the scheme; or
 - (2) following a take-over or reconstruction, in replacement for and on comparable terms with options to subscribe, warrants to subscribe or other similar rights to subscribe held immediately before the take-over or reconstruction for *shares* in either a *company* of which the *listed company* thereby obtains control or in any of that *company's subsidiary undertakings*.

9.5 Transactions

Rights issue

- 9.5.1 R For a placing of rights arising from a *rights issue* before the official start of dealings, a *listed company* must ensure that:
- (1) the placing relates to at least 25% of the maximum number of *securities* offered;
 - (2) the placees are committed to take up whatever is placed with them;
 - (3) the price paid by the placees does not exceed the price at which the *securities* the subject of the *rights issue* are offered by more than one half of the calculated premium over that offer price (that premium being the difference between the offer price and the theoretical ex-rights price); and
 - (4) the *securities* the subject of the *rights issue* are of the same *class* as *securities* already *listed*.
- 9.5.2 G The *FSA* may modify *LR 9.5.1R(1)* to allow the placing to relate to less than 25% if it is satisfied that requiring at least 25% would be detrimental to the success of the issue.
- 9.5.3 G In a *rights issue*, the *FSA* may *list* the *securities* at the same time as the *securities* are admitted to trading in “nil paid” form. On the *securities* being paid up and the allotment becoming unconditional, the *listing* will continue without any need for a further application to *list* fully paid *securities*.
- 9.5.4 R If existing *security* holders do not take up their rights to subscribe in a *rights issue*:
- (1) the *listed company* must ensure that the *securities* to which the offer relates are offered for subscription or purchase on terms that any premium obtained over the subscription or purchase price (net of expenses) is to be for the account of the holders, except that if the proceeds for an existing holder do not exceed £5.00, the proceeds may be retained for the *company's* benefit; and
 - (2) the *securities* may be allotted or sold to underwriters, if on the expiry of the subscription period no premium (net of expenses) has been obtained.
- 9.5.5 R A *listed company* must ensure that for a *rights issue* the following are notified to a *RIS* as soon as possible:
- (1) the issue price and principal terms of the issue; and
 - (2) the results of the issue and, if any rights not taken up are sold, details

of the sale, including the date and price per *share*.

- 9.5.6 R A *listed company* must ensure that the offer relating to a *rights issue* remains open for acceptance for at least 21 days.

Open offers

- 9.5.7 R A *listed company* must ensure that the timetable for an *open offer* is approved by the *RIE* on which its *securities* are traded.

- 9.5.8 R A *listed company* must ensure that in relation to communicating information on an *open offer*:

- (1) if the offer is subject to shareholder approval in general meeting the announcement must state that this is the case; and
- (2) the *circular* dealing with the offer must not contain any statement that might be taken to imply that the offer gives the same entitlements as a *rights issue*.

Vendor consideration placing

- 9.5.9 R A *listed company* must ensure that in a *vendor consideration placing* all vendors have an equal opportunity to participate in the placing.

Discounts not to exceed 10%

- 9.5.10 R
- (1) If a *listed company* makes an *open offer, placing, vendor consideration placing, offer for subscription of equity shares* or an issue out of treasury of a *class already listed*, the price must not be at a discount of more than 10% to the middle market price of those *shares* at the time of announcing the terms of the offer or at the time of agreeing the placing (as the case may be).
 - (2) In paragraph (1), the middle market price of *equity shares* means the middle market quotation for those *equity shares* as derived from the daily official list of the *London Stock Exchange* or any other publication of an *RIE* showing quotations for *listed securities* for the relevant date.
 - (3) Paragraph (1) does not apply to an offer or placing at a discount of more than 10% if:
 - (a) the terms of the offer or placing at that discount have been specifically approved by the *issuer's* shareholders; or
 - (b) it is an issue of *shares* for cash or the sale of *treasury shares* for cash under a pre-existing general authority to disapply section 89 of the Companies Act 1985 (Offers to shareholders to be on pre-emptive basis).
 - (4) The *listed company* must notify a *RIS* as soon as possible after it has

agreed the terms of the offer or placing.

Offer for sale or subscription

- 9.5.11 R A *listed company* must ensure that for an *offer for sale* or an *offer for subscription of equity securities*:
- (1) letters of allotment or acceptance are all issued simultaneously and numbered serially (and, where appropriate, split and certified by the *listed company's* registrars);
 - (2) if the *securities* may be held in uncertificated form, there is equal treatment of those who elect to hold the *securities* in certificated form and those who elect to hold them in uncertificated form;
 - (3) letters of regret are posted at the same time or not later than three *business days* after the letters of allotment or acceptance; and
 - (4) if a letter of regret is not posted at the same time as letters of allotment or acceptance, a notice to that effect is inserted in a national newspaper, to appear on the morning after the letters of allotment or acceptance are posted.

Reconstruction or refinancing

- 9.5.12 R (1) If a *listed company* produces a *circular* containing proposals relating to a reconstruction or a re-financing, the *circular* must be produced in accordance with *LR* 13.3 and must include a working capital statement.
- (2) The requirement for a working capital statement set out in paragraph (1) does not apply to a *venture capital trust* or an investment entity *listed* in accordance with *LR* 15.
- (3) The working capital statement required by paragraph (1) must be prepared in accordance with item 3.1 of Annex 3 of the *PD Regulation* and on the basis that the reconstruction or the re-financing has taken place.

Fractional entitlements

- 9.5.13 R If, for an issue of *shares* (other than an issue in lieu of dividend), a shareholder's entitlement includes a fraction of a *security*, a *listed company* must ensure that the fraction is sold for the benefit of the holder except that if its value (net of expenses) does not exceed £5.00 it may be sold for the *company's* benefit. Sales of fractions may be made before *listing* is granted.

Further issues

- 9.5.14 R When *shares* of the same *class* as *shares* that are *listed* are allotted, an application for *admission to listing* of such *shares* must be made as soon as possible and in any event within one month of the allotment. [**Note:** Article 64 *CARD*]

Temporary documents of title (including renounceable documents)

- 9.5.15 R A *listed company* must ensure that any temporary document of title (other than one issued in global form) for an *equity security*:
- (1) is serially numbered;
 - (2) states where applicable:
 - (a) the name and address of the first holder and names of joint holders (if any);
 - (b) for a fixed income *security*, the amount of the next payment of interest or dividend;
 - (c) the pro rata entitlement;
 - (d) the last date on which transfers were or will be accepted for registration for participation in the issue;
 - (e) how the *securities* rank for dividend or interest;
 - (f) the nature of the document of title and proposed date of issue;
 - (g) how fractions (if any) are to be treated; and
 - (h) for a *rights issue*, the time, being not less than 21 days, in which the offer may be accepted, and how *securities* not taken up will be dealt with; and
 - (3) if renounceable:
 - (a) states in a heading that the document is of value and negotiable;
 - (b) advises holders of *securities* who are in any doubt as to what action to take to consult appropriate independent advisers immediately;
 - (c) states that where all of the *securities* have been sold by the addressee (other than “ex rights” or “ex capitalisation”), the document should be passed to the person through whom the sale was effected for transmission to the purchaser;
 - (d) has the form of renunciation and the registration instructions printed on the back of, or attached to, the document;

- (e) includes provision for splitting (without fee) and for split documents to be certified by an official of the *company* or authorised agent;
- (f) provides for the last day for renunciation to be the second *business day* after the last day for splitting; and
- (g) if at the same time as an allotment is made of *shares* issued for cash, *shares* of the same *class* are also allotted credited as fully paid to vendors or others, provides for the period for renunciation to be the same as, but no longer than, that provided for in the case of *shares* issued for cash.

Definitive documents of title

- 9.5.16 R A *listed company* must ensure that any definitive document of title for an *equity security* (other than a bearer *security*) includes the following matters on its face (or on the reverse in the case of paragraphs (5) and (7)):
- (1) the authority under which the *listed company* is constituted and the country of incorporation and registered number (if any);
 - (2) the number or amount of *securities* the certificate represents and, if applicable, the number and denomination of units (in the top right-hand corner);
 - (3) a footnote stating that no transfer of the *security* or any portion of it represented by the certificate can be registered without production of the certificate;
 - (4) if applicable, the minimum amount and multiples thereof in which the *security* is transferable;
 - (5) the date of the certificate;
 - (6) for a fixed income *security*, the interest payable and the interest payment dates and on the reverse (with reference shown on the face) an easily legible summary of the rights as to redemption or repayment and (where applicable) conversion; and
 - (7) for *shares* with preferential rights, on the face (or, if not practicable, on the reverse), a statement of the conditions thereof as to capital, dividends and (where applicable) conversion.

9.6 Notifications

Copies of documents

- 9.6.1 R A *listed company* must forward to the *FSA*, for publication through the *document viewing facility*, two copies of all *circulars*, notices, reports or other documents to which the *listing rules* apply at the same time as they are issued.
- 9.6.2 R A *listed company* must forward to the *FSA*, for publication through the *document viewing facility*, two copies of all resolutions passed by the *listed company* other than resolutions concerning ordinary business at an annual general meeting as soon as possible after the relevant general meeting.
- 9.6.3 R (1) A *listed company* must notify a *RIS* as soon as possible when a document has been forwarded to the *FSA* under *LR 9.6.1R* or *LR 9.6.2R* unless the full text of the document is provided to the *RIS*.
- (2) A notification made under paragraph (1) must set out where copies of the relevant document can be obtained.

Notifications relating to capital

- 9.6.4 R A *listed company* must notify a *RIS* as soon as possible (unless otherwise indicated in this *rule*) of the following information relating to its capital:
- (1) any proposed change in its capital structure including the structure of its *listed debt securities*, save that an announcement of a new issue may be delayed while marketing or underwriting is in progress;
 - (2) any change in the rights attaching to any class of its *listed shares* or to any of its *listed equity securities* which are convertible into *equity shares*;
 - (3) any redemption of *listed shares* including details of the number of *shares* redeemed and the number of *shares* of that class outstanding following the redemption;
 - (4) any extension of time granted for the currency of temporary documents of title;
 - (5) the effect, if any, of any issue of further *securities* on the terms of exercise of rights under options, warrants and other *securities* convertible into *equity shares*; and
 - (6) the results of any new issue of *equity securities* or *preference shares* or of a public offering of existing *shares* or other *equity securities*.

9.6.5 R A *listed company* must notify a *RIS* as soon as possible of the basis of *equity securities* offered:

- (1) generally to the public for cash; or
- (2) by way of an *open offer* to shareholders.

9.6.6 R Where the *securities* are subject to an underwriting agreement a *listed company* may, at its discretion and subject to *DR 2* (Disclosure and control of inside information by issuers), delay notifying a *RIS* as required by *LR 9.6.4R(6)* for up to two *business days* until the obligation by the underwriter to take or procure others to take *securities* is finally determined or lapses. In the case of an issue or offer of *securities* which is not underwritten, notification of the result must be made as soon as it is known.

Notification of major interests in shares

9.6.7 R A *listed company* must notify a *RIS* as soon as possible and in any event by the end of the *business day* following receipt of the information, of any information disclosed to it in accordance with sections 198 to 208 of the Companies Act 1985 (relating to the obligation to disclose certain major interests in the share capital of a company). The notification must also include the following details:

- (1) the date on which the information was disclosed to the *company*; and
- (2) the date on which the transaction was effected, if known.

9.6.8 R A *listed company* must notify a *RIS* as soon as possible and in any event by the end of the *business day* following receipt of the information, of any information obtained by it pursuant to section 212 of the Companies Act 1985 (relating to persons interested in shares) or otherwise, where it is apparent that an interest exists or has been increased or reduced or ceased to exist and should have been disclosed under sections 198 to 208 of the Companies Act 1985 but has not previously been disclosed.

Note: A *listed company* may use the form entitled Notification of Major Interests in Shares to make the notifications required by *LR 9.6.7R* and *LR 9.6.8R*. The Notification of Major Interests in Shares form can be found on the UKLA section of the *FSA's* website.

9.6.9 G The requirement to make a notification under *LR 9.6.7R* and *LR 9.6.8R* will be deemed to be discharged if the relevant interest has been notified to a *RIS* pursuant to the disclosure provisions of the *Takeover Code* or the *SARs*.

9.6.10 G An *overseas company* with a *primary listing* should notify a *RIS* as soon as possible of information equivalent to that required by *LR 9.6.7R* and *LR 9.6.8R* whenever it becomes aware of such information. [**Note:** Article 68 *CARD*]

Notification of board changes and directors' details

- 9.6.11 R A *listed company* must notify a *RIS* of any change to the board including:
- (1) the appointment of a new *director* stating the appointee's name and whether the position is executive, non-executive or chairman and the nature of any specific function or responsibility of the position;
 - (2) the resignation, removal or retirement of a *director* (unless the *director* retires by rotation and is re-appointed at a general meeting of the *listed company's* shareholders);
 - (3) important changes to the role, functions or responsibilities of a *director*; and
 - (4) the effective date of the change if it is not with immediate effect;
- as soon as possible and in any event by the end of the *business day* following the decision or receipt of notice about the change by the *company*.
- 9.6.12 R If the effective date of the board change is not yet known, the notification required by *LR 9.6.11R* should state this fact and the *listed company* should notify a *RIS* as soon as the effective date has been decided.
- 9.6.13 R A *listed company* must notify a *RIS* of the following information in respect of any new *director* appointed to the board as soon as possible following the decision to appoint the *director* and in any event within five *business days* of the decision:
- (1) details of all directorships held by the *director* in any other publicly quoted *company* at any time in the previous five years, indicating whether or not he is still a *director*;
 - (2) any unspent convictions in relation to indictable offences;
 - (3) details of any receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors of any company where the *director* was an executive *director* at the time of, or within the 12 months preceding, such events;
 - (4) details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where the *director* was a partner at the time of, or within the 12 months preceding, such events;
 - (5) details of receiverships of any asset of such *person* or of a partnership of which the *director* was a partner at the time of, or within the 12 months preceding, such event; and

- (6) details of any public criticisms of the *director* by statutory or regulatory authorities (including *designated professional bodies*) and whether the *director* has ever been disqualified by a court from acting as a *director* of a *company* or from acting in the management or conduct of the affairs of any *company*.

- 9.6.14 R A *listed company* must notify a *RIS* as soon as possible of any changes in the information set out in *LR 9.6.13R*(1) to (6) in respect of any current *director*.
- 9.6.15 G If no information is required to be disclosed pursuant to *LR 9.6.13R*, the notification required by *LR 9.6.13R* should state this fact.

Notification of lock-up arrangements

- 9.6.16 R A *listed company* must notify a *RIS* as soon as possible of information relating to the disposal of *equity shares* under an exemption allowed in the lock-up arrangements disclosed in accordance with the *PD Regulations*.
- 9.6.17 R A *listed company* must notify a *RIS* as soon as possible of the details of any variation in the lock-up arrangements disclosed in accordance with the *PD Regulations* or any subsequent announcement.

Notification of shareholder resolutions

- 9.6.18 R A *listed company* must notify a *RIS* as soon as possible after a general meeting of all resolutions passed by the *company* other than resolutions concerning ordinary business passed at an annual general meeting.

Change of name

- 9.6.19 R A *listed company* which changes its name must, as soon as possible:
- (1) notify a *RIS* of the change, stating the date on which it has taken effect;
 - (2) inform the *FSA* in writing of the change; and
 - (3) where the *listed company* is incorporated in the *United Kingdom*, send the *FSA* a copy of the revised certificate of incorporation issued by the Registrar of Companies.

Change of accounting date

- 9.6.20 R A *listed company* must notify a *RIS* as soon as possible of:
- (1) any change in its accounting reference date; and
 - (2) the new accounting reference date.

- 9.6.21 R *A listed company* must prepare and publish a second interim report in accordance with *LR 9.9* if the effect of the change in the accounting reference date is to extend the accounting period to more than 14 months.
- 9.6.22 G The second interim report must be prepared and published in respect of either:
- (1) the period up to the old accounting reference date; or
 - (2) the period up to a date not more than six months prior to the new accounting reference date.

- 9.7 Preliminary statement of annual results and dividends
- 9.7.1 R (1) A *listed company* must publish its preliminary statement of annual results as soon as possible after it has been approved.
- (2) A *listed company* must approve and publish its preliminary statement of annual results within 120 days of the end of the period to which it relates.
- 9.7.2 R A *listed company* must notify a *RIS* as soon as possible after the board has approved the following matters:
- (1) a preliminary statement of the annual results, which must:
- (a) have been agreed with the *company's* auditors;
- (b) show the figures in the form of a table, including the items required for a half-yearly report, consistent with the presentation to be adopted in the annual accounts for that financial year;
- (c) if the auditors report is likely to be modified, give details of the nature of the modification; and
- (d) include any significant additional information necessary for the purpose of assessing the results being announced; and
- (2) any decision to pay or make any dividend or other distribution on *listed equity* or to withhold any dividend or interest payment on *listed securities* giving details of:
- (a) the exact net amount payable per *share*;
- (b) the payment date;
- (c) the record date (where applicable); and
- (d) any foreign income dividend election, together with any income tax treated as paid at the lower rate and not repayable.
- 9.7.3 G The *FSA* may authorise the omission of information required by *LR 9.7.2R* if it considers that disclosure of such information would be contrary to the public interest or seriously detrimental to the *listed company*, provided that such omission would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the *shares*.

9.8 Annual report and accounts

Publication of annual report and accounts

- 9.8.1 R (1) A *listed company* must publish its annual report and accounts as soon as possible after they have been approved.
- (2) A *listed company* must approve and publish its annual report and accounts within six months of the end of the financial period to which they relate.

9.8.2 R The annual report and accounts must:

- (1) have been prepared in accordance with the *listed company's* national law and, in all material respects, with national accounting standards or *IAS*;
- (2) have been independently audited and reported on, in accordance with:
- (a) the auditing standards applicable in an *EEA State*; or
- (b) an equivalent auditing standard;
- (3) be in consolidated form if the *company* has *subsidiary undertakings*; and
- (4) if they do not give a true and fair view of the state of affairs, profit or loss and cash flows of the *group*, provide more detailed and additional information. [**Note:** Article 67 *CARD*]

- 9.8.3 R A *listed company* must publish both own accounts and consolidated accounts if the own accounts contain additional significant information. [**Note:** Article 67(2) *CARD*]

Information to be included in annual report and accounts

- 9.8.4 R The annual report and accounts must include, where applicable, the following:
- (1) a statement of the amount of interest capitalised by the *group* during the period under review with an indication of the amount and treatment of any related tax relief;
- (2) any information required by *LR 9.2.18R* (Publication of unaudited financial information);
- (3) details of any small related party transaction as required by *LR 11.1.10R(2)(c)*;

- (4) details of any long-term incentive schemes as required by *LR 9.4.3R*;
- (5) details of any arrangements under which a *director* of the *company* has waived or agreed to waive any emoluments from the *company* or any *subsidiary undertaking*;
- (6) where a *director* has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review;
- (7) in the case of any allotment for cash of *equity securities* made during the period under review otherwise than to the holders of the *company's equity shares* in proportion to their holdings of such *equity shares* and which has not been specifically authorised by the *company's* shareholders:
 - (a) the details required by paragraph 39 of Schedule 4 to the Companies Act 1985 (Form and content of company accounts);
 - (b) the names of the allottees, if less than six in number, and in the case of six or more allottees a brief generic description of each new class of equity holder (e.g. holder of loan stock);
 - (c) the market price of the allotted *securities* on the date on which the terms of the issue were fixed; and
 - (d) the date on which the terms of the issue were fixed;
- (8) the information required by paragraph (7) must be given for any unlisted *major subsidiary undertaking* of the *company*;
- (9) where a *listed company* has *listed shares* in issue and is a *subsidiary undertaking* of another *company*, details of the participation by the *parent undertaking* in any *placing* made during the period under review;
- (10) details of any *contract of significance* subsisting during the period under review:
 - (a) to which the *listed company*, or one of its *subsidiary undertakings*, is a party and in which a *director* of the *listed company* is or was materially interested; and
 - (b) between the *listed company*, or one of its *subsidiary undertakings*, and a controlling shareholder;
- (11) details of any contract for the provision of services to the *listed company* or any of its *subsidiary undertakings* by a controlling shareholder, subsisting during the period under review, unless:
 - (a) it is a contract for the provision of services which it is the

principal business of the shareholder to provide; and

- (b) it is not a *contract of significance*;
- (12) details of any arrangement under which a shareholder has waived or agreed to waive any dividends; and
- (13) where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.

9.8.5 G A *listed company* need not include with the annual report and accounts details of waivers of dividends of less than 1% of the total value of any dividend provided that some payment has been made on each *share* of the relevant *class* during the relevant calendar year.

Additional information

- 9.8.6 R In the case of a *listed company* incorporated in the *United Kingdom*, the following additional items must be included in its annual report and accounts:
- (1) a statement setting out all the beneficial and non-beneficial interests of each *director* of the *listed company* that have been disclosed to the *company* under the Companies Act 1985 as at the end of the period under review including:
 - (a) all changes in the beneficial and non-beneficial interests of each *director* that have occurred between the end of the period under review and one month prior to the date of the notice of the annual general meeting; or
 - (b) if there have been no changes in the period described in paragraph (a), a statement that there have been no changes in the beneficial or non-beneficial interests of each *director*;
 - (2) a statement showing, as at a date not more than one month prior to the date of the notice of the annual general meeting:
 - (a) all information disclosed to the *listed company* in accordance with sections 198 to 208 of the Companies Act 1985 (Disclosure of certain major interests in the share capital of a company); or
 - (b) that there have been no disclosures, if no disclosures have been made;

- (3) a statement made by the *directors* that the business is a going concern, together with supporting assumptions or qualifications as necessary, that has been prepared in accordance with “Going Concern and Financial Reporting: Guidance for Directors of listed companies registered in the United Kingdom”, published in November 1994;
- (4) a statement setting out:
 - (a) details of any shareholders’ authority for the purchase, by the *listed company*, of its own *shares* that is still valid at the end of the period under review;
 - (b) in the case of purchases made otherwise than through the market or by tender to all shareholders, the names of sellers of such *shares* purchased, or proposed to be purchased, by the *listed company* during the period under review;
 - (c) in the case of any purchases made otherwise than through the market or by tender to all shareholders, or options or contracts to make such purchases, entered into since the end of the period covered by the report, information equivalent to that required under Part II of Schedule 7 to the Companies Act 1985 (Disclosure required by company acquiring its own shares, etc.); and
 - (d) in the case of sales of *treasury shares* for cash made otherwise than through the market, or in connection with an *employees’ share scheme*, or otherwise than pursuant to an opportunity which (so far as was practicable) was made available to all holders of the *listed company’s securities* (or to all holders of a relevant class of its *securities*) on the same terms, particulars of the names of purchasers of such *shares* sold, or proposed to be sold, by the *company* during the period under review;
- (5) a statement of how the *listed company* has applied the principles set out in Section 1 of the *Combined Code*, in a manner that would enable shareholders to evaluate how the principles have been applied;
- (6) a statement as to whether the *listed company* has:
 - (a) complied throughout the accounting period with all relevant provisions set out in Section 1 of the *Combined Code*; or
 - (b) not complied throughout the accounting period with all relevant provisions set out in Section 1 of the *Combined Code* and if so, setting out:
 - (i) those provisions, if any it has not complied with;

(ii) in the case of provisions whose requirements are of a continuing nature, the period within which, if any, it did not comply with some or all of those provisions; and

(iii) the *company's* reasons for non-compliance; and

(7) a report to the shareholders by the Board which contains all the matters set out in *LR 9.8.8R*.

9.8.7 R An *overseas company* with a *primary listing* must disclose in its annual report and accounts:

- (1) whether or not it complies with the corporate governance regime of its country of incorporation;
- (2) the significant ways in which its actual corporate governance practices differ from those set out in the *Combined Code*; and
- (3) the unexpired term of the service contract of any *director* proposed for election or re-election at the forthcoming annual general meeting and, if any *director* for election or re-election does not have a service contract, a statement to that effect.

Report to shareholders

9.8.8 R The report to the shareholders by the Board required by *LR 9.8.6R(7)* must contain the following:

- (1) a statement of the *listed company's* policy on executive *directors'* remuneration;
- (2) information presented in tabular form, unless inappropriate, together with explanatory notes as necessary on:
 - (a) the amount of each element in the remuneration package for the period under review of each *director*, by name, including but not restricted to, basic salary and fees, the estimated money value of benefits in kind, annual bonuses, deferred bonuses, compensation for loss of office and payments for breach of contract or other termination payments;
 - (b) the total remuneration for each *director* for the period under review and for the corresponding prior period;
 - (c) any significant payments made to former *directors* during the period under review; and
 - (d) any share options, including "Save-as-you-earn" options, for each *director*, by name, in accordance with the requirements of the Directors' Remuneration Report Regulations;

- (3) details of any *long-term incentive schemes*, other than share options as required by paragraph (2)(d), including the interests of each *director*, by name, in the *long-term incentive schemes* at the start of the period under review;
- (4) details of any entitlements or awards granted and commitments made to each *director* under any *long-term incentive schemes* during the period, showing which crystallize either in the same year or in subsequent years;
- (5) details of the monetary value and number of *shares*, cash payments or other benefits received by each *director* under any *long-term incentive schemes* during the period;
- (6) details of the interests of each *director* in the *long-term incentive schemes* at the end of the period;
- (7) an explanation and justification of any element of a *director's* remuneration, other than basic salary, which is pensionable;
- (8) details of any *directors' service contract* with a notice period in excess of one year or with provisions for pre-determined compensation on termination which exceeds one year's salary and benefits in kind, giving the reasons for such notice period;
- (9) details of the unexpired term of any *directors' service contract* of a *director* proposed for election or re-election at the forthcoming annual general meeting, and, if any *director* proposed for election or re-election does not have a *directors' service contract*, a statement to that effect;
- (10) a statement of the *listed company's* policy on the granting of options or awards under its *employees' share schemes* and other *long-term incentive schemes*, explaining and justifying any departure from that policy in the period under review and any change in the policy from the preceding year;
- (11) for money purchase schemes (as in Part I of Schedule 6 to the Companies Act 1985 (Disclosure of information: emoluments and other benefits of directors and others)) details of the contribution or allowance payable or made by the *listed company* in respect of each *director* during the period under review; and
- (12) for defined benefit schemes (as in Part I of Schedule 6 to the Companies Act 1985 (Disclosure of information: emoluments and other benefits of directors and others)):
 - (a) details of the amount of the increase during the period under review (excluding inflation) and of the accumulated total amount at the end of the period in respect of the accrued benefit to which each *director* would be entitled on leaving

service or is entitled having left service during the period under review;

(b) either:

(i) the transfer value (less *director's* contributions) of the relevant increase in accrued benefit (to be calculated in accordance with Actuarial Guidance Note GN11 but making no deduction for any under-funding) as at the end of the period; or

(ii) so much of the following information as is necessary to make a reasonable assessment of the transfer value in respect of each *director*:

(A) age;

(B) normal retirement age;

(C) the amount of any contributions paid or payable by the director under the terms of the scheme during the period under review;

(D) details of spouse's and dependants' benefits;

(E) early retirement rights and options;

(F) expectations of pension increases after retirement (whether guaranteed or discretionary); and

(G) discretionary benefits for which allowance is made in transfer values on leaving and any other relevant information which will significantly affect the value of the benefits; and

(c) no disclosure of voluntary contributions and benefits.

Information required by law

9.8.9 G The requirements of *LR 9.8.6R(6)* and *LR 9.8.8R* relating to corporate governance are additional to the information required by law to be included in the *listed company's* annual report and accounts.

Auditors report

9.8.10 R A *listed company* must ensure that the auditors review each of the following before the annual report is published:

(1) *LR 9.8.6R(3)* (statement by the directors that the business is a going concern); and

- (2) the parts of the statement required by *LR 9.8.6R(6)* (corporate governance) that relate to the following provisions of the *Combined Code*:
 - (a) C1.1;
 - (b) C.2.1; and
 - (c) C3.1 to C3.7.

9.8.11 R A *listed company* must ensure that the auditors review the following disclosures:

- (1) *LR 9.8.8R(2)* (amount of each element in the remuneration package & information on share options);
- (2) *LR 9.8.8R(3), (4) and (5)* (details of long term incentive schemes for directors);
- (3) *LR 9.8.8R(11)* (money purchase schemes); and
- (4) *LR 9.8.8R(12)* (defined benefit schemes).

9.8.12 R If, in the opinion of the auditors the *listed company* has not complied with any of the requirements set out in *LR 9.8.11R* the *listed company* must ensure that the auditors report includes, to the extent possible, a statement giving details of the non-compliance.

Summary financial statements

9.8.13 R Any summary financial statement issued by a *listed company* as permitted under the Companies Act 1985, must disclose:

- (1) earnings per share; and
- (2) the information required for summary financial statements set out in the Companies Act 1985.

- 9.9 Half-yearly reports
- 9.9.1 R *A listed company* must prepare a report, on a *group* basis where relevant, on its activities and profit or loss for the first six months of each financial year. [Note: Article 70 CARD]
- 9.9.2 R The accounting policies and presentation applied to half-yearly figures must be consistent with those applied in the latest published annual accounts except where:
- (1) the accounting policies and presentation are to be changed in the subsequent annual financial statements, in which case the new accounting policies and presentation should be followed, and the changes and the reasons for the changes should be disclosed in the half-yearly report; or
 - (2) the *FSA* otherwise agrees.
- 9.9.3 R (1) *A listed company* must publish its half-yearly report as soon as possible after it has been approved.
- (2) *A listed company* must approve and publish its half-yearly report within 90 days of the end of the period to which it relates.
- 9.9.4 R *A listed company* must notify a *RIS* of the publication of its half-yearly report as soon as possible after its approval by the board.
- 9.9.5 R *A listed company* must either:
- (1) send the half-yearly report to holders of its *listed securities*; or
 - (2) insert the half-yearly report, as a paid advertisement, in at least one national newspaper. [Note: Article 102(2) CARD]
- 9.9.6 R Where a *listed company's shares* are listed in another *EEA State*, the *company* must simultaneously send the competent authority of each of those other member states a copy of the half-yearly report. [Note: Article 102(2) CARD]
- 9.9.7 G An *overseas company* with a *primary listing* that is incorporated in a *non-EEA State* that is required to publish a half-yearly report in its country of incorporation, may seek authorisation from the *FSA* to publish that report instead of the report required by LR 9.9.

Contents of half-yearly report

- 9.9.8 R The half-yearly report must contain the following information, presented in table form, in respect of the *group's* activities during the relevant period: [Note: Article 73(2) CARD]

- (1) a balance sheet;
- (2) a cash flow statement;
- (3) an income statement comprising the following:
 - (a) net turnover; [**Note:** Article 73(2) *CARD*]
 - (b) finance income;
 - (c) operating profit or loss;
 - (d) finance costs;
 - (e) profit or loss before taxation;
 - (f) profit or loss;
 - (g) minority interests;
 - (h) profit or loss attributable to equity holders;
 - (i) rates of dividend(s) paid and proposed and amount absorbed thereby; [**Note:** Article 73(4) *CARD*]
 - (j) taxation on profits showing separately *United Kingdom* taxation and, if material, *overseas* and share of associated *undertakings'* taxation; and
 - (k) earnings per share, expressed as pence per share;
- (4) comparative figures in respect of the information required by paragraphs (1) to (3) for the corresponding period in the preceding financial year; [**Note:** Article 73(5) *CARD*]
- (5) a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners; and
- (6) an explanatory statement including:
 - (a) any significant information enabling investors to make an informed assessment of the trend of the *group's* activities and profit or loss; [**Note:** Article 73(6) *CARD*]
 - (b) information of any special factor which has influenced the *group's* activities and the profit or loss during the period in question; [**Note:** Article 73(6) *CARD*]
 - (c) enough information to enable a comparison to be made with the corresponding period of the preceding financial year; and [**Note:** Article 73(6) *CARD*]

- (d) to the extent possible, a reference to the *group's* prospects in the current financial year. [**Note:** Article 73(6) *CARD*]
- 9.9.9 R Where the figures in the half-yearly report have been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information, the report of the auditors must be reproduced in full in the half-yearly report. [**Note:** Article 75 *CARD*]
- 9.9.10 G Where any of the requirements or figures set out in *LR 9.9.1R* to *LR 9.9.8R* are unsuited to the *listed company's* activities or circumstances, the *FSA* may require suitable adaptations to be made to the figures. [**Note:** Articles 73(7) and 76 *CARD*]
- 9.9.11 G The *FSA* may waive *LR 9.9.8R(3)(a)*, (e), (i) and, to the extent it is relevant, *LR 9.9.8R(4)* if it considers that disclosure of such information would be contrary to the public interest or seriously detrimental to the *listed company*, provided that such omission would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the *securities*. [**Note:** Article 76(2) *CARD*]

THE MODEL CODE (R)

This annex is referred to in LR 9.2 (Requirements with continuing application) and LR 15 (Investment entities).

Table: The Model Code

Introduction

This code imposes restrictions on dealing in the *securities* of a *listed company* beyond those imposed by law. Its purpose is to ensure that *persons discharging managerial responsibilities* and employee insiders do not abuse, and do not place themselves under suspicion of abusing, *inside information* that they may be thought to have, especially in periods leading up to an announcement of the *company's* results.

Nothing in this code sanctions a breach of section 118 of the *Act* (Market abuse), the insider dealing provisions of the Criminal Justice Act or any other relevant legal or regulatory requirements.

Definitions

1. In this code the following definitions, in addition to those contained in the *listing rules*, apply unless the context requires otherwise:
 - (a) "close period" means:
 - (i) the period of 60 days immediately preceding the preliminary announcement of the *listed company's* annual results or, if shorter, the period from the end of the relevant financial year up to and including the time of announcement; and
 - (ii) if the *listed company* reports on a half-yearly basis, the period of 60 days immediately preceding the publication of the half-yearly report in accordance with LR 9.9.3R or, if shorter, the period from the end of the relevant financial period up to and including the time of such publication; or
 - (iii) if the *listed company* reports on a quarterly basis, the period of 30 days immediately preceding the announcement of the quarterly results or, if shorter, the period from the end of the relevant financial period up to and including the time of the announcement;
 - (b) "connected person" has the meaning given in section 96B(2) of the *Act* (Persons discharging managerial responsibilities and connected persons);
 - (c) "dealing" includes:

- (i) any acquisition or disposal of, or agreement to acquire or dispose of any of the *securities* of the *company*;
 - (ii) entering into a contract (including a contract for difference) the purpose of which is to secure a profit or avoid a loss by reference to fluctuations in the price of any of the *securities* of the *company*;
 - (iii) the grant, acceptance, acquisition, disposal, exercise or discharge of any option (whether for the call, or put or both) to acquire or dispose of any of the *securities* of the *company*;
 - (iv) entering into, or terminating, assigning or novating any stock lending agreement in respect of the *securities* of the *company*;
 - (v) using as security, or otherwise granting a charge, lien or other encumbrance over the *securities* of the *company*;
 - (vi) any transaction, including a transfer for nil consideration, or the exercise of any power or discretion effecting a change of ownership of a beneficial interest in the *securities* of the *company*;
or
 - (vii) any other right or obligation, present or future, conditional or unconditional, to acquire or dispose of any *securities* of the *company*;
- (d) "employee insider" means an employee of the *company*, its parent undertaking or any member of its *group* whose name is required to be placed on an *insider list* in accordance with *DR 2.8.1R*;
- (e) "prohibited period" means:
- (i) any *close period*; or
 - (ii) any period when there exists any matter which constitutes *inside information* in relation to the *company*;
- (f) "restricted person" means a *person discharging managerial responsibilities* or employee insider; and
- (g) "*securities of the company*" means any publicly traded or quoted *securities* of the *company* or any member of its *group* or any securities that are convertible into such *securities*.

Dealings not subject to the provisions of this code

2. The following dealings are not subject to the provisions of this code:

- (a) undertakings or elections to take up entitlements under a rights issue or other offer (including an offer of *securities* of the *company* in lieu of a cash dividend);
- (b) the take up of entitlements under a rights issue or other offer (including an offer of *securities* of the *company* in lieu of a cash dividend);
- (c) allowing entitlements to lapse under a rights issue or other offer (including an offer of *securities* of the *company* in lieu of a cash dividend);
- (d) the sale of sufficient entitlements nil-paid to take up the balance of the entitlements under a rights issue;
- (e) undertakings to accept, or the acceptance of, a takeover offer;
- (f) dealing where the beneficial interest in the relevant *security* of the *company* does not change;
- (g) transactions conducted between a *person discharging managerial responsibilities* and their spouse, child or step-child (as defined in section 346 of the Companies Act 1985);
- (h) transfers of *shares* arising out of the operation of an *employees' share scheme* into a savings scheme investing in *securities* of the *company* following:
 - (i) exercise of an option under a savings related share option scheme;
or
 - (ii) release of *shares* from a profit sharing scheme;
- (i) with the exception of a disposal of *securities* of the *company* received by a restricted person as a participant, dealings in connection with an HM Revenue and Customs approved *employees' share scheme*, or any other *employees' share scheme* under which participation is extended on similar terms to those contained in an HM Revenue and Customs approved *employees' share scheme*, to all or most employees of the participating *companies* in that scheme;
- (j) the cancellation or surrender of an option under an *employees' share scheme*;
- (k) transfers of the *securities* of the *company* by an independent trustee of an *employees' share scheme* to a beneficiary who is not a restricted person;
- (l) transfers of *securities* of the *company* already held by means of a matched sale and purchase into a saving scheme or into a pension scheme in which the restricted person is a participant or beneficiary;

- (m) an investment by a restricted person in a scheme or arrangement where the assets of the scheme (other than a scheme investing only in the *securities* of the *company*) or arrangement are invested at the discretion of a third party;
- (n) a dealing by a restricted person in the units of an authorised unit trust or in *shares* in an *open-ended investment company*; and
- (o) bona fide gifts to a restricted person by a third party.

Dealing by restricted persons

3. A restricted person must not deal in any *securities* of the *company* without obtaining clearance to deal in advance in accordance with paragraph 4 of this code.

Clearance to deal

4.
 - (a) A *director* (other than the chairman or chief executive) or company secretary must not deal in any *securities* of the *company* without first notifying the chairman (or a *director* designated by the board for this purpose) and receiving clearance to deal from him.
 - (b) The chairman must not deal in any *securities* of the *company* without first notifying the chief executive and receiving clearance to deal from him.
 - (c) The chief executive must not deal in any *securities* of the *company* without first notifying the chairman and receiving clearance to deal from him.
 - (d) If the role of chairman and chief executive are combined, that *person* must not deal in any *securities* of the *company* without first notifying the board and receiving clearance to deal from the board.
 - (e) *Persons discharging managerial responsibilities* (who are not *directors*) and employee insiders must not deal in any *securities* of the *company* without first notifying the company secretary or a designated *director* and receiving clearance to deal from him.
5. A response to a request for clearance to deal must be given to the relevant restricted person within five *business days* of the request being made.
6. The *company* must maintain a record of the response to any dealing request made by a restricted person and of any clearance given. A copy of the response and clearance (if any) must be given to the restricted person concerned.
7. A restricted person who is given clearance to deal in accordance with paragraph 4 must deal as soon as possible and in any event within two *business days* of clearance being received.

Circumstances for refusal

8. A restricted person must not be given clearance to deal in any *securities* of the *company*:
 - (a) during a prohibited period; or
 - (b) on considerations of a short term nature. An investment with a maturity of one year or less will always be considered to be of a short term nature.

Dealings permitted during a prohibited period

Dealing in exceptional circumstances

9. A restricted person, who is not in possession of *inside information* in relation to the *company*, may be given clearance to deal if he is in severe financial difficulty or there are other exceptional circumstances. Clearance may be given for such a *person* to sell (but not purchase) *securities* of the *company* when he would otherwise be prohibited by this code from doing so. The determination of whether the *person* in question is in severe financial difficulty or whether there are other exceptional circumstances can only be made by the *director* designated for this purpose.
10. A *person* may be in severe financial difficulty if he has a pressing financial commitment that cannot be satisfied otherwise than by selling the relevant *securities* of the *company*. A liability of such a *person* to pay tax would not normally constitute severe financial difficulty unless the *person* has no other means of satisfying the liability. A circumstance will be considered exceptional if the *person* in question is required by a court order to transfer or sell the *securities* of the *company* or there is some other overriding legal requirement for him to do so.
11. The *FSA* should be consulted at an early stage regarding any application by a restricted person to deal in exceptional circumstances.

Awards of securities and options

12. The grant of options by the board of *directors* under an *employees' share scheme* to individuals who are not restricted persons may be permitted during a prohibited period if such grant could not reasonably be made at another time and failure to make the grant would be likely to indicate that the *company* was in a prohibited period.
13. The award by the *company* of *securities*, the grant of options and the grant of rights (or other interests) to acquire *securities* of the *company* to restricted persons is permitted in a prohibited period if:
 - (a) the award or grant is made under the terms of an *employees' share scheme* and the scheme was not introduced or amended during the relevant prohibited period; and

- (b) either:
 - (i) the terms of such *employees' share scheme* set out the timing of the award or grant and such terms have either previously been approved by shareholders or summarised or described in a document sent to shareholders, or
 - (ii) the timing of the award or grant is in accordance with the timing of previous awards or grants under the scheme; and
- (c) the terms of the *employees' share scheme* set out the amount or value of the award or grant or the basis on which the amount or value of the award or grant is calculated and do not allow the exercise of discretion; and
- (d) the failure to make the award or grant would be likely to indicate that the *company* is in a prohibited period.

Exercise of options

- 14. Where a *company* has been in an exceptionally long prohibited period or the *company* has had a number of consecutive prohibited periods, clearance may be given to allow the exercise of an option or right under an *employees' share scheme*, or the conversion of a convertible security, where the final date for the exercise of such option or right, or conversion of such security, falls during a prohibited period and the restricted person could not reasonably have been expected to exercise it at a time when he was free to deal.
- 15. Where the exercise or conversion is permitted pursuant to paragraph 14, clearance may not be given for the sale of the *securities* of the *company* acquired pursuant to such exercise or conversion including the sale of sufficient securities of the company to fund the costs of the exercise or conversion and/or any tax liability arising from the exercise or conversion unless a binding undertaking to do so was entered into when the *company* was not in a prohibited period.

Qualification shares

- 16. Clearance may be given to allow a *director* to acquire qualification *shares* where, under the *company's constitution*, the final date for acquiring such *shares* falls during a prohibited period and the *director* could not reasonably have been expected to acquire those shares at another time.

Saving schemes

- 17. A restricted person may enter into a scheme under which only the *securities* of the *company* are purchased pursuant to a regular standing order or direct debit or by regular deduction from the person's salary, or where such *securities* are acquired by way of a standing election to re-invest dividends or other distributions received, or are acquired as part payment of the *person's* remuneration without

regard to the provisions of this code, if the following provisions are complied with:

- (a) the restricted person does not enter into the scheme during a prohibited period, unless the scheme involves the part payment of remuneration in the form of *securities* of the *company* and is entered into upon the commencement of the *person's* employment or in the case of a non-executive *director* his appointment to the board;
- (b) the restricted person does not carry out the purchase of the *securities* of the *company* under the scheme during a prohibited period, unless the restricted person entered into the scheme at a time when the *company* was not in a prohibited period and that person is irrevocably bound under the terms of the scheme to carry out a purchase of *securities* of the *company* (which may include the first purchase under the scheme) at a fixed point in time which falls in a prohibited period;
- (c) the restricted person does not cancel or vary the terms of his participation, or carry out sales of *securities* of the *company* within the scheme during a prohibited period; and
- (d) before entering into the scheme, cancelling the scheme or varying the terms of his participation or carrying out sales of the *securities* of the *company* within the scheme, the restricted person obtains clearance in accordance with paragraph 4.

Acting as a trustee

- 18. Where a restricted person is acting as a trustee, dealing in the *securities* of the *company* by that trust is permitted during a prohibited period where:
 - (a) the restricted person is not a beneficiary of the trust; and
 - (b) the decision to deal is taken by the other trustees or by investment managers on behalf of the trustees independently of the restricted person.
- 19. The other trustees or investment managers acting on behalf of the trustees can be assumed to have acted independently where the decision to deal:
 - (a) was taken without consultation with, or other involvement of, the restricted person; or
 - (b) was delegated to a committee of which the restricted person is not a member.

Dealing by connected persons and investment managers

- 20. A *person discharging managerial responsibilities* must take reasonable steps to prevent any dealings by or on behalf of any *connected person* of his in any *securities* of the *company* on considerations of a short term nature.

21. A *person discharging managerial responsibilities* must seek to prohibit any dealings in the *securities* of the *company* during a close period:
 - (a) by or on behalf of any *connected person* of his; or
 - (b) by an investment manager on his behalf or on behalf of any *person* connected with him where either he or any *person* connected has funds under management with that investment fund manager, whether or not discretionary (save as provided by paragraphs 17 and 18).

22. A *person discharging managerial responsibilities* must advise all of his *connected persons* and investment managers acting on his behalf:
 - (a) of the name of the *listed company* within which he is a *person discharging managerial responsibilities*;
 - (b) of the *close periods* during which they cannot deal in the securities of the company; and
 - (c) that they must advise the *listed company* immediately after they have dealt in *securities* of the *company*.

- 10 Significant transactions
- 10.1 Preliminary
- Application
- 10.1.1 R This chapter applies to a *company* that has a *primary listing of equity securities*.
- Purpose
- 10.1.2 G The purpose of this chapter is to ensure that shareholders of *companies with equity securities listed*:
- (1) are notified of certain transactions entered into by the *listed company*; and
 - (2) have the opportunity to vote on larger proposed transactions.
- Meaning of "transaction"
- 10.1.3 R In this chapter (except where specifically provided to the contrary) a reference to a transaction by a *listed company*:
- (1) (subject to paragraphs (3),(4) and (5)) includes all agreements (including amendments to agreements) entered into by the *listed company* or its *subsidiary undertakings*;
 - (2) includes the grant or acquisition of an option as if the option had been exercised except that, if exercise is solely at the *listed company's* or *subsidiary undertaking's* discretion, the transaction will be classified on exercise and only the consideration (if any) for the option will be classified on the grant or acquisition;
 - (3) excludes a transaction of a revenue nature in the ordinary course of business;
 - (4) excludes an issue of *securities*, or a transaction to raise finance, which does not involve the acquisition or disposal of any fixed asset of the *listed company* or of its *subsidiary undertakings*; and
 - (5) excludes any transaction between the *listed company* and its wholly-owned *subsidiary undertaking* or between its wholly-owned *subsidiary undertakings*.
- 10.1.4 G This chapter is intended to cover transactions that are outside the ordinary course of the *listed company's* business and may change a *security holder's* economic interest in the *company's* assets or liabilities (whether or not the change in the assets or liabilities is recognised on the *company's* balance sheet).

10.1.5 G In assessing whether a transaction is in the ordinary course of a *company's* business under this chapter, the *FSA* will have regard to the size and incidence of similar transactions which the *company* has entered into. The *FSA* may determine that a transaction is not in the ordinary course of business because of its size or incidence.

10.2 Classifying transactions

Classifying transactions

10.2.1 G A transaction is classified by assessing its size relative to that of the *listed company* proposing to make it. The comparison of size is made by using the *percentage ratios* resulting from applying the *class test* calculations to a transaction. The *class tests* are set out in *LR 10 Ann 1* (and modified or added to for specialist companies under *LR 10.7*).

10.2.2 R Except as otherwise provided in this chapter, transactions are classified as follows:

- (1) *Class 3 transaction*: a transaction where all *percentage ratios* are less than 5%;
- (2) *Class 2 transaction*: a transaction where any *percentage ratio* is 5% or more but each is less than 25%;
- (3) *Class 1 transaction*: a transaction where any *percentage ratio* is 25% or more; and
- (4) *Reverse takeover*: a transaction consisting of an acquisition by a *listed company* of a business, an unlisted *company* or assets where any *percentage ratio* is 100% or more or which would result in a fundamental change in the business or in a change in board or voting control of the *listed company*.

Certain reverse takeovers to be treated as class 1 transactions

10.2.3 R A *reverse takeover* is to be treated as a *class 1 transaction* if all of the following conditions are satisfied in relation to the transaction:

- (1) none of the *percentage ratios* resulting from the calculations under each of the *class tests* in *LR 10 Ann 1* (as modified or added to by *LR 10.7* where applicable) exceed 125%;
- (2) the subject of the acquisition is in a similar line of business to that of the acquiring *company*;
- (3) the undertaking the subject of the acquisition complies with all relevant requirements of *LR 6*;
- (4) there will be no change of board control of the *listed company*; and

- (5) there will be no change of voting control of the *listed company*.

Indemnities and similar arrangements

- 10.2.4 R (1) Any agreement or arrangement with a party (other than a wholly owned *subsidiary undertaking* of the *listed company*):
- (a) under which a *listed company* agrees to discharge any liabilities for costs, expenses, commissions or losses incurred by or on behalf of that party, whether or not on a contingent basis;
 - (b) which is exceptional; and
 - (c) under which the maximum liability is either unlimited, or is equal to or exceeds an amount equal to 25% of the average of the *listed company's* profits (as calculated for classification purposes) for the last three financial years (losses should be taken as “nil” profit and included in this average);
- is to be treated as a *class 1 transaction*.
- (2) Paragraph (1) does not apply to a *break fee* (see *LR 10.2.7R* which deals with *break fees*).

- 10.2.5 G For the purposes of *LR 10.2.4R(1)*, the *FSA* considers the following indemnities not to be exceptional:
- (1) those customarily given in connection with sale and purchase agreements;
 - (2) those customarily given to underwriters or placing agents in an underwriting or placing agreement;
 - (3) those given to advisers against liabilities to third parties arising out of providing advisory services; and
 - (4) any other indemnity that is specifically permitted to be given to a *director* or auditor under the Companies Act 1985.

- 10.2.6 G If the calculation under *LR 10.2.4R(1)* produces an anomalous result, the *FSA* may disregard the calculation and modify that *rule* to substitute other relevant indicators of the size of the indemnity or other arrangement given, for example 1% of market capitalisation.

Break fees

- 10.2.7 R (1) A *break fee* or *break fees* payable in respect of a transaction are to be treated as a *class 1 transaction* if the total value of the fee or the fees in aggregate exceeds:

- (a) if the *listed company* is being acquired, 1% of the value of the *listed company* calculated by reference to the offer price; and
 - (b) in any other case, 1% of the market capitalisation of the *listed company*.
- (2) For the purposes of paragraph (1)(a):
- (a) the 1% limit is to be calculated on the basis of the fully diluted *equity share capital* of the *listed company*;
 - (b) any VAT payable is to be taken into account in determining whether the 1% limit would be exceeded (except to the extent that the VAT is recoverable by the *listed company*); and
 - (c) for a securities exchange offer, the value of the *listed company* is to be fixed by reference to the value of the offer at the time the transaction is announced (and is not to be taken as fluctuating as a result of subsequent movements in the price of the consideration securities after the announcement).

Issues by major subsidiary undertakings

- 10.2.8 R If:
- (1) a *major subsidiary undertaking* of a *listed company* issues *equity shares* for cash or in exchange for other *securities* or to reduce indebtedness;
 - (2) the issue would dilute the *listed company's* percentage interest in the *major subsidiary undertaking*; and
 - (3) the economic effect of the dilution is equivalent to a disposal of 25% or more of the aggregate of the gross assets or profits (after the deduction of all charges except taxation) of the *group*;

the issue is to be treated as a *class 1 transaction*.

- 10.2.9 R *LR 10.2.8R* does not apply if the *major subsidiary undertaking* is itself a *listed company*.

Aggregating transactions

- 10.2.10 R (1) Transactions completed during the 12 months before the date of the latest transaction must be aggregated with that transaction for the purposes of classification if:
- (a) they are entered into by the *company* with the same *person* or with *persons* connected with one another;
 - (b) they involve the acquisition or disposal of *securities* or an

interest in one particular *company*; or

(c) together they lead to substantial involvement in a business activity which did not previously form a significant part of the *company's* principal activities.

(2) Paragraph (1) does not apply in relation to *break fees*.

(3) If under this *rule* aggregation of transactions results in a requirement for shareholder approval, then that approval is required only for the latest transaction.

10.2.11 G The *FSA* may modify these *rules* to require the aggregation of transactions in circumstances other than those specified in *LR 10.2.10R*.

Note: If an *issuer* is proposing to enter into a transaction that could be a *Class 1 transaction* or *reverse takeover* it is required under *LR 8* to obtain the guidance of a *sponsor* to assess the potential application of *LR 10*.

10.3 Class 3 requirements

Notification of acquisitions involving the issue of securities

10.3.1 R (1) If:

(a) a *listed company* agrees the terms of a *class 3 transaction* that involves an acquisition; and

(b) the consideration for the acquisition includes the issue of *securities* for which *listing* will be sought;

the *company* must notify a *RIS* as soon as possible after the terms of the acquisition are agreed.

(2) The notification must include:

(a) the amount of the *securities* being issued;

(b) details of the transaction, including the name of the other party to the transaction; and

(c) either the value of the consideration, and how this is being satisfied, or the value of the gross assets acquired, whichever is the greater.

Notification of other class 3 transactions

10.3.2 R (1) If:

(a) a *listed company* agrees the terms of a *class 3 transaction* of

a type other than that referred to in *LR 10.3.1R*; and

(b) it releases any details to the public;

it must also notify those details to a *RIS* by no later than the release of details to the public referred to in paragraph (b).

(2) The notification must include:

(a) details of the transaction, including the name of the other party to the transaction; and

(b) either the value of the consideration, and how this is being satisfied, or the value of the gross assets acquired or disposed of.

10.4 Class 2 requirements

Notification of class 2 transactions

10.4.1 R (1) *A listed company* must notify a *RIS* as soon as possible after the terms of a *class 2 transaction* are agreed.

(2) The notification must include:

(a) details of the transaction, including the name of the other party to the transaction;

(b) a description of the business carried on by, or using, the assets the subject of the transaction;

(c) the consideration, and how it is being satisfied (including the terms of any arrangements for deferred consideration);

(d) the value of the gross assets the subject of the transaction;

(e) the profits attributable to the assets the subject of the transaction;

(f) the effect of the transaction on the *listed company* including any benefits which are expected to accrue to the *company* as a result of the transaction;

(g) details of any service contracts of proposed *directors* of the *listed company*;

(h) for a disposal, the application of the sale proceeds;

(i) for a disposal, if *securities* are to form part of the consideration received, a statement whether the *securities* are to be sold or retained; and

- (j) details of key individuals important to the business or *company* the subject of the transaction.

Supplementary notification

- 10.4.2 R (1) A *listed company* must notify a *RIS* as soon as possible if, after the notification under *LR 10.4.1R*, it becomes aware that:
- (a) there has been a significant change affecting any matter contained in that earlier notification; or
 - (b) a significant new matter has arisen which would have been required to be mentioned in that earlier notification if it had arisen at the time of the preparation of that notification.
- (2) The supplementary notification must give details of the change or new matter and also contain a statement that, except as disclosed, there has been no significant change affecting any matter contained in the earlier notification and no other significant new matter has arisen which would have been required to be mentioned in that earlier notification if it had arisen at the time of the preparation of that notification.
- (3) In paragraphs (1) and (2), “significant” means significant for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the *listed company* and the rights attaching to any *securities* forming part of the consideration. It includes a change in the terms of the transaction that affects the *percentage ratios* and requires the transaction to be reclassified into a higher category.

10.5 Class 1 requirements

Notification and shareholder approval

- 10.5.1 R A *listed company* must, in relation to a *class 1 transaction*:
- (1) comply with the requirements of *LR 10.4* (Class 2 requirements) for the transaction;
 - (2) send an explanatory *circular* to its shareholders and obtain their prior approval in a general meeting for the transaction; and
 - (3) ensure that any agreement effecting the transaction is conditional on that approval being obtained.

Note: *LR 13* sets out requirements for the content and approval of *class 1 circulars*.

10.6 Reverse takeover requirements

- 10.6.1 R A *listed company* must in relation to a *reverse takeover* comply with the requirements of LR 10.5 (Class 1 requirements) for that transaction.

Cancellation of listing

- 10.6.2 G When a *listed company* completes a *reverse takeover*, the FSA will generally cancel the *listing* of its *securities* (see LR 5.2.3G) and the *company* will be required to re-apply for the *listing* of the *securities* and satisfy the relevant requirements for *listing* (except that LR 6.1.3R(1)(b) will not apply in relation to the *listed company's* accounts).

10.7 Transactions by specialist companies

Classification of transactions by listed property companies

- 10.7.1 R LR 10 Ann 1 is modified as follows in relation to acquisitions or disposals of *property* by a *listed property company*:
- (1) for the purposes of paragraph 2R(1) (the gross assets test), the assets test is calculated by dividing the transaction consideration by the gross assets of the *listed property company* and paragraphs 2R(5) and 2R(6) do not apply;
 - (2) for the purposes of paragraph 2R(1) (the gross assets test), if the transaction is an acquisition of land to be developed, the assets test is calculated by dividing the transaction consideration and any financial commitments relating to the development by the gross assets of the *listed property company* and paragraphs 2R(5) and 2R(6) do not apply;
 - (3) for the purposes of paragraph 2R(2), the gross assets of a *listed property company* are, at the option of the *company*:
 - (a) the aggregate of the *company's* share capital and reserves (excluding minority interests);
 - (b) the book value of the *company's properties* (excluding those properties classified as current assets in the latest published annual report and accounts); or
 - (c) the published valuation of the *company's properties* (excluding those properties classified as current assets in the latest published annual report and accounts);
 - (4) for the purposes of paragraph 4R(1) (the profits test), profits means the *net annual rent*;
 - (5) paragraph 5R (the consideration test) does not apply but instead the

test in *LR 10.7.2R* applies; and

- (6) paragraph 7R (the gross capital test) applies to disposals as well as acquisitions of *property*.
- 10.7.2 R (1) In addition to the tests in *LR 10 Ann 1*, if the transaction is an acquisition of *property* by a *listed property company* and any of the consideration is in the ordinary *shares* of that *company*, the *listed company* must determine the *percentage ratios* that result from the calculations under the test in paragraph (2).
- (2) The share capital test is calculated by dividing the number of consideration *shares* to be issued by the number of ordinary *shares* in issue (excluding *treasury shares*).
- 10.7.3 R *LR 10* does not apply to the acquisition or disposal by a *listed property company* of a *property* in the ordinary course of business which:
- (1) for an acquisition, will be classified as a current asset in the *company's* published accounts; or
- (2) for a disposal, was so classified in the *company's* published accounts.
- 10.7.4 G *LR 10* may apply to subsequent transfers of *property* assets from current to fixed assets or from fixed to current assets in the accounts of a *property company*.

Classification of transactions by listed mineral companies

- 10.7.5 R (1) In addition to the tests in *LR 10 Ann 1*, a *listed mineral company* undertaking a transaction involving significant *mineral resources* must determine the *percentage ratios* that result from the calculations under the test in paragraph (2).
- (2) The reserves test is calculated by dividing the volume or amount of the *proven reserves* and *probable reserves* to be acquired or disposed of by the volume or amount of the aggregate *proven reserves* and *probable reserves* of the *mineral company* making the acquisition or disposal.
- 10.7.6 G If the *mineral resources* are not directly comparable, the *FSA* may modify *LR 10.7.5R(2)* to permit valuations to be used instead of amounts or volumes.
- 10.7.7 R When calculating the size of a transaction under *LR 10 Ann 1* and *LR 10.7.5R*, account must be taken of any associated transactions or loans effected or intended to be effected, and any contingent liabilities or commitments.

Classification of transactions by listed scientific research based companies

- 10.7.8 G A *listed scientific research based company* undertaking a transaction should

consult the *FSA* at an early stage to determine whether industry specific tests are required instead of or in addition to the *class tests* in *LR 10 Ann 1*.

10.8 Miscellaneous

Class 1 disposals by companies in severe financial difficulty

- 10.8.1 G (1) A *listed company* in severe financial difficulty may find itself with no alternative but to dispose of a substantial part of its business within a short time frame to meet its ongoing working capital requirements or to reduce its liabilities. Due to time constraints it may not be able to prepare a *circular* and convene an extraordinary general meeting to obtain prior shareholder approval.
- (2) The *FSA* may modify the requirements in *LR 10.5* to prepare a *circular* and to obtain shareholder approval for such a disposal, if the *company*:
- (a) can demonstrate that it is in severe financial difficulty; and
 - (b) satisfies the conditions in *LR 10.8.2G* to *LR 10.8.6G*
- (3) An application to modify *LR 10.5* should be brought to the *FSA's* attention at the earliest available opportunity and at least five clear *business days* before the terms of the disposal are agreed.
- 10.8.2 G The *listed company* should demonstrate to the *FSA* that it could not reasonably have entered into negotiations earlier to enable shareholder approval to be sought.
- 10.8.3 G The following documents should be provided in writing to the *FSA*:
- (1) confirmation from the *listed company* that:
 - (a) negotiation does not allow time for shareholder approval;
 - (b) all alternative methods of financing have been exhausted and the only option remaining is to dispose of a substantial part of their business;
 - (c) by taking the decision to dispose of part of the business to raise cash, the directors are acting in the best interests of the *company* and shareholders as a whole and that unless the disposal is completed receivers, administrators or liquidators are likely to be appointed; and
 - (d) if the disposal is to a *related party*, that the disposal by the company to the *related party* is the only available option in the current circumstances.
 - (2) confirmation from the *company's sponsor* that, in its opinion and on

the basis of information available to it, the *company* is in severe financial difficulty and that it will not be in a position to meet its obligations as they fall due unless the disposal takes place according to the proposed timetable;

- (3) confirmation from the *persons* providing finance stating that further finance or facilities will not be made available and that unless the disposal is effected immediately, current facilities will be withdrawn; and
- (4) an announcement that complies with *LR 10.8.4G* and *LR 10.8.5G*.

10.8.4 G An announcement should be notified to a *RIS* no later than the date the terms of the disposal are agreed and should contain:

- (1) all relevant information required to be notified under *LR 10.4.1R*;
- (2) the name of the acquirer and the expected date of completion of the disposal;
- (3) full disclosure about the continuing group's prospects for at least the current financial year;
- (4) a statement that the *directors* believe that the disposal is in the best interests of the *company* and shareholders as a whole. The *directors* should also state that if the disposal is not completed the *company* will be unable to meet its financial commitments as they fall due and consequently will be unable to continue to trade resulting in the appointment of receivers, liquidators or administrators;
- (5) a statement incorporating the details of all the confirmations provided to the *FSA* in *LR 10.8.3R*;
- (6) details of any financing arrangements (either current or future) if they are contingent upon the disposal being effected;
- (7) if the disposal is to a *related party*, then a statement as set out in *LR 13.6.1R(5)* must be given;
- (8) a statement by the *listed company* that in its opinion the working capital available to the continuing group is sufficient for the group's present requirements, that is, for at least 12 months from the date of the announcement, or, if not, how it is proposed to provide the additional working capital thought by the *company* to be necessary.

10.8.5 G The announcement should contain any further information that the *company* and its *sponsors* consider necessary. This should incorporate historical price sensitive information, which has already been published in relation to the disposal along with any further information required to be disclosed under *DR 2* (disclosure of inside information).

10.8.6 G (1) The *FSA* will wish to examine the documents referred to in *LR*

10.8.3G (including the *RIS* announcement) before it grants the modification and before the announcement is released.

- (2) The documents should ordinarily be lodged with the *FSA*:
 - (a) in draft form at least five clear *business days* before the terms of the transaction are agreed; and
 - (b) in final form on the day on which approval is sought.

10.8.7 G In relation to the *listed company's* financial position, *DR 2* (disclosure of inside information) continues to apply while the *company* is seeking a modification.

10.8.8 G The *directors* should also consider whether the *listed company's* financial situation is such that they should request the suspension of its *listing* pending publication of an announcement and clarification of its financial position.

Joint ventures

- 10.8.9 G
- (1) When a *listed company* enters into a joint venture it should consider how this chapter applies.
 - (2) It is common, when entering into a joint venture, for the partners to include exit provisions in the terms of the agreement. These typically give each partner a combination of rights and obligations to either sell their own holding or to acquire their partner's holding should certain triggering events occur.
 - (3) If the *listed company* does not retain sole discretion over the event which requires them to either purchase the joint venture partner's stake or to sell their own, *LR 10.1.3R(2)* requires this obligation to be classified at the time it is agreed as though it had been exercised at that time. Further, if the consideration to be paid is to be determined by reference to the future profitability of the joint venture or an independent valuation at the time of exercise, this consideration will be treated as being uncapped. If this is the case, the initial agreement will be classified as a *class 1 transaction* at the time it is entered into.
 - (4) If the *listed company* does retain sole discretion over the triggering event, or if the *listed company* is making a choice to purchase or sell following an event which has been triggered by the joint venture partner, the purchase or sale must be classified when this discretion is exercised or when the choice to purchase or sell is made. In the case of a *50/50 joint venture* regard should also be had to *LR 11* (related party transactions).

LR 10 Annex 1 - The Class Tests

Class tests

1G This Annex sets out the following *class tests*:

- (1) the gross assets test;
- (2) the profits test;
- (3) the consideration test; and
- (4) the gross capital test.

The Gross Assets test

- 2R (1) The assets test is calculated by dividing the gross assets the subject of the transaction by the gross assets of the *listed company*.
- (2) The gross assets of the *listed company* means the total non-current assets, plus the total current assets, of the *listed company*.
- (3) For:
- (a) an acquisition of an interest in an undertaking which will result in consolidation of the assets of that undertaking in the accounts of the listed company; or
 - (b) a disposal of an interest in an undertaking which will result in the assets of that undertaking no longer being consolidated in the accounts of the *listed company*;
- the gross assets the subject of the transaction means the value of 100% of that undertaking's assets irrespective of what interest is acquired or disposed of.
- (4) For an acquisition or disposal of an interest in an undertaking which does not fall within paragraph (3), the gross assets the subject of the transaction means:
- (a) for an acquisition, the consideration together with liabilities assumed (if any); and
 - (b) for a disposal, the assets attributed to that interest in the listed company's accounts.
- (5) If there is an acquisition of assets other than an interest in an undertaking, the assets the subject of the transaction means the consideration or, if greater, the book value of those assets as they will be included in the *listed company's* balance sheet.

- (6) If there is a disposal of assets other than an interest in an undertaking, the assets the subject of the transaction means the book value of the assets in the *listed company's* balance sheet.

3G The *FSA* may modify paragraph 2R to require, when calculating the assets the subject of the transaction, the inclusion of further amounts if contingent assets or arrangements referred to in *LR 10.2.4R* (indemnities and similar arrangements) are involved.

The Profits test

- 4R (1) The profits test is calculated by dividing the profits attributable to the assets the subject of the transaction by the profits of the *listed company*.
- (2) For the purposes of paragraph (1), profits means:
 - (a) profits after deducting all charges except taxation; and
 - (b) for an acquisition or disposal of an interest in an undertaking referred to in paragraph 2R (3)(a) or (b) of this Annex, 100% of the profits of the undertaking (irrespective of what interest is acquired or disposed of).

The Consideration test

- 5R (1) The consideration test is calculated by taking the consideration for the transaction as a percentage of the aggregate market value of all the ordinary shares (excluding *treasury shares*) of the *listed company*.
- (2) For the purposes of paragraph (1):
 - (a) the consideration is the amount paid to the contracting party;
 - (b) if all or part of the consideration is in the form of *securities* to be traded on a market, the consideration attributable to those *securities* is the aggregate market value of those *securities*; and
 - (c) if deferred consideration is or may be payable or receivable by the *listed company* in the future, the consideration is the maximum total consideration payable or receivable under the agreement.
- (3) If the total consideration is not subject to any maximum the transaction is to be treated as a *class 1 transaction* (irrespective of the class into which it otherwise falls).
- (4) For the purposes of sub-paragraph (2)(b), the figures used to determine consideration consisting of:

- (a) *securities* of a *class* already *listed*, must be the aggregate market value of all those *securities* on the last *business day* before the announcement; and
 - (b) a new *class* of *securities* for which an application for *listing* will be made, must be the expected aggregate market value of all those *securities*.
- (5) For the purposes of paragraph (1), the figure used to determine market capitalisation is the aggregate market value of all the ordinary *shares* (excluding *treasury shares*) of the *listed company* at the close of business on the last *business day* before the announcement.
- 6G The *FSA* may modify paragraph 5R to require the inclusion of further amounts in the calculation of the consideration. For example, if the purchaser agrees to discharge any liabilities, including the repayment of inter-company or third party debt, whether actual or contingent, as part of the terms of the transaction.

The Gross Capital test

- 7R (1) The gross capital test is calculated by dividing the gross capital of the company or business being acquired by the gross capital of the *listed company*.
- (2) The test in paragraph (1) is only to be applied for an acquisition of a *company* or business.
- (3) For the purposes of paragraph (1), the gross capital of the *company* or business being acquired means the aggregate of:
- (a) the consideration (as calculated under paragraph 5R of this Annex);
 - (b) if a *company*, any of its *shares* and *debt securities* which are not being acquired;
 - (c) all other liabilities (other than current liabilities) including for this purpose minority interests and deferred taxation; and
 - (d) any excess of current liabilities over current assets.
- (4) For the purposes of paragraph (1), the gross capital of the *listed company* means the aggregate of:
- (a) the market value of its *shares* (excluding *treasury shares*) and the issue amount of the *debt security*;
 - (b) all other liabilities (other than current liabilities) including for this purpose minority interests and deferred taxation; and

- (c) any excess of current liabilities over current assets.
- (5) For the purposes of paragraph (1):
- (a) figures used must be, for *shares* and *debt security* aggregated for the purposes of the gross capital percentage ratio, the aggregate market value of all those *shares* (or if not available before the announcement, their nominal value) and the issue amount of the *debt security*; and
 - (b) for *shares* and *debt security* aggregated for the purposes of paragraph (3)(b), any *treasury shares* held by the *company* are not to be taken into account.

Figures used to classify assets and profits

- 8R. (1) For the purposes of calculating the tests in this Annex, except as otherwise stated in paragraphs (2) to (6), figures used to classify assets and profits, must be the figures shown in the latest published audited consolidated accounts or, if a *listed company* has, or will have, published a preliminary statement of later annual results at the time the terms of a transaction are agreed, the figures shown in that preliminary statement.
- (2) If a balance sheet has been published in a subsequently published interim statement then gross assets should be taken from the balance sheet published in the interim statement.
- (3) (a) The figures of the *listed company* must be adjusted to take account of subsequent transactions which have been notified to a *RIS* under *LR 10.4* or *LR 10.5*.
- (b) The figures of the target company or business must be adjusted to take account of subsequent transactions which would have been a *class 2 transaction* or greater when classified against the target as a whole.
- (4) Figures on which the auditors are unable to report without modification must be disregarded.
- (5) When applying the *percentage ratios* to an acquisition by a *company* whose assets consist wholly or predominantly of cash or short-dated *securities*, the cash and short-dated *securities* must be excluded in calculating its assets and market capitalisation.
- (6) The principles in this paragraph also apply (to the extent relevant) to calculating the assets and profits of the target company or business.
- 9G The *FSA* may modify paragraph 8R(4) in appropriate cases to permit figures to be taken into account.

Anomalous results

- 10G If a calculation under any of the *class tests* produces an anomalous result or if a calculation is inappropriate to the activities of the *listed company*, the *FSA* may modify the relevant *rule* to substitute other relevant indicators of size, including industry specific tests.

11 Related party transactions

Application

11.1.1 R This chapter applies to a *company* that has a *primary listing* of *equity securities*.

Purpose

11.1.2 G (1) This chapter sets out safeguards that apply to:

- (a) transactions and arrangements between a *listed company* and a *related party*; and
- (b) transactions and arrangements between a *listed company* and any other *person* that may benefit a *related party*.

(2) The safeguards are intended to prevent a *related party* from taking advantage of its position and also to prevent any perception that it may have done so.

Transaction

11.1.3 R A reference in this chapter:

- (1) to a transaction or arrangement by a *listed company* includes a transaction or arrangement by its *subsidiary undertaking*; and
- (2) to a transaction or arrangement is, unless the contrary intention appears, a reference to the entering into of the agreement for the transaction or the entering into of the arrangement.

Definition of “related party”

11.1.4 R In *LR*, a "*related party*" means:

- (1) a *person* who is (or was within the 12 months before the date of the transaction or arrangement) a *substantial shareholder*; or
- (2) a *person* who is (or was within the 12 months before the date of the transaction or arrangement) a *director* or *shadow director* of the *listed company* or of any other *company* which is (and, if he has ceased to be such, was while he was a *director* or *shadow director* of such other *company*) its *subsidiary undertaking* or *parent undertaking* or a fellow *subsidiary undertaking* of its *parent undertaking*; or
- (3) a *50/50 joint venture partner*; or
- (4) a *person exercising significant influence*; or

- (5) an *associate* of a *related party* referred to in paragraph (1), (2), (3) or (4).

Definition of “related party transaction”

- 11.1.5 R In *LR*, a "*related party transaction*" means:
- (1) a transaction (other than a transaction of a revenue nature in the ordinary course of business) between a *listed company* and a *related party*; or
 - (2) an arrangement pursuant to which a *listed company* and a *related party* each invests in, or provides finance to, another undertaking or asset; or
 - (3) any other similar transaction or arrangement (other than a transaction of a revenue nature in the ordinary course of business) between a *listed company* and any other *person* the purpose and effect of which is to benefit a *related party*.

Transactions to which this chapter does not apply

- 11.1.6 R *LR* 11.1.7R to *LR* 11.1.10R do not apply to a *related party transaction* if it is a transaction or arrangement:
- (1) of a kind referred to in paragraph 1 of *LR* 11 Ann 1R (a small transaction)); or
 - (2) of a kind referred to in paragraph 2 to 10 of *LR* 11 Ann 1R and does not have any unusual features.

Note: If an *issuer* is proposing to enter into a transaction that could be a *related party transaction* it is required under *LR* 8 to obtain the guidance of a *sponsor* to assess the potential application of *LR* 11.

Requirements for related party transactions

- 11.1.7 R If a *listed company* enters into a *related party transaction*, the *listed company* must:
- (1) make a notification in accordance with *LR* 10.4.1R (Notification of class 2 transactions) that contains the details required by that *rule* and also:
 - (a) the name of the *related party*; and
 - (b) details of the nature and extent of the *related party's* interest in the transaction or arrangement;

- (2) send a *circular* to its shareholders containing the information required by *LR 13.3* and *LR 13.6*;
- (3) obtain the approval of its shareholders for the transaction or arrangement either:
 - (a) before it is entered into; or
 - (b) if the transaction or arrangement is expressed to be conditional on that approval, before it is completed; and
- (4) ensure that the *related party*:
 - (a) does not vote on the relevant resolution; and
 - (b) takes all reasonable steps to ensure that the *related party's associates* do not vote on the relevant resolution.

11.1.8 G If a meeting of the *listed company* has been called to approve a transaction or arrangement and, after the date of the notice of meeting but before the meeting itself, a party to that transaction or arrangement has become a *related party*, then to comply with *LR 11.1.7R* the *listed company* should:

- (1) ensure that the *related party* concerned does not vote on the relevant resolution and that the *related party* takes all reasonable steps to ensure that its *associates* do not vote on the relevant resolution; and
- (2) send a further *circular*, for receipt by shareholders at least one clear *business day* before the last time for lodging proxies for the meeting, containing any information required by *LR 13.3* (Contents of all circulars) and *LR 13.6* (Related party circulars) that was not contained in the original *circular* with the notice of meeting.

11.1.9 G *LR 11.1.7R* and *LR 11.1.8G* will apply to the variation or novation of an existing agreement between the *listed company* and a *related party* whether or not, at the time the original agreement was entered into, that party was a *related party*.

Modified requirements for smaller related party transactions

- 11.1.10 R
- (1) This *rule* applies to a *related party transaction* if each of the *percentage ratios* is less than 5%, but one or more of the *percentage ratios* exceeds 0.25%.
 - (2) Where this rule applies, *LR 11.1.7R* does not apply but instead the *listed company* must before entering into the transaction or arrangement (as the case may be):
 - (a) inform the *FSA* in writing of the details of the proposed transaction or arrangement;
 - (b) provide the *FSA* with written confirmation from an

independent adviser acceptable to the *FSA* that the terms of the proposed transaction or arrangement with the *related party* are fair and reasonable as far as the shareholders of the *listed company* are concerned; and

- (c) undertake in writing to the *FSA* to include details of the transaction or arrangement in the *listed company's* next published annual accounts, including, if relevant, the identity of the *related party*, the value of the consideration for the transaction or arrangement and all other relevant circumstances.

Aggregation of transactions in any 12 month period

- 11.1.11 R (1) If a *listed company* enters into transactions or arrangements with the same *related party* (and any of its *associates*) in any 12 month period and the transactions or arrangements have not been approved by shareholders the transactions or arrangements must be aggregated.
- (2) If any *percentage ratio* is 5% or more for the aggregated transactions or arrangements, the *listed company* must comply with *LR 11.1.7R* in respect of the latest transaction or arrangement.
- Note:** *LR 13.6.1R(8)* requires details of each of the transactions or arrangements being aggregated to be included in the circular.
- (3) If transactions or arrangements that are small transactions under *LR 11 Annex 1R* paragraph 1 are aggregated under paragraph (1) of this *rule* and for the aggregated small transactions each of the *percentage ratios* is less than 5%, but one or more of the *percentage ratios* exceeds 0.25%, the *listed company* must comply with:
- (a) *LR 11.1.10R(2)(b)* in respect of the latest small transaction; and
 - (b) *LR 11.1.10R(2)(a)* and (c) in respect of the aggregated small transactions.

Application of rules to 50/50 joint ventures

- 11.1.12 G (1) If a *listed company* has entered into a *50/50 joint venture* then any subsequent transaction or arrangement with the *50/50 joint venture partner* or its *associate* will be a *related party transaction* due to paragraph (3) of the *related party* definition (see *LR 11.1.4R*) and the requirements of this chapter will need to be complied with (unless the transaction or arrangement falls within an exception referred to in *LR 11.1.6R*).
- (2) The *FSA* would ordinarily consider the following subsequent transactions or arrangements (amongst others) between a *listed company* and a *50/50 joint venture partner* or its *associate* to be a

related party transaction:

- (a) a subsequent amendment to the joint venture agreement;
- (b) the exercise by the *listed company* of a right or option to buy the joint venture interest of its *50/50 joint venture partner* or its *associate* or to sell the joint venture interest to its *50/50 joint venture partner* or its *associate*;
- (c) the *listed company* performs an act within its sole discretion the result of which is to give the *50/50 joint venture partner* the right to buy the *listed company's* interest in the joint venture or to sell its own interest in the joint venture to the *listed company*; and
- (d) any further investment in the joint venture by the *listed company*.

LR 11 Annex 1R

Transactions to which related party transaction rules do not apply

Small transaction

- 1 A transaction or arrangement where each of the applicable *percentage ratios* is equal to or less than 0.25%.

Issue of new securities and sale of treasury shares

- 2 A transaction that consists of:
 - (1) the take up by a *related party* of new *securities* or *treasury shares* under its entitlement in a pre-emptive offering;
 - (2) an issue of new *securities* either:
 - (a) made under the exercise of conversion or subscription rights attaching to a *listed class* of *securities*; or
 - (b) previously approved by the *listed company's* shareholders in general meeting.

Employees' share schemes and long term incentive schemes

- 3 The:
 - (1) receipt of any asset (including cash or *securities* of the *listed company* or any of its *subsidiary undertakings*) by a *director* of the

listed company, its *parent undertaking* or any of its *subsidiary undertakings*; or

- (2) grant of an option or other right to a *director* of the *listed company*, its *parent undertaking*, or any of its *subsidiary undertakings* to acquire (whether or not for consideration) any asset (including cash or new or existing *securities* of the *listed company* or any of its *subsidiary undertakings*); or
- (3) provision of a gift or loan to the trustees of an employee benefit trust to finance the provision of assets as referred to in (1) or (2);

in accordance with the terms of an *employees' share scheme* or a *long-term incentive scheme*.

Credit

- 4 A grant of credit (including the lending of money or the guaranteeing of a loan):
 - (1) to the *related party* on normal commercial terms;
 - (2) to a *director* for an amount and on terms no more favourable than those offered to employees of the group generally; or
 - (3) by the *related party* on normal commercial terms and on an unsecured basis.

Directors' indemnities

- 5 (1) A transaction that consists of:
 - (a) granting an indemnity to a *director* of the *listed company* (or any of its *subsidiary undertakings*) if the terms of the indemnity are in accordance with those specifically permitted to be given to a *director* under the Companies Act 1985; or
 - (b) maintaining a contract of insurance if the insurance is in accordance with that specifically permitted to be maintained for a *director* under that the Companies Act 1985 (whether for a *director* of the *listed company* or for a *director* of any of its *subsidiary undertakings*).
- (2) Paragraph (1) applies to a *listed company* that is not subject to the Companies Act 1985 if the terms of the indemnity or contract of insurance are in accordance with those that would be specifically permitted under that Act (if it applied).

Underwriting

- 6 (1) The underwriting by a *related party* of all or part of an issue of *securities* by the *listed company* (or any of its *subsidiary*

undertakings) if the consideration to be paid by the *listed company* (or any of its *subsidiary undertakings*) for the underwriting:

- (a) is no more than the usual commercial underwriting consideration; and
 - (b) is the same as that to be paid to the other underwriters (if any).
- (2) Paragraph (1) does not apply to the extent that a *related party* is underwriting *securities* which it is entitled to take up under an issue of *securities*.

Transactions not related to joint venture

7 A transaction or arrangement that:

- (1) is with a *person* who is only a *related party* because it is a *50/50 joint venture partner* or its *associate*; and
- (2) does not relate to the terms of the joint venture or to the assets or business of the joint venture.

Joint investment arrangements

- 8 (1) An arrangement where a *listed company*, or any of its *subsidiary undertakings*, and a *related party* each invests in, or provides finance to, another undertaking or asset if the following conditions are satisfied:
- (a) the amount invested, or provided, by the *related party* is not more than 25% of the amount invested, or provided, by the *listed company* or its *subsidiary undertaking* (as the case may be) and the *listed company* has advised the *FSA* in writing that this condition has been met; and
 - (b) an independent adviser acceptable to the *FSA* has provided a written opinion to the *FSA* stating that the terms and circumstances of the investment or provision of finance by the *listed company* or its *subsidiary undertakings* (as the case may be) are no less favourable than those applying to the investment or provision of finance by the *related party*.
- (2) The advice in paragraph (1)(a) and the opinion in paragraph (1)(b) must be provided before the investment is made or the finance is provided.

Insignificant subsidiary undertaking

- 9 (1) A transaction or arrangement where each of the conditions in paragraphs (2) to (6) (as far as applicable) is satisfied.
- (2) The party to the transaction or arrangement is only a *related party* because:

- (a) it is (or was within the 12 months before the date of the transaction or arrangement) a *substantial shareholder* or its *associate*; or
- (b) it is a *person* who is (or was within the 12 months before the date of the transaction or arrangement) a *director* or *shadow director* or his *associate*;

of a *subsidiary undertaking* or *subsidiary undertakings* of the *listed company* that has, or if there is more than one *subsidiary undertaking* that have in aggregate, contributed less than 10% of the profits of, and represented less than 10% of the assets of, the *listed company* for the relevant period.

- (3) The *subsidiary undertaking* or each of the *subsidiary undertakings* (as the case may be) have been in the *listed company's* group for 1 year or more.
- (4) In paragraph (2), "relevant period" means:
 - (a) if the *subsidiary undertaking* or each of the *subsidiary undertakings* (as the case may be) have been part of the *listed company's* group for more than 1 year but less than 3 years, each of the financial years before the date of the transaction or arrangement for which accounts have been published; and
 - (b) if the *subsidiary undertaking* or any of the *subsidiary undertakings* (as the case may be) have been part of the *listed company's* group for 3 years or more, each of the 3 financial years before the date of the transaction or arrangement for which accounts have been published.
- (5) If the *subsidiary undertaking* or any of the *subsidiary undertakings* (as the case may be) are themselves party to the transaction or arrangement or if *securities* in the *subsidiary undertaking* or any of the *subsidiary undertakings* or their assets are the subject of the transaction or arrangement, then the ratio of consideration to market capitalisation of the *listed company* is less than 10%.
- (6) In this *rule*, the figures to be used to calculate profits, assets and consideration to market capitalisation are the same as those used to classify profits, assets and consideration to market capitalisation in *LR 10 Ann 1* (as modified or added to by *LR 10.7* where applicable).

Insignificant joint ventures

- 10 (1) A transaction or arrangement where each of the conditions in paragraphs (2) to (6) (as far as applicable) are satisfied.
- (2) The transaction or arrangement is with a *person* who is only a *related party* because it is a *50/50 joint venture partner* or its *associate*.
- (3) 100% of the assets and profits of the relevant joint venture, or if

there is more than one joint venture the relevant joint ventures, are equal to less than 10% of the profits of, and less than 10% of the assets of, the *listed company* for the relevant period.

- (4) The joint venture or each of the joint ventures (as the case may be) have been in existence for one year or more.
- (5) In paragraph (3), "relevant period" means:
 - (a) if the joint venture or each of the joint ventures (as the case may be) have been in existence for more than one year but less than three years, each of the financial years before the date of the transaction or arrangement for which accounts have been published; and
 - (b) if the joint venture or any of the joint ventures (as the case may be) have been in existence for three years or more, each of the three financial years before the date of the transaction or arrangement for which accounts have been published.
- (6) The ratio of consideration to market capitalisation of the *listed company* is less than 10%.
- (7) In this *rule*:
 - (a) a reference to the period of existence of a joint venture is a reference to the period since the agreement for the joint venture was first executed; and
 - (b) the figures to be used to calculate profits, assets and consideration to market capitalisation are the same as those used to classify profits, assets and consideration to market capitalisation for the purposes of *LR 10 Ann 1* (as modified or added to by *LR 10.7* where applicable).

12 Dealing in own securities and treasury shares

12.1 Application

Application

12.1.1 R This chapter applies to a *company* that has a *primary listing* of *equity securities* or *preference shares*.

12.1.2 R This chapter contains *rules* applicable to a *listed company* that:

- (1) purchases its own *equity shares*; or
- (2) purchases its own *securities* other than *equity shares*; or
- (3) sells or transfers *treasury shares*; or
- (4) purchases or redeems its own *securities* during a *prohibited period*; or
- (5) purchases its own *securities* from a *related party*.

Exceptions

12.1.3 R *LR 12.2* to *LR 12.5* do not apply to a transaction entered into:

- (1) in the ordinary course of business by a securities dealing business; or
- (2) on behalf of third parties either by the *company* or any member of its *group*;

if the *listed company* has established and maintains effective *Chinese walls* between those responsible for any decision relating to the transaction and those in possession of *inside information* relating to the *listed company*.

12.2 Prohibition on purchase of own securities

12.2.1 R A *listed company* must not purchase or redeem (or make any early redemptions of) its own *securities* and must ensure that no purchases in its *securities* are effected on its behalf or by any member of its *group* during a *prohibited period* unless:

- (1) the *company* has in place a buy-back programme where the dates and quantities of *securities* to be traded during the relevant period are fixed and have been disclosed in a notification made in accordance with *LR 12.4.4R*; or

- (2) the *company* has in place a buy-back programme managed by an independent third party which makes its trading decisions in relation to the *company's securities* independently of, and uninfluenced by, the *company*; or
- (3) the *company* is purchasing or redeeming *securities* other than *shares* or *securities* whose price or value would be likely to be significantly affected by the publication of the information giving rise to the *prohibited period*; or
- (4) the *company* is redeeming *securities* (other than *equity shares*) which, at the time of issue, set out:
 - (a) the date of redemption;
 - (b) the number of *securities* to be redeemed or the formula used to determine that number; and
 - (c) the redemption price or the formula used to determine the price.

12.3 Purchase from a related party

12.3.1 R Where a purchase by a *listed company* of its own *equity securities* or *preference shares* is to be made from a *related party*, whether directly or through intermediaries, LR 11 (Related party transactions) must be complied with unless:

- (1) a *tender offer* is made to all holders of the *class* of *securities*; or
- (2) in the case of a market purchase pursuant to a general authority granted by shareholders, it is made without prior understanding, arrangement or agreement between the *listed company* and any *related party*.

12.4 Purchase of own equity shares

Purchases of less than 15%

12.4.1 R Unless a *tender offer* is made to all holders of the *class*, purchases by a *listed company* of less than 15% of any *class* of its *equity shares* (excluding *treasury shares*) pursuant to a general authority granted by shareholders, may only be made if the price to be paid is not more than the higher of:

- (1) 5% above the average market value of the *company's equity shares* for the 5 *business days* prior to the day the purchase is made; and
- (2) that stipulated by Article 5(1) of the *Buy-back and Stabilisation Regulation*. [Note: This Article is reproduced at MAR 1 Ann 1]

Purchases of 15% or more

- 12.4.2 R Purchases by a *listed company* of 15% or more of any *class* of its *equity shares* (excluding *treasury shares*) must be by way of a *tender offer* to all shareholders of that *class*.
- 12.4.3 G Where a series of purchases are made pursuant to a general authority granted by shareholders, which in aggregate amount to 15% or more of the number of *equity shares* of the relevant *class* in issue immediately following the shareholders meeting at which the general authority to purchase was granted, a *tender offer* need only be made in respect of any purchase that takes the aggregate to or above that level. Purchases that have been specifically approved by shareholders are not to be taken into account in determining whether the 15% level has been reached.

Notification prior to purchase

- 12.4.4 R (1) Any decision by the board to submit to shareholders a proposal for the *listed company* to be authorised to purchase its own *equity shares* must be notified to a *RIS* as soon as possible.
- (2) A notification required by paragraph (1) must set out whether the proposal relates to:
- (a) specific purchases and if so, the names of the *persons* from whom the purchases are to be made; or
 - (b) a general authorisation to make purchases.
- (3) The requirement set out in paragraph (1) does not apply to a decision by the board to submit to shareholders a proposal to renew an existing authority to purchase own *equity shares*.
- 12.4.5 R A *listed company* must notify a *RIS* as soon as possible of the outcome of the shareholders' meeting to decide the proposal described in LR 12.4.4R

Notification of purchases

- 12.4.6 R Any purchase of a *listed company's* own *equity shares* by or on behalf of the *company* or any other member of its *group* must be notified to a *RIS* as soon as possible, and in any event by no later than 7.30 a.m. on the *business day* following the calendar *day* on which the purchase occurred. The notification must include:
- (1) the date of purchase;

- (2) the number of *equity shares* purchased;
- (3) the purchase price for each of the highest and lowest price paid, where relevant;
- (4) the number of *equity shares* purchased for cancellation and the number of *equity shares* purchased to be held as *treasury shares*; and
- (5) where *equity shares* were purchased to be held as *treasury shares*, a statement of:
 - (a) the total number of *treasury shares* of each *class* held by the *company* following the purchase and non-cancellation of such *equity shares*; and
 - (b) the number of *equity shares* of each *class* that the *company* has in issue less the total number of *treasury shares* of each *class* held by the *company* following the purchase and non-cancellation of such *equity shares*.

Consent of other classes

- 12.4.7 R Unless *LR 12.4.8R* applies, a *company* with *listed securities* convertible into, or exchangeable for, or carrying a right to subscribe for *equity shares* of the *class* proposed to be purchased must (prior to entering into any agreement to purchase such *shares*):
- (1) convene a separate meeting of the holders of those *securities*; and
 - (2) obtain their approval for the proposed purchase of *equity shares* by an extraordinary resolution.
- 12.4.8 R *LR 12.4.7R* does not apply if the trust deed or terms of issue of the relevant *securities* authorise the *listed company* to purchase its own *equity shares*.
- 12.4.9 R A *circular* convening a meeting required by *LR 12.4.7R* must include (in addition to the information in *LR 13* (Contents of circulars)):
- (1) a statement of the effect of the conversion on the expectations of holders in terms of attributable assets and earnings, on the basis that the *company* exercises the authority to purchase its *equity shares* in full at the maximum price allowed (where the price is to be determined by reference to a future market price the calculation must be made on the basis of market prices prevailing immediately prior to the publication of the *circular* and that basis must be disclosed); and
 - (2) any adjustments to the rights of the holders which the *company* may propose (in such a case, the information required under paragraph (1) must be restated on the revised basis).

Other similar transactions

- 12.4.10 G A *listed company* intending to enter into a transaction that would have an effect on the *company* similar to that of a purchase of own *equity shares* should consult with the *FSA* to discuss the application of *LR 12.4*.

12.5 Purchase of own securities other than equity shares

- 12.5.1 R Where a *listed company* intends to purchase any of its *equity securities* (other than *equity shares*) or *preference shares* it must:
- (1) ensure that no dealings in the relevant *securities* are carried out by or on behalf of the *company* or any member of its *group* until the proposal has either been notified to a *RIS* or abandoned; and
 - (2) notify a *RIS* of its decision to purchase unless the purchases will consist of individual transactions made in accordance with the terms of issue of the relevant *securities*.

Notification of purchases, early redemptions and cancellations

- 12.5.2 R Any purchases, early redemptions or cancellations of a *company's* own *listed equity securities* (other than *equity shares*) or *preference shares*, by or on behalf of the *company* or any other member of its *group* must be notified to a *RIS* when an aggregate of 10% of the initial amount of the relevant *class* of *securities* has been purchased, redeemed or cancelled, and for each 5% in aggregate of the initial amount of that *class* acquired thereafter.
- 12.5.3 R The notification required by *LR 12.5.2R* must be made as soon as possible and in any event no later than 7.30 a.m. on the *business day* following the calendar day on which the relevant threshold is reached or exceeded. The notification must state:
- (1) the amount of *securities* acquired, redeemed or cancelled since the last notification; and
 - (2) whether or not the *securities* are to be cancelled and the number of that *class* of *securities* that remain outstanding.
- 12.5.4 R Where a *listed company* purchases or makes an early redemption of *shares* other than *equity shares*, the notification required by *LR 12.5.2R* must include the matters set out in *LR 12.5.3R* and, in addition, the number of the *shares* purchased or redeemed early for cancellation and the number purchased to be held as *treasury shares*.

Period between purchase and notification

- 12.5.5 R In circumstances where the purchase is not being made pursuant to a *tender offer* and the purchase causes a relevant threshold in LR 12.5.2R to be reached or exceeded, no further purchases may be undertaken until after a notification has been made in accordance with LR 12.5.2R to LR 12.5.4R.

Convertible securities

- 12.5.6 R In the case of *securities* which are convertible into, exchangeable for, or carry a right to subscribe for *equity shares*, unless a *tender offer* is made to all holders of the *class*, purchases must not be made at a price higher than 5% above the average of the market values for the *securities* for the five *business days* immediately prior to the date of purchase.

Warrants and options

- 12.5.7 R Where, within a period of 12 months, a *listed company* purchases warrants or options over its own *equity shares* which, on exercise, convey the entitlement to *equity shares* representing 15% or more of the *company's* existing issued *shares* (excluding *treasury shares*), the *company* must send to its shareholders a *circular* containing the following information:
- (1) a statement of the *directors'* intentions regarding future purchases of the *company's* warrants and options;
 - (2) the number and terms of the warrants or options acquired and to be acquired and the method of acquisition;
 - (3) where warrants or options have been, or are to be, acquired from specific parties, a statement of the names of those parties and all material terms of the acquisition; and
 - (4) details of the prices to be paid.

12.6 Treasury shares

Prohibition on sales or transfers of treasury shares

- 12.6.1 R Subject to LR 12.6.2R, sales for cash, or transfers for the purposes of, or pursuant to, an *employees' share scheme*, of *treasury shares* must not be made during a *prohibited period*.

Exemptions

- 12.6.2 R LR 12.6.1R does not apply to sales or transfers by a *listed company* of *treasury shares* in the following circumstances:
- (1) transfers of *shares* arising out of the operation of an *employees' share scheme* into a saving scheme investing only in *securities* of the *company* following:
 - (a) exercise of an option under a savings related share option scheme; or
 - (b) release of *shares* from a share incentive plan;
 - (2) with the exception of a disposal of *securities* received by a *person discharging managerial responsibilities* as a participant, dealings in connection with an HM Revenue and Customs approved *employee share scheme*, or any other *employees' share scheme* under which participation is extended, on similar terms, to those contained in an HM Revenue and Customs approved "Save-as-you-earn" share option scheme, to all or most *employees* of the participating *companies* in that scheme;
 - (3) transfers of *securities* by the *company* to an independent trustee of an *employees' share scheme* to a beneficiary who is not a *person discharging managerial responsibilities*; and
 - (4) sales or transfers by the *company* of *treasury shares* (other than *equity shares*) of a *class* whose price or value would not be likely to be significantly affected by the publication of the information giving rise to the *prohibited period*.

Notification of capitalisation issues and of sales, transfers and cancellations of treasury shares

- 12.6.3 R If, by virtue of its holding *treasury shares*, a *listed company* is allotted *shares* as part of a capitalisation issue, the *company* must notify a *RIS* as soon as possible and in any event by no later than 7.30 a.m. on the *business day* following the calendar *day* on which allotment occurred of the following information:
- (1) the date of the allotment;

- (2) the number of *shares* allotted;
- (3) a statement as to what number of *shares* allotted have been cancelled and what number is being held as *treasury shares*; and
- (4) where *shares* allotted are being held as *treasury shares*, a statement of:
 - (a) the total number of *treasury shares* of each *class* held by the *company* following the allotment; and
 - (b) the number of *shares* of each *class* that the *company* has in issue less the total number of *treasury shares* of each *class* held by the *company* following the allotment.

12.6.4 R Any sale for cash, transfer for the purposes of or pursuant to an *employees' share scheme* or cancellation of *treasury shares* by a *listed company* must be notified to a *RIS* as soon as possible and in any event by no later than 7.30 a.m. on the *business day* following the calendar day on which the sale, transfer or cancellation occurred. The notification must include:

- (1) the date of the sale, transfer or cancellation;
- (2) the number of *shares* sold, transferred or cancelled;
- (3) the sale or transfer price for each of the highest and lowest prices paid, where relevant; and
- (4) a statement of:
 - (a) the total number of *treasury shares* of each *class* held by the *company* following the sale, transfer or cancellation; and
 - (b) the number of *shares* of each *class* that the *company* has in issue less the total number of *treasury shares* of each *class* held by the *company* following the sale, transfer or cancellation.

- 13 Contents of Circulars
- 13.1 Preliminary
- Application
- 13.1.1 R This chapter applies to a *company* that has a *primary listing of equity securities*.
- Listed company to ensure circulars comply with chapter
- 13.1.2 R A *listed company* must ensure that *circulars* it issues to holders of its *listed equity securities* comply with the requirements of this chapter.
- Incorporation by reference
- 13.1.3 R Information may be incorporated in a *circular* by reference to relevant information contained in:
- (1) a *prospectus* or *listing particulars*; or
- (2) any other published *document* that has been filed with the *FSA*.
- 13.1.4 R Information incorporated by reference must be the latest available to the *listed company*.
- 13.1.5 R Information required by *LR* 13.3.1R(1) and (2) must not be incorporated in the *circular* by reference to information contained in another document.
- 13.1.6 R When information is incorporated by reference, a cross reference list must be provided in the *circular* to enable *security* holders to identify easily specific items of information. The cross reference list must specify where the information can be accessed by *security holders*.
- 13.2 Approval of circulars
- Circulars to be approved
- 13.2.1 R A *listed company* must not circulate or publish a *circular* unless it has been approved by the *FSA*.
- Circulars not requiring approval
- 13.2.2 R A *circular* does not need to be approved under *LR* 13.2.1R if:
- (1) it is of a type referred to in *LR* 13.8 or only relates to a proposed change of name or, in any other case, the *FSA* has agreed that it does not need to be approved;

- (2) it complies with *LR* 13.3 and also, if it is a *circular* referred to in *LR* 13.8, any relevant requirements in that section; and
- (3) neither it, nor the transaction or matter to which it relates, has unusual features.

When circulars about purchase of own equity securities need approval

- 13.2.3 R (1) A *circular* relating to a resolution to give a *listed company* authority to purchase its own *equity securities* must be approved by the *FSA* under *LR* 13.2.1R if:
- (a) the purchase by the *company* of its own *securities* is to be made from a *related party* (whether directly or through intermediaries); or
 - (b) the exercise in full of the authority sought would result in the purchase of 25% or more of the *company's* issued *equity shares* (excluding *treasury shares*).
- (2) A *circular* referred to in paragraph (1)(a) does not need to be approved if:
- (a) a tender is made to all holders of the *class of securities* on the same terms; or
 - (b) for a market purchase under a general authority granted by shareholders, it is made without prior understanding, arrangement or agreement between the *company* and any *related party*.

Approval procedures

- 13.2.4 R The following documents (to the extent applicable) must be lodged with the *FSA* in final form before it will approve a *circular*:
- (1) a Sponsors Declaration for the Production of a Circular completed by the *sponsor*;
 - (2) for a *class 1 circular* or *related party circular*, a letter setting out any items of information required by this chapter that are not applicable in that particular case;
 - (3) the *sponsor's* Confirmation of Independence; and
 - (4) any other document that the *FSA* has sought in advance from the *listed company* or its *sponsor*.
- 13.2.5 R Two copies of the following documents in draft form must be submitted at least 10 clear *business days* before the date on which it is intended to publish the *circular*:

- (1) the *circular*; and
- (2) the letters and documents referred to in LR 13.2.4R(1) and (2).

- 13.2.6 R The *sponsor's* Confirmation of Independence in final form must be submitted at least 10 clear *business days* before the date on which it is intended to publish the *circular*.
- 13.2.7 R If a *circular* submitted for approval is amended, two copies of amended drafts must be resubmitted, marked to show changes made to conform with FSA comments and to indicate other changes.

Approval of circulars

- 13.2.8 G The FSA will approve a *circular* if it is satisfied that the requirements of this chapter are satisfied.
- 13.2.9 G The FSA will only approve a *circular* between 9 a.m. and 5.30 p.m. on a *business day* (unless alternative arrangements are made in advance).

Note: LR 9.6.1R requires a *company* to forward to the FSA two copies of all *circulars* issued (whether or not they require approval) for publication on the *document viewing facility*.

13.3 Contents of all circulars

Contents of all circulars

- 13.3.1 R Every *circular* sent by a *listed company* to holders of its *listed securities* must:
- (1) provide a clear and adequate explanation of its subject matter giving due prominence to its essential characteristics, benefits and risks;
 - (2) state why the *security* holder is being asked to vote or, if no vote is required, why the *circular* is being sent;
 - (3) if voting or other action is required, contain all information necessary to allow the *security* holders to make a properly informed decision;
 - (4) if voting or other action is required, contain a heading drawing attention to the document's importance and advising *security* holders who are in any doubt as to what action to take to consult appropriate independent advisers;
 - (5) if voting is required, contain a recommendation from the Board as to the voting action *security* holders should take for all resolutions proposed, indicating whether or not the proposal described in the *circular* is, in the Board's opinion, in the best interests of *security*

holders as a whole;

- (6) state that if all the *securities* have been sold or transferred by the addressee the *circular* and any other relevant documents should be passed to the *person* through whom the sale or transfer was effected for transmission to the purchaser or transferee;
- (7) if new *securities* are being issued in substitution for existing *securities*, explain what will happen to existing documents of title;
- (8) not include any reference to a specific date on which listed *securities* will be marked "ex" any benefit or entitlement which has not been agreed in advance with the *RIE* on which the *company's securities* are or are to be traded;
- (9) if it relates to a transaction in connection with which *securities* are proposed to be *listed*, include a statement that application has been or will be made for the *securities* to be *admitted* and, if known, a statement of the following matters:
 - (a) the dates on which the *securities* are expected to be *admitted* and on which dealings are expected to commence;
 - (b) how the new *securities* rank for dividend or interest;
 - (c) whether the new *securities* rank equally with any existing *listed securities*;
 - (d) the nature of the document of title;
 - (e) the proposed date of issue;
 - (f) the treatment of any fractions;
 - (g) whether or not the *security* may be held in uncertificated form; and
 - (h) the names of the *RIEs* on which *securities* are to be traded;
- (10) if a *person* is named in the *circular* as having advised the *listed company* or its *directors*, a statement that the adviser has given and has not withdrawn its written consent to the inclusion of the reference to the adviser's name in the form and context in which it is included; and
- (11) if the *circular* relates to cancelling *listing*, state whether it is the *company's* intention to apply to cancel the *securities' listing*.

13.3.2 R If another *rule* provides that a *circular* of a particular type must include specified information, then that information is (unless the contrary intention appears) in addition to the information required under this section.

13.4 Class 1 circulars

Class 1 circulars

13.4.1 R A *class 1 circular* must also include the following information:

- (1) the information given in the notification (see *LR 10.4.1R*);
- (2) the information required by *LR 13 Ann 1R*;
- (3) the information required by *LR 13.5* (if applicable); and
- (4) a declaration by its *directors* in the following form (with appropriate modifications):

"The directors of [the company], whose names appear on page [], accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.";

- (5) a statement of the effect of the acquisition or disposal on the *group's* earnings and assets and liabilities; and
- (6) if a statement or report attributed to a *person* as an expert is included in a *circular* (other than a statement or report incorporated by reference from a *prospectus* or *listing particulars*), a statement to the effect that the statement or report is included, in the form and context in which it is included, with the *person's* consent.

13.4.2 R If a *class 1 circular* contains a modified accountant's report, as described in *LR 13.5.25R*, the *class 1 circular* must set out:

- (1) whether the modification is significant to shareholders;
- (2) if the modification is significant to shareholders, the reason for its significance; and
- (3) a statement from the *directors* explaining why they are able to recommend the proposal set out in the *class 1 circular* notwithstanding the modified accountant's report.

Takeover offers

- 13.4.3 R (1) If a *class 1 circular* relates to a takeover offer which is recommended by the offeree's board and the *listed company* has had access to due diligence information on the offeree at the time the *class 1 circular* is published, the *listed company* must prepare and publish the working capital statement on the basis that the acquisition has taken place.
- (2) If a *class 1 circular* relates to a takeover offer which has not been recommended by the offeree's board or the *listed company* has not had access to due diligence information on the offeree at the time the *class 1 circular* is published, then the *listed company* must comply with paragraphs (3) to (6).
- (3) The *listed company* must prepare and publish the working capital statement on the *listed company* on the basis that the acquisition has not taken place. The working capital statement prepared on the basis that the acquisition has taken place must be updated and published and sent to shareholders within 28 days of the offer becoming or being declared wholly unconditional. The *circular* must state that the statements on a combined basis will be made available as soon as possible.
- (4) Other information on the offeree required by LR 13 Ann 1R should be disclosed in the *class 1 circular* on the basis of information published or made available by the offeree and of which the *listed company* is aware and is free to disclose.
- (5) If the takeover offer becomes unconditional, any change or addition to the information disclosed which is material in relation to the *listed company*, should be disclosed in a *circular* published (in the absence of exceptional circumstances) within 28 days after the offer becoming or being declared wholly unconditional.
- (6) If the takeover offer has been recommended but the *listed company* does not have access to due diligence information on the offeree, the *listed company* must disclose in the *class 1 circular* why access has not been given to that information.

Acquisition or disposal of property

- 13.4.4 R If a *class 1 transaction* relates to:
- (1) the acquisition or disposal of *property*; or
- (2) the acquisition of a *property company* that is not *listed*;
- the *class 1 circular* must include a *property valuation report*.
- 13.4.5 R If a *listed company* makes significant reference to the value of a *property* in a *class 1 circular*, the *class 1 circular* must include a *property valuation report*.

Acquisition or disposal of mineral resources

- 13.4.6 R If a *class 1 transaction* relates to an acquisition or disposal of *mineral resources* the *class 1 circular* must include:
- (1) a *mineral expert's report*; and
 - (2) a glossary of the technical terms used in the *mineral expert's report*.
- 13.4.7 G For a disposal, the *FSA* may modify the information requirements in *LR 13.4.6R* if the information would not provide significant additional information.

Acquisition of a scientific research based company or related assets

- 13.4.8 R If a *class 1 transaction* relates to the acquisition of a *scientific research based company* or related assets, the *class 1 circular* must contain an explanation of the transaction's impact on the acquirer's business plan and the information set out in paragraph 134 of the *CESR recommendations*.

13.5 Financial information in Class 1 Circulars

When financial information must be included in a class 1 circular

- 13.5.1 R Financial information, as set out in this section, must be included by a *listed company* in a *class 1 circular* if:
- (1) the *listed company* is seeking to acquire an interest in a *target* which will result in a consolidation of the *target's* assets and liabilities with those of the *listed company*; or
 - (2) the *listed company* is seeking to dispose of an interest in a *target* which will result in the assets and liabilities no longer being consolidated; or
 - (3) the *target* ("A") has itself acquired a *target* ("B") and:
 - (a) A acquired B within the three year reporting period set out in *LR 13.5.13R(1)* or after the date of the last published accounts; and
 - (b) the acquisition of B, at the date of its acquisition by A, would have been classified as a *class 1 acquisition* in relation to the *listed company* at the date of acquisition of A by the *listed company*.
- 13.5.2 G A *listed company* that is entering into a *class 1 transaction* which does not fall within *LR 13.5.1R* must include in a *class 1 circular* such financial information as the *FSA* may specify.
- 13.5.3 G *LR 13.5.1R* will not normally apply to a *property company* making an

acquisition or disposal of *property*.

Form of accounting information

- 13.5.4 R (1) A *listed company* must present all financial information that is disclosed in a *class 1 circular* in a form that is consistent with the accounting policies adopted in its own latest annual consolidated accounts.
- (2) The requirement set out in paragraph (1) does not apply to financial information presented in accordance with LR 13.5.36R.
- 13.5.5 G Accounting policies include accounting standards and accounting disclosures.

Source of information

- 13.5.6 R A *listed company* must cite the source of all financial information that it discloses in a *class 1 circular*.
- 13.5.7 G In complying with LR 13.5.6R a *listed company* should:
- (1) state whether the financial information was extracted from accounts, internal financial accounting records, internal management accounting records, an external or other source;
- (2) state whether financial information that was extracted from audited accounts was extracted without material adjustment; and
- (3) indicate which aspects of the financial information relate to:
- (a) historical financial information;
- (b) forecast or estimated financial information; or
- (c) pro forma financial information prepared in accordance with Annex 1 and Annex 2 of the *PD Regulation*;
- with reference made to where the basis of presentation can be found.
- 13.5.8 R If financial information has not been extracted directly from audited accounts, the *class 1 circular* must:
- (1) set out the basis and assumptions on which the financial information has been prepared; and
- (2) include a statement that the financial information is unaudited or not reported on by an accountant.
- 13.5.9 R A *listed company* must provide investors with all necessary information to understand the context and relevance of non-statutory figures, including a reconciliation to statutory equivalents.

Prominence of information

- 13.5.10 R A *listed company* must give audited historical financial information greater prominence in a *class 1 circular* than any forecast, estimated, pro forma or non-statutory financial information.

Summary of financial information

- 13.5.11 R A *listed company* that provides a summary of financial information in a *class 1 circular* must include in the *circular* a statement that investors should read the whole document and not rely solely on the summarised financial information.

Financial information table

- 13.5.12 R A *listed company* that is required by LR 13.5.1R to produce financial information in a *class 1 circular* must include in the *circular* a *financial information table*.

Financial information table: reporting period

- 13.5.13 R A *financial information table* must cover one of the following reporting periods:
- (1) a period of three years up to the end of the latest financial period for which the *target* or its parent has prepared audited accounts;
 - (2) a lesser period than the period set out in paragraph (1) if the *target's* business has been in existence for less than three years; or
 - (3) for a *class 1 disposal*, the period set out in LR 13.5.19R.

Financial information table: class 1 acquisitions

- 13.5.14 R A *listed company* must include, in a *financial information table*, financial information that covers:
- (1) the *target*; and
 - (2) the *target's subsidiary undertakings*, if any.
- 13.5.15 R A *listed company* must include in a separate *financial information table*, financial information that covers those undertakings which are to become the *target's subsidiary undertakings*, if applicable.
- 13.5.16 R (1) This rule applies if a *listed company* is seeking to acquire an interest in a *target* ("A") that has itself acquired a *target* ("B") and:
- (a) A acquired B within the three year reporting period set out in LR 13.5.13R(1) or after the date of the last published accounts; and

(b) the acquisition of B, at the date of its acquisition by A, would have been classified as a *class 1 acquisition* in relation to the *listed company* at the date of acquisition of A by the *listed company*.

(2) A *listed company* must include in a *financial information table* pre-acquisition financial information on B that covers the period from the commencement of the three year reporting period set out in LR 13.5.13R(1) up to the date of acquisition by A.

13.5.17 G If the *target* made a series of acquisitions that:

(1) are not caught individually by LR 13.5.16R; and

(2) were made during or subsequent to the reporting period set out in LR 13.5.13R(1) or (2);

the *FSA* may require additional financial information about those acquisitions to be included in the *financial information table*.

13.5.18 R A *listed company* must ensure that a *financial information table* includes, for each of the periods covered by the table:

(1) a balance sheet and its explanatory notes;

(2) an income statement and its explanatory notes;

(3) a cash flow statement and its explanatory notes;

(4) a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners;

(5) the accounting policies; and

(6) any additional explanatory notes.

Financial information table: class 1 disposal

13.5.19 R (1) In the case of a *class 1 disposal* a *financial information table* must include, for the *target*:

(a) the last audited consolidated balance sheet; and

(b) the audited consolidated income statements for the last three years;

if audited accounts have been prepared for the *target*.

- (2) If audited accounts have not been prepared for the *target*, the information required by paragraph (1) must be extracted from the consolidation schedules that underlie the *listed company's* audited consolidated accounts. The income statements must be drawn up to at least the level of profit or loss for the period.
- (3) If the *target* has not been owned by the *listed company* for the entire reporting period set out in paragraph (1)(b), the information required by paragraph (1) may be extracted from the *target's* accounting records.

13.5.20 G If a dispensation of LR 13.5.19R has been granted because it is not possible to provide a meaningful allocation of costs, such as interest and tax, the *class 1 circular* should contain a statement to this effect.

Financial information table: accountant's opinion

13.5.21 R A *financial information table* must be accompanied by an accountant's opinion unless LR 13.5.27R, LR 13.5.28R or LR 13.5.29G applies.

13.5.22 R An accountant's opinion must set out:

- (1) whether, for the purposes of the *class 1 circular*, the *financial information table* gives a true and fair view of the financial matters set out in it; and
- (2) whether the *financial information table* has been prepared in a form that is consistent with the accounting policies adopted in the *listed company's* latest annual accounts.

13.5.23 R An accountant's opinion must be given by an independent accountant who is qualified to act as an auditor.

13.5.24 G An accountant will be independent if he or she complies with the standards and guidelines on independence issued by its national accountancy and auditing bodies.

13.5.25 R If an accountant's report, which contains the accountant's opinion required by LR 13.5.21R, is modified details of all material matters must be set out in the *class 1 circular*, including:

- (1) all the reasons for the modification; and
- (2) a quantification of the effects, if both relevant and practicable.

13.5.26 R If the accounts of a *target* that falls within LR 13.5.14R to LR 13.5.16R contain a *modified auditor's report*, details of the material matters giving rise to the modification must be set out in the *class 1 circular*.

Accountant's opinion: acquisitions of publicly traded companies

- 13.5.27 R (1) This *rule* applies if the *target* is:
- (a) *admitted to trading*; or
 - (b) a *company* whose *securities* are listed on an *overseas investment exchange* or admitted to trading on an *overseas regulated market*;
- and a material adjustment needs to be made to the *target's* financial statements to achieve consistency with the *listed company's* accounting policies.
- (2) A *listed company* must include the following in the *class 1 circular*:
- (a) a reconciliation of financial information on the *target*, for all periods covered by the *financial information table*, on the basis of the *listed company's* accounting policies;
 - (b) an accountant's opinion that sets out:
 - (i) whether the reconciliation of financial information in the *financial information table* has been properly compiled on the basis stated; and
 - (ii) whether the adjustments are appropriate for the purpose of presenting the financial information (as adjusted) on a basis consistent in all material respects with the *listed company's* accounting policies.

When an accountant's opinion is not required

- 13.5.28 R An accountant's opinion is not required if the *target* is:
- (1) *admitted to trading*; or
 - (2) a *company* whose *securities* are listed on an *overseas investment exchange* or admitted to trading on an *overseas regulated market*;
- and no material adjustment needs to be made to the *target's* financial statements to achieve consistency with the *listed company's* accounting policies.

- 13.5.29 G In the case of a *class 1 disposal* a *listed company* is not required to include an accountant's opinion with the *financial information table*.

Half-yearly and quarterly financial information

- 13.5.30 R If the *target* of an acquisition has published half-yearly or quarterly financial information subsequent to the period set out in *LR 13.5.13R(1)* or (2), such financial information must be:

- (1) reproduced in the *class 1 circular*; and
- (2) reconciled in accordance with LR 13.5.27R(2), if applicable.

Pro forma financial information

- 13.5.31 R If a *listed company* includes pro forma financial information in a *class 1 circular* it must comply with the requirements for pro forma financial information set out in the *PD Regulation*.

Profit forecasts and profit estimates

- 13.5.32 R If a *listed company* includes a *profit forecast* or a *profit estimate* in a *class 1 circular* it must:

- (1) comply with the requirements for a *profit forecast* or *profit estimate* set out in Annex 1 of the *PD Regulation* except that a *listed company* does not need to include a report on the forecast or estimate from an accountant in the *class 1 circular*; and
- (2) include a statement confirming that the *profit forecast* or *profit estimate* has been properly compiled on the basis of assumptions stated and that the basis of accounting is consistent with the accounting policies of the *listed company*.

- 13.5.33 R If, prior to the *class 1 transaction*, a *profit forecast* or *profit estimate* was published that:

- (1) relates to the *listed company*, a significant part of the *listed company's group*, or the *target*; and
- (2) is still outstanding;

the *listed company* must include that *profit forecast* or *profit estimate* in the *class 1 circular* or include an explanation of why the *profit forecast* or *profit estimate* is no longer valid.

- 13.5.34 G A *listed company* should consider LR 9.2.18R regarding information that must be published after a *class 1 transaction*.

- 13.5.35 G LR 13.5.32R and LR 13.5.33R do not apply to *class 1 disposals*.

Subsequent publication of unaudited financial information

- 13.5.36 R (1) A *listed company* that publishes unaudited financial information in a *class 1 circular* must:
- (a) reproduce that financial information in its next annual report and accounts;
 - (b) produce and disclose in the annual report and accounts the actual figures for the same period covered by the information

reproduced under paragraph (a); and

- (c) provide an explanation of the difference, if there is a difference of 10% or more between the figures required by paragraph (b) and those reproduced under paragraph (a).
- (2) Paragraph (1) does not apply to:
- (a) pro forma financial information prepared in accordance with Annex 1 and Annex 2 of the *PD Regulation*; or
 - (b) any preliminary statements of annual results or half-yearly or quarterly reports that are reproduced in the *class 1 circular*; or
 - (c) any additional analysis of financial information that is set out in a *financial information table*.

13.6 Related party circulars

Related party circulars

13.6.1 R A *related party circular* must also include:

- (1) in all cases the following information referred to in the *PD Regulations* relating to the *company*:

Paragraph of Annex 1 of the *PD Regulations*:

- (a) Annex 1 item 5.1.1 – Issuer name;
 - (b) Annex 1 item 5.1.4 – Issuer address;
 - (c) Annex 1 item 18.1 – Major shareholders;
 - (d) Annex 1 item 20.9 – Significant changes;
 - (e) Annex 1 item 22 – Material contracts (if it is information which shareholders of the *company* would reasonably require to make a properly informed assessment of how to vote);
 - (f) Annex 1 item 24 – Documents on display;
- (2) for a transaction or arrangement where the *related party* is (or was within the 12 months before the transaction or arrangement), a *director* or *shadow director*, or an *associate* of a *director* or *shadow director*, of the *company* (or of any other *company* which is its *subsidiary undertaking* or *parent undertaking* or a fellow *subsidiary undertaking*) the following information referred to in the *PD Regulations* relating to that *director*:

Paragraph of Annex 1 of the *PD Regulations*:

- (a) Annex 1 item 16.2 – Service contracts;
 - (b) Annex 1 item 17.2 – Directors' interests in shares;
 - (c) Annex 1 item 19 – Related party transactions;
- (3) full particulars of the transaction or arrangement, including the name of the *related party* concerned and of the nature and extent of the interest of the party in the transaction or arrangement and also a statement that the reason the *security* holder is being asked to vote on the transaction or arrangement is because it is with a *related party*;
 - (4) for an acquisition or disposal of an asset where any *percentage ratio* is 25% or more and for which appropriate financial information is not available, an independent valuation;
 - (5) a statement by the board that the transaction or arrangement is fair and reasonable as far as the *security* holders of the *company* are concerned and that the *directors* have been so advised by an independent adviser acceptable to the *FSA*;
 - (6) if applicable, a statement that the *related party* will not vote on the relevant resolution, and that the *related party* has undertaken to take all reasonable steps to ensure that its *associates* will not vote on the relevant resolution, at the meeting;
 - (7) for a transaction where any *percentage ratio* is 25% or more, the information required to be included in a *class 1 circular*;
 - (8) if *LR 11.1.11R* (Aggregation of transactions) applies, details of each of the transactions or arrangements being aggregated; and
 - (9) if a statement or report attributed to a *person* as an expert is included in a *circular* (other than a statement or report incorporated by reference from a *prospectus* or *listing particulars*), a statement that it is included, in the form and context in which it is included, with the consent of that *person*.

13.6.2 R For the purposes of the statement by the board referred to in *LR 13.6.1R(5)*:

- (1) any *director* who is, or an *associate* of whom is, the *related party*, or who is a *director* of the *related party* should not have taken part in the board's consideration of the matter; and
- (2) the statement should specify that such persons have not taken part in the board's consideration of the matter.

13.6.3 G For the purpose of advising the *directors* under *LR 13.6.1R(5)*, an independent adviser may take into account but not rely on commercial

assessments of the *directors*.

13.7 Circulars about purchase of own equity securities

Purchase of own equity securities

- 13.7.1 R (1) A *circular* relating to a resolution proposing to give the *company* authority to purchase its own *equity securities* must also include:
- (a) if the authority sought is a general one, a statement of the *directors'* intentions about using the authority;
 - (b) if known, the method by which the *company* intends to acquire its *equity shares* and the number to be acquired in that way;
 - (c) a statement of whether the *company* intends to cancel the *equity shares* or hold them in treasury;
 - (d) if the authority sought related to a proposal to purchase from specific parties, a statement of the names of the persons from whom *equity shares* are to be acquired together with all material terms of the proposal;
 - (e) details about the price, or the maximum and minimum price, to be paid; and
 - (f) the total number of warrants and options to subscribe for *equity shares* that are outstanding at the latest practicable date before the *circular* is published and both the proportion of issued share capital (excluding *treasury shares*) that they represent at that time and will represent if the full authority to buyback *shares* (existing and being sought) is used.
- (2) If the exercise in full of the authority sought would result in the purchase of 25% or more of the *company's* issued *equity shares* (excluding *treasury shares*) the *circular* must also include the following information referred to the *PD Regulations*:
- (a) Annex 1 item 4 – Risk factors;
 - (b) Annex 1 item 12 – Trend information;
 - (c) Annex 1 item 17.2 – Director's interests in shares;
 - (d) Annex 1 item 18.1 – Major interests in shares;
 - (e) Annex 1 item 20.9 – Significant changes;
 - (f) Annex 3 item 3.1 – Working capital (this must be based on the assumption that the authority sought will be used in full

at the maximum price allowed and this assumption must be stated).

13.8 Other circulars

Authority to allot shares

13.8.1 R A *circular* relating to a resolution proposing to grant the *directors'* authority to allot *relevant securities* must include:

- (1) a statement of the maximum amount of *relevant securities* which the *directors* will have authority to allot and the percentage which that amount represents of the total ordinary share capital in issue (excluding *treasury shares*) as at the latest practicable date before publication of the *circular*;
- (2) a statement of the number of *treasury shares* held by the *company* as at the date of the *circular* and the percentage which that amount represents of the total ordinary share capital in issue (excluding *treasury shares*) as at the latest practicable date before publication of the *circular*;
- (3) a statement by the *directors* as to whether they have any present intention of exercising the authority, and if so for what purpose; and
- (4) a statement as to when the authority will lapse.

Disapplying pre-emption rights

13.8.2 R A *circular* relating to a resolution proposing to disapply the statutory pre-emption rights under section 89 of the Companies Act 1985 (Offers to shareholders to be on pre-emptive basis) must include:

- (1) a statement of the maximum amount of *equity securities* which the disapplication will cover; and
- (2) if there is a general disapplication for *equity securities* for cash made otherwise than to existing shareholders in proportion to their existing holdings, the percentage which the amount generally disappplied represents of the total ordinary share capital in issue as at the latest practicable date before publication of the *circular*.

Increase in authorised share capital

13.8.3 R A *circular* relating to a resolution proposing to increase the *company's* authorised share capital must include:

- (1) a statement of the proposed percentage increase in the authorised share capital of the relevant class; and

- (2) a statement of the reason for the increase.

Reduction of capital

- 13.8.4 R A *circular* relating to a resolution proposing to reduce the *company's* capital must include a statement of the reasons for, and the effects of, the proposal.

Capitalisation or bonus issue

- 13.8.5 R (1) A *circular* relating to a resolution proposing a capitalisation or bonus issue must include:
- (a) the reason for the issue;
 - (b) a statement of the last date on which transfers were or will be accepted for registration to participate in the issue;
 - (c) details of the proportional entitlement; and
 - (d) a description of the nature and amount of reserves which are to be capitalised.
- (2) Any timetable set out in the *circular* must have been approved by the *RIE* on which the *company's equity securities* are traded.

Scrip dividend alternative

- 13.8.6 R (1) A *circular* containing an offer to shareholders of the right to elect to receive *shares* instead of all or part of a cash dividend must include:
- (a) a statement of the total number of *shares* that would be issued if all eligible shareholders were to elect to receive *shares* for their entire shareholdings, and the percentage which that number represents of the *equity shares* (excluding *treasury shares*) in issue at the date of the *circular*;
 - (b) in a prominent position, details of the equivalent cash dividend foregone to obtain each *share* or the basis of the calculation of the number of *shares* to be offered instead of cash;
 - (c) a statement of the total cash dividend payable and applicable tax credit on the basis that no elections for the scrip dividend alternative are received;
 - (d) a statement of the date for ascertaining the *share* price used as a basis for calculating the allocation of *shares*;
 - (e) details of the proportional entitlement;
 - (f) details of what is to happen to fractional entitlements;

- (g) the record date; and
 - (h) a form of election relating to the scrip dividend alternative which:
 - (i) is worded so as to ensure that shareholders must elect positively in order to receive shares instead of cash; and
 - (ii) includes a statement that the right is non-transferable.
- (2) Any timetable set out in the *circular* must have been approved by the *RIE* on which the *company's equity securities* are traded.

Scrip dividend mandate schemes/dividend reinvestment plans

- 13.8.7 R (1) A *circular* relating to any proposal where shareholders are entitled to complete a mandate in order to receive *shares* instead of future cash dividends must include:
- (a) the information in *LR 13.7.6R(2)(d)* and (f);
 - (b) the basis of the calculation of the number of *shares* to be offered instead of cash;
 - (c) a statement of last date for lodging notice of participation or cancellation in order for that instruction to be valid for the next dividend;
 - (d) details of when adjustment to the number of *shares* subject to the mandate will take place;
 - (e) details of when cancellation of a mandate instruction will take place;
 - (f) a statement of whether or not the mandate instruction must be in respect of a shareholder's entire holding;
 - (g) the procedure for notifying shareholders of the details of each scrip dividend; and
 - (h) a statement of the circumstances, if known, under which the *directors* may decide not to offer a scrip alternative in respect of any dividend.
- (2) The timetable in the *circular* for each scrip alternative covered by a scrip dividend mandate plan must have been approved by the *RIE* on which the *company's equity securities* are traded.

Notices of meetings

- 13.8.8 R (1) When holders of *listed equity securities* are sent a notice of meeting

which includes any business, other than ordinary business at an annual general meeting, an explanatory *circular* must accompany the notice. If the other business is to be considered at or on the same day as an annual general meeting, the explanation may be incorporated in the *directors'* report.

- (2) A *circular* or other document convening an annual general meeting at which only ordinary business is to be conducted and, if applicable, any other matter covered by this section is to be considered or proposed, need not be submitted to the *FSA* for prior approval if, for the other matter to be considered or proposed, the *circular* or other document complies with the relevant provisions of this section.
- (3) A *circular* or other document convening an annual general meeting where only ordinary business is proposed does not need to comply with *LR* 13.3.1R(3), (4) and (5).

- 13.8.9 G A *circular* or other document convening an annual general meeting where special business is proposed will need to comply with all of *LR* 13.3.1R (including paragraphs (3), (4) and (5) in respect of special business).

Amendments to constitution

- 13.8.10 R A *circular* to shareholders about proposed amendments to the *constitution* must include:
- (1) an explanation of the effect of the proposed amendments; and
 - (2) either the full terms of the proposed amendments, or a statement that the full terms will be available for inspection:
 - (a) from the date of sending the *circular* until the close of the relevant general meeting at a place in or near the City of London or such other place as the *FSA* may determine; and
 - (b) at the place of the general meeting for at least 15 minutes before and during the meeting.

Employees' share scheme etc

- 13.8.11 R A *circular* to shareholders about the approval of an *employees' share scheme* or *long-term incentive scheme* must:
- (1) include either the full text of the scheme or a description of its principal terms;
 - (2) include, if *directors* of the *listed company* are trustees of the scheme, or have a direct or indirect interest in the trustees, details of the trusteeship or interest;
 - (3) state that the provisions (if any) relating to:

- (a) the persons to whom, or for whom, *securities*, cash or other benefits are provided under the scheme (the "participants");
- (b) limitations on the number or amount of the *securities*, cash or other benefits subject to the scheme;
- (c) the maximum entitlement for any one participant; and
- (d) the basis for determining a participant's entitlement to, and the terms of, *securities*, cash or other benefit to be provided and for the adjustment thereof (if any) if there is a capitalisation issue, *rights issue* or *open offer*, sub-division or consolidation of *shares* or reduction of capital or any other variation of capital;

cannot be altered to the advantage of participants without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the scheme or for the *company* operating the scheme or for members of its group);

- (4) state whether benefits under the scheme will be pensionable and, if so, the reasons for this; and
- (5) if the scheme is not circulated to shareholders, include a statement that it will be available for inspection:
 - (a) from the date of sending the *circular* until the close of the relevant general meeting at a place in or near the City of London or such other place the *FSA* may determine; and
 - (b) at the place of the general meeting for at least 15 minutes before and during the meeting.

13.8.12 R The resolution contained in the notice of meeting accompanying the *circular* must refer either to:

- (1) the scheme itself (if circulated to shareholders); or
- (2) the summary of its principal terms included in the *circular*.

13.8.13 R The resolution approving the adoption of an *employees' share scheme* or *long-term incentive scheme* may authorise the *directors* to establish further schemes based on any scheme which has previously been approved by shareholders but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any *shares* made available under such further schemes are treated as counting against any limits on individual or overall participation in the main scheme.

Amendments to employees' share scheme etc

- 13.8.14 R A *circular* to shareholders about proposed amendments to an *employees' share scheme* or a *long-term incentive scheme* must include:
- (1) an explanation of the effect of the proposed amendments; and
 - (2) the full terms of the proposed amendments, or a statement that the full text of the scheme as amended will be available for inspection.

Discounted option arrangements

- 13.8.15 R If shareholders' approval is required by LR 9.4.4R, the *circular* to shareholders must include the following information:
- (1) details of the persons to whom the *options, warrants* or rights are to be granted; and
 - (2) a summary of the principal terms of the *options, warrants* or rights.

Reminders of conversion rights

- 13.8.16 R (1) A *circular* to holders of *listed securities* convertible into *shares* reminding them of the times when conversion rights are exercisable must include:
- (a) the date of the last day for lodging conversion forms and the date of the expected sending of the certificates;
 - (b) a statement of the market values for the *securities* on the first dealing day in each of the six months before the date of the *circular* and on the latest practicable date before sending the *circular*;
 - (c) the basis of conversion in the form of a table setting out capital and income comparisons;
 - (d) a brief explanation of the tax implications of conversion for holders resident for tax purposes in the *United Kingdom*;
 - (e) if there is a trustee, or other representative, of the *securities* holders to be redeemed, a statement that the trustee, or other representative, has given its consent to the issue of the *circular* or stated that it has no objection to the resolution being put to a meeting of the *securities* holders;
 - (f) reference to future opportunities to convert and whether the terms of conversion will be the same as or will differ from those available at present, or, if there are no such opportunities, disclosure of that fact;
 - (g) reference to letters of indemnity, for example, if certificates

- have been lost;
- (h) if power exists to allot *shares* issued on conversion to another person, reference to forms of nomination; and
 - (i) a statement as to whether holders exercising their rights of conversion will retain the next interest payment due on the *securities*.
- (2) The *circular* must not contain specific advice as to whether or not to convert the *securities*.

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Class 1 circulars

The following table identifies (by reference to certain paragraphs of Annex 1 and Annex 3 of the *PD Regulations*) the additional information required to be included in a *class 1 circular* relating to the *listed company* and the undertaking the subject of the transaction.

Information	Listed Company	Undertaking subject of transaction
Annex 1 item 4 – Risk factors	*	*
Annex 1 item 5.1.1 – Company name	*	
Annex 1 item 5.1.4 – Company address	*	
Annex 1 item 12 – Trend information	*	*
Annex 1 item 16.2 – Service contracts	*	
Annex 1 item 17.2 – Director's interests in shares	*	
Annex 1 item 18.1 – Major interests in shares	*	
Annex 1 item 19 – Related party transactions	*	
Annex 1 item 20.8 – Litigation	*	*
Annex 1 item 20.9 – Significant changes	*	*
Annex 1 item 22 – Material contracts	*	*
Annex 1 item 24 – Documents on display	*	
Annex 3 item 3.1 – Working capital	*	*

1 The information required by this Annex must be presented as follows:

- (1) the information required by Annex 1 item 22 (material contracts), Annex 1 item 20.8 (litigation) and Annex 1 item 20.9 (significant change)
 - (a) for an acquisition, in separate statements for the *listed company* and its *subsidiary undertakings* and for the undertaking, business or assets to be acquired; or
 - (b) for a disposal, in separate statements for the *listed company* and its *subsidiary undertakings* (on the basis that the disposal has taken place), and for the undertaking, business or assets to be disposed of;
- (2) the information required by Annex 3 item 3.1 (working capital) and, if relevant Annex 1 item 12 (trend information):
 - (a) in the case of an acquisition, in a single statement for the *listed company* and its *subsidiary undertakings* (on the basis that the acquisition has taken place); or
 - (b) in the case of a disposal, in a single statement for the *listed company* and its *subsidiary undertakings* (on the basis that the disposal has taken place).

2 In determining what information is required to be included by virtue of Annex 1 item 22 (material contracts) if a *prospectus* or *listing particulars* are not required, regard should be had to whether information about that provision is information which *securities* holders of the *issuer* would reasonably require for the purpose of making a properly informed assessment about the way in which to exercise the voting rights attached to their *securities* or the way in which to take any other action required of them related to the subject matter of the *circular*.

3 The information required by this Annex is modified as follows:

- (1) if the *listed company* is issuing *shares* for which *listing* is sought, the information regarding major interests in *shares* (Annex 1 item 18.1) and *directors'* interests in *shares* (Annex 1 item 17.2) must be given for the share capital both as existing and as enlarged by the *shares* for which *listing* is sought;
- (2) information required by Annex 1 item 19 (related party transactions) and Annex 1 item 16.2 (directors' service contracts) does not need not be given if it has already been published before the *circular* is sent; and
- (3) information referred to in Annex 3 item 3.1 (Working capital) is not required to be included in a *class 1 circular* if the *listed company* is an investment entity referred to in LR 15.1.1R or a *venture capital trust*.

14 Secondary listing of overseas companies

14.1 Application

14.1.1 R This chapter applies to an *overseas company* with, or applying for, a *secondary listing of equity securities*.

14.2 Requirements for listing

14.2.1 R An *applicant* which is applying for a *secondary listing of equity securities* must comply with all of *LR 2* (Requirements for listing – all securities).

Shares in public hands

- 14.2.2 R
- (1) If an application is made for the *admission* of a *class* of *shares*, a sufficient number of *shares* of that *class* must, no later than the time of *admission*, be distributed to the public in one or more *EEA States*.
 - (2) For the purposes of paragraph (1), account may also be taken of holders in one or more states that are not *EEA States*, if the *shares* are listed in the state or states.
 - (3) For the purposes of paragraph (1), a sufficient number of *shares* will be taken to have been distributed to the public when 25% of the *shares* for which application for *admission* has been made are in public hands.
 - (4) For the purposes of paragraphs (1), (2) and (3), *shares* are not held in public hands if they are held, directly or indirectly by:
 - (a) a *director* of the *applicant* or of any of its *subsidiary undertakings*;
 - (b) a *person* connected with a *director* of the *applicant* or of any of its *subsidiary undertakings*;
 - (c) the trustees of any *employees' share scheme* or pension fund established for the benefit of any *directors* and *employees* of the *applicant* and its *subsidiary undertakings*;
 - (d) any *person* who under any agreement has a right to nominate a *person* to the board of *directors* of the *applicant*; or
 - (e) any *person* or *persons* in the same *group* who have an interest in 5% or more of the *shares* of the relevant class.
 - (5) For the purposes of paragraph (3), *treasury shares* are not to be taken into consideration when calculating the number of *shares* of the *class*.

[Note: Article 48 CARD]

- 14.2.3 G The *FSA* may modify *LR* 14.2.2R to accept a percentage lower than 25% if it considers that the market will operate properly with a lower percentage in view of the large number of *shares* of the same *class* and the extent of their distribution to the public. [Note: Article 48 CARD]

Shares of a non-EEA company

- 14.2.4 R The *FSA* will not *admit shares* of a *company* incorporated in a *non-EEA State* that are not listed either in its country of incorporation or in the country in which a majority of its *shares* are held, unless the *FSA* is satisfied that the absence of the listing is not due to the need to protect investors. [Note: Article 51 CARD]

Listing applications

- 14.2.5 G An *overseas issuer* applying for a *secondary listing* of *equity securities* will need to comply with *LR* 3 (Listing applications).
- 14.2.6 R An *overseas issuer* with a *secondary listing* of *equity securities* applying for a *primary listing* of its *securities* must:
- (1) comply with *LR* 3 as if it were a *new applicant*; and
 - (2) comply with *LR* 6 to *LR* 13.

14.3 Continuing obligations

Admission to trading

- 14.3.1 R The *listed equity securities* of an *overseas company* must be admitted to trading on an *RIE's* market for *listed securities* at all times.

Shares in public hands

- 14.3.2 R (1) An *overseas company* must comply with *LR* 14.2.2R at all times.
- (2) An *overseas company* that no longer complies with *LR* 14.2.2R must notify the *FSA* as soon as possible of its non-compliance.
- 14.3.3 G An *overseas company* should consider *LR* 5.2.2G(2) in relation to its compliance with *LR* 14.2.2R.

Further issues

- 14.3.4 R Where *equity securities* of the same *class* as *equity securities* that are *listed* are allotted, an application for *admission to listing* of such *equity securities* must be made as soon as possible and in any event within one year of the

allotment. [**Note:** Article 64 *CARD*]

Amendments to constitution

- 14.3.5 R An *overseas company* must lodge two copies of any proposed amendment to its *constitution* with the *FSA* by no later than when it sends the notice convening the meeting to decide on the amendment. [**Note:** Article 66 *CARD*]

Copies of documents

- 14.3.6 R An *overseas company* must forward to the *FSA*, for publication through the *document viewing facility*, two copies of:
- (1) all *circulars*, notices, reports or other documents to which the *listing rules* apply, at the same time as any such documents are issued; and
 - (2) all resolutions passed by the *company* other than resolutions concerning ordinary business at an annual general meeting, as soon as possible after the relevant general meeting.
- 14.3.7 R (1) An *overseas company* must notify a *RIS* as soon as possible when a document has been forwarded to the *FSA* under *LR* 14.3.6R unless the full text of the document is provided to the *RIS*.
- (2) A notification made under paragraph (1) must set out where copies of the relevant document can be obtained.

Contact details

- 14.3.8 R An *overseas company* must ensure that the *FSA* is provided with up to date contact details of appropriate *persons* nominated by it to act as the first point of contact with the *FSA* in relation to the *overseas company's* compliance with the *listing rules* and the *disclosure rules*, as applicable.

Temporary documents of title (including renounceable documents)

- 14.3.9 R An *overseas company* must ensure that any temporary document of title (other than one issued in global form) for an *equity security*:
- (1) is serially numbered;
 - (2) states where applicable:
 - (a) the name and address of the first holder and names of joint holders (if any);
 - (b) the pro rata entitlement;
 - (c) the last date on which transfers were or will be accepted for registration for participation in the issue;

- (d) how the *equity securities* rank for dividend or interest;
 - (e) the nature of the document of title and proposed date of issue;
 - (f) how fractions (if any) are to be treated; and
 - (g) for a *rights issue*, the time, being not less than 21 days, in which the offer may be accepted, and how *equity securities* not taken up will be dealt with; and
- (3) if renounceable:
- (a) states in a heading that the document is of value and negotiable;
 - (b) advises holders of *equity securities* who are in any doubt as to what action to take to consult appropriate independent advisers immediately;
 - (c) states that where all of the *equity securities* have been sold by the addressee (other than “ex rights” or “ex capitalisation”), the document should be passed to the person through whom the sale was effected for transmission to the purchaser;
 - (d) has the form of renunciation and the registration instructions printed on the back of, or attached to, the document;
 - (e) includes provision for splitting (without fee) and for split documents to be certified by an official of the *overseas company* or authorised agent;
 - (f) provides for the last day for renunciation to be the second *business day* after the last day for splitting; and
 - (g) if at the same time as an allotment is made of *shares* issued for cash, *shares* of the same *class* are also allotted credited as fully paid to vendors or others, provides for the period for renunciation to be the same as, but no longer than, that provided for in the case of *shares* issued for cash.

Definitive documents of title

- 14.3.10 R An *overseas company* must ensure that any definitive document of title for an *equity security* (other than a bearer *security*) includes the following matters on its face (or on the reverse in the case of (5) and (7)):
- (1) the authority under which the *overseas company* is constituted and the country of incorporation and registered number (if any);
 - (2) the number or amount of *equity securities* the certificate represents and, if applicable, the number and denomination of units (in the top

right-hand corner);

- (3) a footnote stating that no transfer of the *equity security* or any portion of it represented by the certificate can be registered without production of the certificate;
- (4) if applicable, the minimum amount and multiples thereof in which the *equity security* is transferable;
- (5) the date of the certificate;
- (6) for a fixed income *security*, the interest payable and the interest payment dates and on the reverse (with reference shown on the face) an easily legible summary of the rights as to redemption or repayment and (where applicable) conversion; and
- (7) for *shares* with preferential rights, on the face (or, if not practicable, on the reverse), a statement of the conditions thereof as to capital, dividends and (where applicable) conversion.

Disclosure rules

- 14.3.11 G An *overseas company*, whose *securities* are admitted to trading on a regulated market in the United Kingdom, should consider its obligations under the *disclosure rules*.

Equality of treatment

- 14.3.12 R An *overseas company* must ensure equality of treatment for all holders of its *equity securities* who are in the same position. [**Note:** Article 65(1) *CARD*]
- 14.3.13 G LR 14.3.12R includes the obligation to post all *circulars* to overseas holders.

Prescribed information to holders

- 14.3.14 R An *overseas company* must ensure that at least in each *EEA state* in which its *equity securities* are listed all the necessary facilities and information are available to enable holders to exercise their rights. In particular it must:
- (1) inform holders of meetings which they are entitled to attend;
 - (2) enable them to exercise their vote, where applicable; and
 - (3) publish notices or distribute circulars giving information on:
 - (a) the allocation and payment of dividends and/or interest
 - (b) the issue of new *equity securities*, including arrangements for the allotment, subscription, conversion or exchange of such *securities*; and
 - (c) redemption or repayment of the *equity securities*. [**Note:**

Article 65(2) CARD]

Registrar

- 14.3.15 R An *overseas company* must appoint a registrar in the *United Kingdom* if:
- (1) there are 200 or more holders resident in the *United Kingdom*; or
 - (2) 10% of more of the *equity securities* are held by *persons* resident in the *United Kingdom*.
- 14.3.16 G An *overseas company* is not required to comply with LR 14.3.15R if the *company* provides financial services and itself performs the functions of a registrar in the *United Kingdom*. [Note: Article 65(2) CARD]

Notifications relating to capital

- 14.3.17 R An *overseas company* must notify a *RIS* as soon as possible (unless otherwise indicated in this *rule*) of the following information relating to its capital:
- (1) any proposed change in its capital structure including the structure of its *listed debt securities*, save that an announcement of a new issue may be delayed while marketing or underwriting is in progress;
 - (2) any change in the rights attaching to any *class* of its *listed equity securities* or to any of its *securities* which are convertible into *equity shares*;
 - (3) any redemption of *listed equity securities* including details of the number of *equity securities* redeemed and the number of *equity securities* of that *class* outstanding following the redemption;
 - (4) the basis of *equity securities* offered:
 - (a) generally to the public for cash; or
 - (b) by way of an *open offer* to shareholders;
 - (5) any extension of time granted for the currency of temporary documents of title;
 - (6) the effect, if any, of any issue of further *securities* on the terms of exercise of rights under options, warrants and other *securities* convertible into *equity shares*; and
 - (7) the results of any new issue of *listed equity securities* or of a public offering of existing *shares* or other *equity securities*.

- 14.3.18 R Where the *equity securities* are subject to an underwriting agreement an *overseas company* may, at its discretion and subject to *DR 2* (Disclosure and control of inside information by issuers), delay notifying a *RIS* as required by *LR 14.3.17R(7)* for up to 2 *business days* until the obligation by the underwriter to take or procure others to take *equity securities* is finally determined or lapses. In the case of an issue or offer of *equity securities* which is not underwritten, notification of the result must be made as soon as it is known.

Notification of major interests in shares

- 14.3.19 R (1) An *overseas company* that is incorporated in a *non-EEA state* must notify a *RIS* of the information set out in paragraph (2) when it becomes aware that a *person* or entity has acquired or disposed of a number of *shares* in the *overseas company* such that the *person's* or entity's holding of the voting rights of the *company* (determined in accordance with Article 92 *CARD*) reaches, exceeds or falls below 10%, 20%, one third or 50% and two thirds of the total voting rights.
- (2) The information to be notified to a *RIS* is:
- (a) the proportion of voting rights held; and
 - (b) the date on which the *company* became aware of the acquisition or disposal. [**Note:** Article 68(3) *CARD*]
- 14.3.20 R The notification required by *LR 14.3.19R* must be made as soon as possible and in any event by 7.30 a.m. on the *business day* following the date on which the *company* becomes aware of the acquisition or disposal.
- 14.3.21 R An *overseas company* that is incorporated in an *EEA state* must notify a *RIS* as soon as possible and in any event by 7.30 a.m. on the *business day* following receipt of the information of details of the interests of which the *company* is aware in the *shares* of the *company* as communicated to the *company* pursuant to the law of its country of incorporation and (if different) the requirements of the competent authority of the *EEA state* where the *company* has a listing. [**Note:** Article 68(3) *CARD*]

14.4 Continuing obligations – financial information

Annual report and accounts

- 14.4.1 R (1) An *overseas company* must publish its annual report and accounts as soon as possible after they have been approved.
- (2) An *overseas company* must approve and publish its annual report and accounts within six months of the end of the financial period to which they relate.
- 14.4.2 R The annual report and accounts must:

- (1) have been prepared in accordance with the *overseas company's* national law and, in all material respects, with national accounting standards or *IAS*;
 - (2) have been independently audited and reported on, in accordance with
 - (a) the auditing standards applicable in an *EEA State*; or
 - (b) an equivalent auditing standard;
 - (3) be in consolidated form if the *overseas company* has *subsidiary undertakings*; and
 - (4) if they do not give a true and fair view of the state of affairs, profit or loss and cash flows of the *group*, provide more detailed and additional information. [**Note:** Article 67 *CARD*]
- 14.4.3 R An *overseas company* must publish both own accounts and consolidated accounts if the own accounts contain additional significant information. [**Note:** Article 67(2) *CARD*]
- 14.4.4 R The annual report and accounts must:
- (1) include particulars of the interest of each *director* and major shareholder in the *overseas company's equity share capital*;
 - (2) include the information necessary to enable holders of the *overseas company's equity securities* resident in the *United Kingdom* to obtain any relief from *United Kingdom* taxation to which they are entitled in respect of their holdings;
 - (3) have attached the auditor's report required by *LR 14.4.2R(2)*; and
 - (4) be circulated, together with a copy of the auditor's report, to all holders of the *company's listed equity securities* in the *United Kingdom*.
- 14.4.5 R If any of its *listed equity securities* are in bearer form, an *overseas company* must insert an advertisement in two newspapers published in the *United Kingdom* stating a time and place in the City of London at which copies of the annual report and accounts and auditor's report may be obtained without charge.
- 14.4.6 R The auditor's report required by *LR 14.4.2R(2)* must indicate whether the accounts give a true and fair view of:
- (1) in the case of the *overseas company's* accounts, the state of affairs at the end of the financial year and the profit or loss and changes in the financial position for the financial year;

- (2) where consolidated accounts are required, the state of affairs at the end of the financial year and profit or loss and changes in the financial position of the *overseas company* and its *subsidiary undertakings* for the financial year.

- 14.4.7 G An auditor's report of an *overseas company* that is a banking or insurance *company* should make clear whether or not profits have been stated before transfers to or from undisclosed reserves.

Half-yearly reports

- 14.4.8 R An *overseas company* must prepare a half-yearly report, on a *group* basis where relevant, on its activities and profit or loss for the first six months of each financial year. [Note: Article 70 CARD]
- 14.4.9 R An *overseas company* must either:
- (1) send the half-yearly report to holders of its *listed equity securities*; or
 - (2) insert the half-yearly report, as a paid advertisement, in at least one national newspaper. [Note: Article 102(2) CARD]
- 14.4.10 R The half-yearly report must be published within four months of the end of the period to which it relates. [Note: Article 72 CARD]
- 14.4.11 R Where an *overseas company's shares* are listed in another *EEA state*, a *company* must simultaneously send the competent authority of each of those other member states a copy of the half-yearly report. [Note: Article 102(2) CARD]
- 14.4.12 R Where the half-yearly report is not prepared on a basis consistent with that of the annual accounts, the half-yearly report must include a statement that, in the opinion of the *overseas company's directors*, the report enables investors to make an informed assessment of the results and activities of the *group* for the period.
- 14.4.13 G An *overseas company* that is incorporated in a *non-EEA state* that is required to publish a half-yearly report in its country of incorporation, may seek authorisation from the *FSA* to publish that report instead of the report required by LR 14.4.8R.

- 15 Investment entities
- 15.1 Application
- 15.1.1 R This chapter applies to the following *issuers* with, or applying for, a *listing* of their *securities*:
- (1) an *investment company*;
 - (2) an *investment trust*;
 - (3) an *overseas investment company* seeking a *primary listing*;
 - (4) a *property investment company*;
 - (5) an *authorised property unit trust*;
 - (6) an *open-ended investment company* which is a *recognised scheme*;
 - (7) an *open-ended investment company* which is an *unrecognised scheme*; and
 - (8) an *issuer* of *securities* falling within paragraph 1 of Schedule 11A to the *Act* (Transferable securities)
- 15.1.2 G (1) *LR 15.2.2R* and *LR 15.3* apply to all investment entities.
- (2) *LR 15.2* and *LR 15.4* apply to:
- (a) an *investment company*;
 - (b) an *investment trust*; and
 - (c) an *overseas investment company*.
- (3) *LR 15.5* applies to a *property investment company*.
- (4) *LR 15.6* applies to an *authorised property unit trust*.
- (5) *LR 15.2.15G* to *LR 15.2.16R* and *LR 15.7* apply to an *open-ended investment company*.
- 15.2 Requirements for listing
- Application
- 15.2.1 G (1) *LR 15.2.2R* to *LR 15.2.14R* and *LR 15.2.18G* apply to an *investment*

company.

- (2) *LR 15.2.2R and LR 15.2.17R to LR 15.2.18G apply to an investment trust.*

Requirements for all investment entities

- 15.2.2 R To be *listed*, an *applicant* must comply with the following:
- (1) those responsible for managing the investments must have adequate experience;
 - (2) there must be an adequate spread of investment risk;
 - (3) the *applicant* must be a passive investor and must not control or seek to control, or be actively involved in the management of, any *companies* or businesses in which it invests; and
 - (4) the *applicant* must not, to a significant extent, be a dealer in investments.

Requirements for investment companies

- 15.2.3 R To be *listed*, an *investment company* must comply with *LR 2* (Requirements for listing – all securities) and *LR 6* (Additional requirements for listing for equity securities), with the modifications and additional conditions set out in *LR 15.2.4R to LR 15.2.14R* and, if applicable, *LR 15.2.18G*.

Accounts and nature and duration of business activities

- 15.2.4 R An *investment company* must either:
- (1) satisfy the conditions set out in *LR 6.1.3R* (Audited accounts for three years) and *LR 6.1.4R* (Nature and duration of business activities); or
 - (2) satisfy the *FSA* that its *directors* and *investment managers* have sufficient and satisfactory experience in the management of investments of the type in which the company proposes to invest.

- 15.2.5 R *LR 6.1.16R* (Working capital) does not apply to an *investment company*.

Corporate governance

- 15.2.6 R The board of *directors* or equivalent body of an *investment company* must be able to demonstrate that it will act independently of any *investment managers* of the *investment company*.
- 15.2.7 R In complying with *LR 15.2.6R*:
- (1) a majority of the board or equivalent body must not be:

- (a) *directors, employees* or professional advisers to other *investment companies* that are:
 - (i) managed by any such *investment managers*; or
 - (ii) managed by any other *company* in the same *group* as any such *investment managers*; or
 - (b) *directors, employees, partners, officers, or professional advisers* to any such *investment manager* or any other *company* in the same *group* as any such *investment manager*;
- (2) no more than one *director, partner, employee, or professional adviser* to each such *investment manager* or any other *company* in the same *group* as any such *investment manager* may be a *director* of the *investment company*; and
 - (3) a *director* as described in paragraph (2) must be subject to annual re-election by shareholders.
- 15.2.8 R The chairman of the board of the *investment company* must be free of conflicts of interest and must be independent of any *investment managers* of the *investment company* and any other *company* in the same *group* as any of the *investment managers*.
- 15.2.9 R In complying with LR 15.2.8R the chairman of the board must not be:
- (1) a *director, employee, officer, partner or professional adviser* to any *investment manager* of the *investment company*; or
 - (2) a *director, employee, officer, partner, or professional adviser* to any other *company* in the same *group* as any *investment manager* of the *investment company*; or
 - (3) a *director* of any other *investment company* managed by any of the same *investment managers*; or
 - (4) a *director* of any other *company* in the same *group* as any of the same *investment managers*.

Investment policies

- 15.2.10 R (1) An *investment company* that has an investment policy of principally investing its funds in another *company* or fund which invests in a portfolio of investments must satisfy the FSA that at all times its *directors* will comprise a majority of the *directors* of that other *company* or fund and will control the policy of that other *company* or fund to ensure that the other *company* or fund conforms with the investment policies and related requirements that apply to *investment*

companies set out in LR 15.

- (2) Except as set out in paragraph (1) and except for *property investment companies*, the *issuer* must not take legal or management control of investments in its portfolio.
 - (3) Except as set out in paragraph (1) no more than 20% of the total assets of the *issuer* (consolidated where applicable) may be lent to or invested in the *securities* of any one *company* or *group* (including loans to or *shares* in the *issuer's* own *subsidiaries*) at the time the investment or loan is made.
 - (4) For the purposes of paragraph (3) any existing holding in the *company* concerned must be aggregated with the proposed new investment.
 - (5) The restriction set out in paragraph (3) does not apply to cash deposits awaiting investment.
- 15.2.11 R (1) No more than 10%, in aggregate, of the value of the total assets of the *issuer* at the time of admission may be invested in other *listed investment companies* or *listed investment trusts*.
- (2) The restriction set out in paragraph (1) does not apply to investments in *investment companies* or *investment trusts* which themselves have stated investment policies to invest no more than 15% of their total assets in other *listed investment companies* or *listed investment trusts*.
- 15.2.12 R An *investment company* and any of its *subsidiaries* must not conduct a trading activity which is significant in the context of the *group* as a whole.

Income, surpluses and dividends

- 15.2.13 R (1) Dividends must not be paid unless they are covered by income received from underlying investments.
- (2) For the purposes set out in paragraph (1) a share of the profits of an associated *company* is unavailable unless and until distributed to the *investment company*.
- 15.2.14 R The distribution of surpluses, as dividend, arising from the realisation of investments must be prohibited and a provision to this effect must be contained in the *issuer's constitution*.

When a company will be treated as an investment company

- 15.2.15 G An *open-ended investment company* which does not regularly intervene in the market to keep the price of *shares* in line with net asset value and which:

- (1) redeems or purchases its own *shares* but does not do so at the request of shareholders; or
- (2) redeems or purchases its own *shares* but does so in accordance with the requirements of the Second Company Law Directive (Council Directive 77/91/EEC);

will be treated as an *investment company* that is *closed-ended* for the purposes of this chapter.

15.2.16 R An *open-ended investment company* that:

- (1) is an *unrecognised scheme*; and
- (2) is treated as a *closed-ended investment company*;

must comply with the requirements for *listing*, the continuing obligations that are applicable to *investment companies* and the requirements set out in LR 15.3.2R, LR 15.7.4R and LR 15.7.10R.

Requirements for investment trusts

15.2.17 R To be *listed*, an *investment trust* must comply with LR 2 and LR 6 with the following modifications and additional conditions:

- (1) the requirements set out in LR 15.2.2R to LR 15.2.9R;
- (2) LR 15.2.10R(1); and
- (3) LR 15.2.11R.

Investment in property

15.2.18 G An *investment company* or an *investment trust* that invests or intends to invest 20% or more of its total assets in *property* must:

- (1) comply with the requirements for *property companies* set out in the *listing rules*; or
- (2) comply with the requirements for *property investment companies* set out in LR 15.5.

15.3 Listing applications and procedures

- 15.3.1 R An *issuer* to which this chapter applies that is seeking *admission* of its *securities* to the *official list* must:
- (1) comply with *LR 3* (Listing applications), as applicable; and
 - (2) produce either a *prospectus* in accordance with the requirements set out in the *Prospectus Rules* or *listing particulars* in accordance with the requirements set out in *LR 4* (Listing particulars for professional securities market and certain other securities), as applicable.

Sponsors

- 15.3.2 R An *issuer* to which this chapter applies that is seeking *admission* of its *equity securities* to the *official list* must retain a *sponsor* as required by *LR 8* (Sponsors) except that *LR 8.2.1R(1)* applies additionally to an application for *admission to listing* which requires the production of *listing particulars*.
- 15.3.3 G In the case of an *authorised property unit trust*, references in *LR 8* to the *directors* of the *issuer* should be treated as referring to the *directors* of the managers of the trust.
- 15.3.4 R An application for *listing* for a *new applicant*, must set out which of the categories in *LR 15.1.1R* applies to the *issuer*.
- 15.3.5 G *LR 8.4.5R(3)* is modified to require the notification of interests of 10% or more for *open-ended investment companies*.

Multi-class fund or umbrella fund

- 15.3.6 R An application for the *listing* of *securities* of a multi-class fund or umbrella fund must provide details of the various *classes* or designations of *securities* intended to be issued by the *issuer*.
- 15.3.7 G The *FSA* will admit to *listing* such number of *securities* as the *issuer* may request for the purpose of future issues. At the time of issue the *securities* will be designated to the relevant *class*.
- 15.3.8 R A multi-class or umbrella fund which is open-ended and which seeks to create a new *class* of *security* without increasing its share capital for which *listing* has previously been granted must provide the *FSA* with the details of the new *class* and no further application for *listing* is required.
- 15.3.9 R An existing *listed class* may not be converted into a new *class* or an unlisted *class* unless approval has been given by the shareholders of that existing *class*.

Open-ended investment companies and authorised property unit trusts

- 15.3.10 R (1) This *rule* applies to:
- (a) *open-ended investment companies*; and
 - (b) *authorised property unit trusts*.
- (2) A *new applicant* may apply to *list* such *equity securities* as it requires for future issues.

15.4 Continuing obligations

Application

- 15.4.1 G (1) *LR 15.4.2R to LR 15.4.17R* apply to an *investment company*.
- (2) *LR 15.4.18R* applies to an *overseas investment company*.
- (3) *LR 15.4.19R to LR 15.4.25R* applies to an *investment trust*.

Investment companies

- 15.4.2 R An *investment company* must comply with *LR 9 (Continuing obligations)* subject to the modifications and additional conditions set out in *LR 15.4.3R to LR 15.4.17R*.

Admission requirements with continuing application

- 15.4.3 R (1) An *investment company* must comply, at all times, with the requirements set out in:
- (a) *LR 9.2.1R to LR 9.2.3R*;
 - (b) *LR 9.2.5R to LR 9.2.9G*; and
 - (c) *LR 15.2.15R to LR 15.2.17G*.
- (2) An *investment company* must not invest more than 10%, in aggregate, of the value of the gross assets at the time the investment is made, in other *listed investment companies* or *listed investment trusts*.
- (3) The restriction in paragraph (2) does not apply to investments in *investment companies* or *investment trusts* which themselves have stated investment policies to invest no more than 15% of their gross assets in other *listed investment companies* or *listed investment trusts*.

Compliance with the Model Code

- 15.4.4 R The *FSA* may dispense with the provisions of the *Model Code* to allow,

during a *close period*:

- (1) dealings by *persons discharging managerial responsibilities* in an *investment company*;
- (2) purchases by the *investment company* of its own *securities*; and
- (3) sales of *treasury shares* for cash or transfers (except for sales and transfers by an *investment company* of *treasury shares* in the circumstances set out in *LR 12.6.2R*);

if the *FSA* is satisfied that all *inside information* which the *directors* and the *company* may have in periods leading up to an announcement of results has previously been notified to a *RIS*.

- 15.4.5 G To obtain a dispensation under *LR 15.4.4R* an *investment company* should:
- (1) calculate, on a weekly or more frequent basis, the net asset value in respect of each *class* of *security* in which it is proposed to deal; and
 - (2) notify such calculations to a *RIS*; or
 - (3) publish, after the relevant period end, all price sensitive information which is to be included in the forthcoming results statement.
- 15.4.6 G For the purposes of *LR 15.4.5G(1)*, the calculation of net asset value should:
- (1) be in respect of not less than 90% of the *company's* gross assets; and
 - (2) comply with industry accepted standards.
- 15.4.7 G An *investment company* which:
- (1) has significant interests in unquoted securities or unregulated investments; or
 - (2) derives significant revenues from commercial businesses;
- is unlikely to be granted a dispensation under *LR 15.4.4R*.
- 15.4.8 G A dispensation under *LR 15.4.4R* does not affect the application of paragraph 8 of the *Model Code* to an *investment company* and its *persons discharging managerial responsibilities* at times when there exists *inside information* in relation to the *company's securities*.

Rights as between holders and communication with holders

- 15.4.9 R An *investment company* may only make a material change to its investment policies with the approval of its shareholders.

Notification requirements

- 15.4.10 R An *investment company* must notify any change in its taxation status to a

RIS as soon as possible.

- 15.4.11 R An *investment company* must notify a *RIS* of the following:
- (1) within two *business days* of the end of each calendar *month*, a list of all investments in other *listed investment companies* and *listed investment trusts*, as at the last *business day* of that *month*, which themselves do not have stated investment policies to invest no more than 15% of their total assets in other *listed investment companies* or *listed investment trusts*; and
 - (2) within two *business days* of the end of each quarter, a list of all investments with a value greater than 5% of the *company's* total assets and at least the 10 largest investments as at the last *business day* of that quarter.

Financial information

- 15.4.12 R In addition to the requirements of *LR 9.8* (Annual report and accounts) an *investment company* must include in its annual report and accounts:
- (1) a statement, set out in a prominent position, as to whether in the opinion of the *directors* the continuing appointment of the *investment manager* on the terms agreed is in the interests of shareholders as a whole, together with a statement of the reasons for this view;
 - (2) a summary of the principal contents of any agreements between the *investment company* and each of the *investment managers*, including but not limited to any provisions relating to compensation payable in the event of termination of the agreement;
 - (3) the name of the *investment managers* together with an indication of the terms and duration of their appointment, the basis for their remuneration and any arrangements relating to the termination of their appointment; and
 - (4) a list of all investments with a value greater than 5% of the *investment company's* investment portfolio, and at least the 10 largest investments.
- 15.4.13 R The list described in *LR 15.4.12R(4)* should include, with comparative figures where relevant:
- (1) the value of each investment; and
 - (2) for each investment which is not quoted on a stock exchange the following information:
 - (a) a brief description of the business;

- (b) the proportion of capital owned or intended to be owned;
- (c) the cost of the investment and aggregate market value, if any, at the latest practicable date;
- (d) a *director's* valuation at the latest practicable date, if different from the value in paragraph (c) or if there is no market value;
- (e) the earnings per share for the latest audited financial year;
- (f) the dividend per share received in the most recent financial year, including any abnormal dividends or other payments;
- (g) dividend cover or underlying earnings for the latest audited financial year;
- (h) the net assets attributable to the investment as at the date of the latest audited balance sheet; and
- (i) an analysis of any provision for diminution in value of investments, naming the investments against which provision has been made and stating in respect of each investment:
 - (i) the cost
 - (ii) any provision made;
 - (iii) the book value; and
 - (iv) the reason for the provision.

15.4.14 R In addition to the requirements in *LR 9* (Continuing obligations) for half-yearly reports and preliminary statements of annual results an *investment company* must include information showing the split between:

- (1) dividend and interest received; and
- (2) other forms of income (including income of associated *companies*).

15.4.15 R For an *investment company*,

- (1) *LR 9.8.8R* does not apply in respect of the *Combined Code*; and
- (2) *LR 9.8.6R(6)* does not apply in respect of principles B.1 to B.2 and provisions B.1.1 to B.1.6 and B.2.1 to B.2.4 of the *Combined Code* except to the extent that they relate specifically to non-executive *directors*.

Transactions with related parties

15.4.16 R *LR 11* (Related party transactions) applies to an *investment company*.

15.4.17 R In addition to the definition in *LR 11.1.4R* a *related party* includes any

investment manager of the investment company or investment trust.

Overseas investment companies

- 15.4.18 R (1) An *overseas investment company* with a *primary listing* is not required to have a registrar situated in the *United Kingdom* if it has a transfer agent in the *United Kingdom* that has authority to remit transfers to the overseas registrar.
- (2) Any change in transfer agent must be notified to a *RIS* as soon as possible.

Investment trusts

- 15.4.19 R An *investment trust* must comply with *LR 9* (Continuing obligations) subject to the modifications and additional conditions set out in *LR 15.4.20R* to *LR 15.4.25R*.
- 15.4.20 R An *investment trust* must comply with:
- (1) *LR 15.2.5R* to *LR 15.2.9R*;
- (2) *LR 15.4.4R* to *LR 15.4.8R*; and
- (3) *LR 15.4.11R* to *LR 15.4.15G*.
- 15.4.21 R In addition to the requirement set out in *LR 15.4.12R*, an *investment trust* must include in its annual report and accounts:
- (1) an analysis of the investment portfolio by broad industrial or commercial sector;
- (2) an analysis of the investment portfolio between *equity shares*, *convertible securities*, fixed income securities and other investments;
- (3) an analysis of income between dividends, interest and other forms of income;
- (4) an analysis, where material to an appreciation of the *investment trust's* financial position, of realised and unrealised profits and losses as between investments quoted on a stock exchange and those that are not quoted on a stock exchange; and
- (5) either:
- (a) a statement confirming that:
- (i) HM Revenue and Customs has approved it as an *investment trust* for the purpose of section 842 of the Income and Corporation Taxes Act 1988, specifying the last accounting period in respect of which such approval

has been given; and

(ii) the *investment trust* has subsequently directed its affairs so as to continue to be so approved; or

(b) a statement, in the case of a newly *listed investment trust* confirming that:

(i) the *investment trust* has announced that it will direct its affairs so as to enable it to seek approval from the HM Revenue and Customs; and

(ii) it has subsequently directed its affairs so as to enable it to be so approved.

15.4.22 G An *investment trust* that is newly *admitted to listing* may publish its first half-yearly report for a period that is either shorter or longer than six *months* in order to align the end of the first six-monthly reporting period with the normal reporting cycle for that *investment trust*.

Investment companies that are closed ended

15.4.23 R (1) Unless authorised by the shareholders, an *investment company* that is *closed-ended* may not issue further *shares* of the same *class* as existing *shares* for cash at a price below the net asset value per share of those *shares* unless they are first offered pro rata to existing holders of shares of that *class*.

(2) When calculating the net asset value per share *treasury shares* held by the *company* should not to be taken into account.

Significant transactions

15.4.24 R LR 10 (Significant transactions) applies to:

(1) *investment trusts*; and

(2) *closed-ended investment companies*;

excluding any transaction that falls within the stated investment policies of the *investment trust* or *closed-ended investment company*.

Transactions with related parties

15.4.25 R LR 15.4.16R to LR 15.4.17R apply to an *investment trust*.

15.5 Property investment companies

Application

15.5.1 R This section applies to a *property investment company*.

Requirements for listing: general

15.5.2 R To be *listed*, a *property investment company* must comply with *LR 2* (Requirements for listing – all securities) and *LR 6* (Additional requirements for listing for equity securities), with the modifications and additional conditions set out in *LR 15.5.3R* to *LR 15.5.10R* and, if applicable, *LR 15.5.11R* to *LR 15.5.13R*, and either:

(1) the requirements for *listing* for an *investment company* set out in *LR 15.2.2R* to *LR 15.2.14R* and *LR 15.2.18G*; or

(2) the requirements for *listing* for an *investment trust* set out in *LR 15.2.2R* and *LR 15.2.17R* to *LR 15.2.18G*.

Requirements for listing: corporate governance

15.5.3 R In addition to complying with *LR 15.2.4R*, the *directors* of a *property investment company* and any property manager must be able to demonstrate sufficient and satisfactory experience in *property* investment over at least a three year period involving the management of a portfolio of similar type and size as is proposed for the *company*.

15.5.4 R In addition to complying with *LR 15.2.6R* the board of *directors* of a *property investment company* must be similarly independent of any *property* manager or *property* adviser of the *company*.

Requirements for listing: investment policies and restrictions

15.5.5 R No single *property* (including all adjacent or contiguous *properties*) can, at the time of initial *listing*, constitute more than 15% of the total assets of a *property investment company*, consolidated where applicable.

15.5.6 R Income receivable from any single tenant, or tenants within the same group in any one financial year, must not exceed 20% of the total rental income of a *property investment company* in that financial year.

15.5.7 R At least 90% by value of *properties* held by a *property investment company* must be in the form of freehold or long leasehold *properties* or the equivalent.

15.5.8 R The term "long leasehold" in *LR 15.5.7R* means a leasehold with over 60 years remaining either:

(1) at the time of initial *listing*; or

(2) at the time of acquisition of the leasehold, if acquired subsequent to initial *listing*.

15.5.9 R The proportion of a *property investment company's* property portfolio which is unoccupied or not producing income or which is in course of substantial

development, redevelopment or refurbishment must not exceed 25% of the value of the portfolio.

- 15.5.10 R A *property investment company* that is not an *investment trust* must not retain more than 15% of its net profits, before gains and losses on the disposal of *properties* and other investments.

Requirements for listing: new applicants

- 15.5.11 R A *new applicant* must have net assets of at least £30 million, including any funds raised at the time of *listing*.
- 15.5.12 R The articles of association of a *new applicant* must prohibit the borrowings of a *property investment company* from exceeding 65% of the gross assets of the *company*, consolidated where applicable.
- 15.5.13 R A *new applicant* must ensure that all *directors*, associates of *directors* and promoters agree not to dispose of their *shares*, other than among themselves, for a period of two years from the date on which dealings first commence.

Continuing obligations

- 15.5.14 R A *property investment company* must comply with *LR 9* (Continuing obligations) and *LR 15.4* subject to the modifications and additional conditions set out in *LR 15.5.15R* to *LR 15.5.23R*.
- 15.5.15 R (1) A *property investment company* must comply, at all times, with:
- (a) *LR 15.5.3R* to *LR 15.5.4R*;
 - (b) *LR 15.5.6R* to *LR 15.5.8G*;
 - (c) *LR 15.5.9R* except that *properties* acquired by a *property investment company* need not be counted as part of the *property* portfolio until six months after acquisition;
 - (d) *LR 15.5.10R*; and
 - (e) *LR 15.5.13R*.
- (2) No single *property* (including all adjacent or contiguous *properties*) can, at the time of acquisition, constitute more than 15% of the gross assets of a *property investment company*, consolidated where applicable.
- 15.5.16 R A *property investment company* must inform the *FSA* as soon as possible if it ceases to comply with *LR 15.5.15R*.
- 15.5.17 R A *property investment company's* annual accounts must:
- (1) state whether *LR 15.5.15R* has been met throughout the accounting

- period;
- (2) provide an explanation for any failures to meet *LR 15.5.15R* throughout the accounting period; and
 - (3) include a summary of the valuation, carried out in accordance with *LR 15.5.18R*, of the *property investment company's* portfolio.
- 15.5.18 R A valuation required by *LR 15.5.17R(3)* must:
- (1) either:
 - (a) be made in accordance with the Appraisal and Valuation Standards (5th edition) issued by the Royal Institution of Chartered Surveyors; or
 - (b) where the valuation does not comply in all applicable respects with the Appraisal and Valuation Standards (5th edition) issued by the Royal Institution of Chartered Surveyors, include a statement which sets out a full explanation of such non-compliance; and
 - (2) be carried out by an external valuer as defined in the Appraisal and Valuation Standards (5th edition) issued by the Royal Institution of Chartered Surveyors.
- 15.5.19 R The summary described in *LR 15.5.17R(3)* must include:
- (1) the total value of *properties* held at the year end;
 - (2) totals of the cost of *properties* acquired;
 - (3) the net book value of *properties* disposed of during the year; and
 - (4) an indication of the geographical location and type of *properties* held at the year end.
- 15.5.20 R In addition to the notifications required by *LR 9.6.11R* to *LR 9.6.15G*, a *property investment company* must, so far as practicable, consult the *FSA* in advance about any proposed changes to the board in order that the *FSA* may consider whether the board still has the experience required by *LR 15.5.3R*.

Transactions

- 15.5.21 R An acquisition or disposal of a property by a *property investment company* will be treated in the same way as acquisitions and disposals of *properties* by a *property company* as set out in *LR 10.7.1R* to *LR 10.7.4R*.

Change of status

- 15.5.22 G A *listed company* which applies to be *listed* as a *property investment company* will be treated as a *new applicant* and its current *listing* will be

suspended.

- 15.5.23 R A *listed property investment company* which applies to be *listed* as a *property company* will be treated as a *new applicant* and its existing *listing* will be *suspended*.

15.6 Authorised property unit trusts

Application

- 15.6.1 R This section applies to an *authorised property unit trust*.

Requirements for listing

- 15.6.2 R To be *listed*, an *authorised property unit trust* must comply, with appropriate modifications to reflect the legal form of the trust, with *LR 2* (Requirements for listing – all securities) and *LR 6* (Additional requirements for listing for equity securities), with the following modifications and additional conditions:

- (1) the requirements set out in *LR 15.2.2R*, *LR 15.2.4R*, *LR 15.5.3R* and *LR 15.5.11R*; and
- (2) the trustee of the *authorised property unit trust* must be independent of the manager.

Continuing obligations

- 15.6.3 R An *authorised property unit trust* must comply with the following, modified as necessary to reflect the legal form of the trust:

- (1) *LR 9* (Continuing obligations), as modified by the requirements set out in this section;
- (2) *LR 15.4.10R*;
- (3) *LR 15.4.12R(4)*;
- (4) *LR 15.4.14R*; and
- (5) *LR 15.7.7R* to *LR 15.7.9R*.

- 15.6.4 R The following do not apply to an *authorised property unit trust*:

- (1) *LR 9.2.3R*;
- (2) *LR 9.3.11R* to *LR 9.3.12R*;
- (3) *LR 9.3.3R(3)(b)* and (c);

- (4) *LR 9.5.14R*;
 - (5) *LR 9.6.7R to LR 9.6.15G*;
 - (6) *LR 10 (Significant transactions)*;
 - (7) *LR 11 (Related party transactions)*; and
 - (8) *LR 12.2.1R*.
- 15.6.5 R (1) The *Model Code* applies in relation to *persons discharging managerial responsibilities* within the managers of an *authorised property unit trust* as if it were a *company* and such *persons discharging managerial responsibilities* were employed by it.
- (2) Paragraph 16 of the *Model Code* does not apply to dealings in an *authorised property unit trust*.
- 15.6.6 R The amount of the charges and expenses (to the extent borne by the trust) of the managers, the trustee and any agent of the managers or trustee, or any sub-custodian, must be clearly set out in each annual report of an *authorised property unit trust*.
- 15.6.7 R The number of units of an *authorised property unit trust* that are outstanding in bearer or registered form must be notified to a *RIS* at least monthly.
- 15.6.8 R The bid and offer prices must be notified to a *RIS* on the occasion of each valuation of units.
- 15.6.9 R An *authorised property unit trust* must notify the following information to a *RIS* as soon as possible and in any event within three *months* of the end of each distribution or allocation period:
- (1) the total gross and net income per unit before charging fees to the *authorised property unit trust*;
 - (2) the net amount per unit (after allowing for charges and adjustments) to be distributed or allocated, together with the gross equivalent attributable to the distribution or allocation period (specifying, where grouping is permitted by the trust deed or equivalent constitutional document, the amount per unit represented by income equalisation);
 - (3) the date of the striking of the unit holders' register balances; and
 - (4) any date on and from which trading ex distribution (where applicable) will take place.
- 15.6.10 R An *authorised property unit trust* must notify the following information to a *RIS* as soon as possible:
- (1) any changes in the identity or control of the manager or trustee;

- (2) any change in the investment policy of the trust; and
 - (3) any proposal to renew, vary, amalgamate or terminate the *authorised property unit trust*.
- 15.6.11 R (1) A complete file must be maintained by the manager of all advertisements, brochures, leaflets and other documents issued by or on behalf of the manager with a view to effecting or stimulating sales or purchases of units.
- (2) The file must be produced to the *FSA* at any time on demand.
- 15.7 Open ended investment companies
- Application
- 15.7.1 R This section applies to an *open ended investment company*.
- Requirements for listing
- 15.7.2 R An *open ended investment company* must comply with *LR 15.2.1R – LR 15.2.14R*.
- 15.7.3 R *LR 6.1.19R* (shares in public hands) does not apply to an *open-ended investment company*.
- Publication
- 15.7.4 R An *open-ended investment company* which is an *unrecognised scheme* is only required to make information available to the *FSA* and to other recipients as permitted under the *Act*.
- 15.7.5 R An *open-ended investment company* must ensure that any information made available in accordance with *PR 3.2* or *LR 4.3* (publication of *prospectus* or *listing particulars*) complies with sections 21 (Restrictions on financial promotion) and 238 (Restrictions on promotion) of the *Act*, to the extent applicable.
- Continuing obligations
- 15.7.6 R An *open-ended investment company* must comply with *LR 9* and *LR 15.4.3R* to *LR 15.4.13R* subject to the modifications and additional conditions set out in *LR 15.7.7R* to *LR 15.7.11R*.
- 15.7.7 R Changes in issued capital are not required to be disclosed under *LR 9.6.4R*(1) and (6) and *LR 9.6.5R* as a result of issues and redemptions or repurchases in the normal course as described in the *prospectus* or *listing particulars*, unless and until the number of *securities* of the relevant *class* currently in issue increases or decreases by more than 10 per cent since the publication of the *prospectus* or *listing particulars* or the last notification to

a *RIS* as the case may be.

- 15.7.8 R *LR 9.6.7R to LR 9.6.10G do not apply to an open-ended investment company.*
- 15.7.9 R The interests of a single *person* or entity which exceed 10% of the issued *shares* (calculated exclusive of *treasury shares*) of any *class* in the capital of the *open-ended investment company* must, so far as they are known to the *company*, be notified to a *RIS* as soon as possible following the *company* becoming aware of those interests.
- 15.7.10 G (1) Any continuing obligation set out in *LR 9 (Continuing obligations)* or in this chapter, requiring an *open-ended investment company* which is an *unrecognised scheme* to publish information or send a document to the public, is modified to require the sending of such information or document only to the *FSA* and to other recipients permitted under the *Act*.
- (2) When sending any document as described in paragraph (1), an *open-ended investment company* should clearly mark the document "not for onward publication".
- 15.7.11 R *LR 10 (Significant transactions) and LR 12 (Dealing in own securities and treasury shares) do not apply to an open-ended investment company.*

- 16 Venture capital trusts
- 16.1 Application
- 16.1.1 R This chapter applies to a *venture capital trust* with, or applying for, a *primary listing*.
- 16.2 Requirements for listing
- 16.2.1 R To be *admitted to listing*, a *venture capital trust* must comply with *LR 2* (Requirements for listing – all securities) and *LR 6* (Additional requirements for listing equity securities), subject to the modifications and additional conditions set out in *LR 16.2.2R* to *LR 16.2.10R*.
- HM Revenue and Customs status
- 16.2.2 R A *venture capital trust* must have obtained either:
- (1) confirmation from HM Revenue and Customs that it qualifies as a *venture capital trust*, if it has been in existence for more than three years; or
 - (2) provisional approval from HM Revenue and Customs, if it has been in existence for less than three years.
- Directors and investment managers
- 16.2.3 R A *venture capital trust* must satisfy the *FSA* that its *directors* and any *investment managers* have sufficient and satisfactory experience (usually over at least the preceding three years) in the management of a portfolio of investments of the size and type in which the *venture capital trust* proposes to invest.
- 16.2.4 R The board of *directors* of a *venture capital trust* must be able to demonstrate that it will act independently of any *investment managers* of the *venture capital trust*.
- 16.2.5 R A majority of the board must not be *directors* or *employees*, or former *directors* or *employees* of, or professional advisers to, the *investment managers* or any other *company* in the same *group* as the *investment managers*.
- Accounts, business activities and working capital
- 16.2.6 R *LR 6.1.3R(1)(a)* (audited accounts for three years) *LR 6.1.4R* (nature and duration of business activities) and *LR 6.1.16R* (working capital) do not

apply to a *venture capital trust*.

- 16.2.7 R *LR 6.1.3R(1)(b) to (f)* apply to a *venture capital trust* to the extent that it has published accounts.

Investment restrictions

- 16.2.8 R A *venture capital trust* must not control the *companies* in which it invests in such a way as to render them *subsidiary undertakings* until it has obtained approval as a *venture capital trust* from HM Revenue and Customs.
- 16.2.9 R None of a *venture capital trust's* investments, other than in a *venture capital trust* or a *company* which would qualify as a *venture capital trust* if it were *listed*, must represent more than 15% by value of its investments.
- 16.2.10 R No more than 20% of a *venture capital trust's* total assets may be invested in the securities of *companies* which are *property companies*.

16.3 Continuing obligations

- 16.3.1 R A *venture capital trust* must comply with *LR 9* (Continuing obligations) subject to the modifications and additional conditions set out in *LR 16.3.2R* to *LR 16.3.7G* and *LR*

Investment restrictions

- 16.3.2 R A *venture capital trust* must comply with *LR 16.2.8R – LR 16.2.10R* at all times.

Total value of funds raised

- 16.3.3 R The total value of funds to be raised in any twelve month period by a *listed venture capital trust* must not exceed the total amount of venture capital funds managed by that trust's *investment manager* or *directors* where relevant, for at least the preceding three years.

Annual report and accounts

- 16.3.4 R In addition to the requirements of *LR 9.8*, a *venture capital trust* must include in its annual report and accounts:
- (1) a list of all investments with a value of greater than 5% of the total assets of the *venture capital trust* and at least the 10 largest investments stating, with respect to each investment so listed:
 - (a) a brief description of the business;
 - (b) the proportion of capital owned or intended to be owned;

- (c) the voting rights attributable to the *shares* owned;
 - (d) the cost of the investment;
 - (e) the value of the investment at the latest practicable date;
 - (f) the method of valuation; and
 - (g) brief details of the results and assets and liabilities taken from the most recent audited accounts, including at least profit before tax, profit or loss for the period, total assets and total equity and liabilities;
- (2) details of:
- (a) the total of provisions made against unlisted investments;
 - (b) the amounts written off such investments in each of the latest three financial years; and
 - (c) any individual provision or write off which exceeded 5% of the total assets of the *venture capital trust*;
- (3) a full description of the methods of valuation used including a justification of any method of valuation which does not conform with the Guidelines for the Valuation and Disclosure of Venture Capital Portfolios issued by the British Venture Capital Association; and
- (4) details of any investments made in any *company* in which other funds managed by the same *investment manager* have also invested.

Compliance with the Combined Code

- 16.3.5 R In the case of a *venture capital trust* with no executive *directors*, in respect of the *Combined Code*:
- (1) *LR 9.8.8R* does not apply in respect of the *Combined Code*; and
 - (2) *LR 9.8.6R(6)* does not apply in respect of principles B.1 to B.2 and provisions B.1.1 to B.1.6 and B.2.1 to B.2.4 of the *Combined Code* except to the extent that they relate specifically to non-executive *directors*.

Loss of tax status

- 16.3.6 R A *venture capital trust* must notify the *FSA* as soon as possible if it loses its tax status under section 842AA of the Income and Corporations Taxes Act 1988.

- 16.3.7 G In the situation set out in LR 16.3.6R the *listing* of a *venture capital trust's shares* will normally be suspended until it publishes proposals either to continue trading as an *investment company* or to be wound up.

16.4 Transactions

Significant transactions

- 16.4.1 R LR 10 (Significant transactions) applies to *venture capital trusts* except for transactions which fall within the stated investment policies of the *venture capital trust*.

Related party transactions

- 16.4.2 R LR 11 (Related party transactions) applies to *venture capital trusts* with the following modifications.
- 16.4.3 R In addition to the definition in LR 11.1.4R a *related party* includes any *investment manager* of the *venture capital trust*.
- 16.4.4 R In addition to the definition in LR 11.1.5R a *related party transaction* includes:
- (1) any arrangement by which a *venture capital trust* takes an interest in a *company* in which its *investment manager* has invested or intends to invest on its own account, unless the investment is made either at the same time and on the same terms or in accordance with a pre-existing agreement between the *venture capital trust* and the *investment manager*; and
 - (2) a *venture capital trust* that enters into a transaction with another fund managed by the same *investment manager*.
- 16.4.5 R Where a *venture capital trust* intends to invest in a *company* in which another fund managed by the same *investment manager* has invested or intends to invest, the investment must be approved by the *directors* of the *venture capital trust* who are independent of the *investment manager* unless the investment is made either at the same time and on the same terms or in accordance with a pre-existing agreement between the *venture capital trust* and the *investment manager*.

Venture capital trusts which are also investment trusts

- 16.4.6 R A *venture capital trust* which is also an *investment trust* and which either has or is seeking a *listing*, must comply with the requirements set out in this chapter and with the following provisions:
- (1) the following requirements for *listing*:

- (a) *LR 15.2.2R(2), (3) and (4);*
 - (b) *LR 15.2.11R(1); and*
 - (c) the requirements laid down for *investment trusts* in section 842 of the Income and Corporation Taxes Act 1988; and
- (2) the continuing obligations set out in:
- (a) *LR 15.4.14R;*
 - (b) *LR 15.4.12R(3); and*
 - (c) *LR 15.4.21R(1), (2), (4) and (5).*

- 17 Debt and specialist securities
- 17.1 Application
- 17.1.1 R This chapter applies to:
- (1) an *issuer* of any of the following types of *securities*:
 - (a) *debt securities*;
 - (b) *asset-backed securities*;
 - (c) *certificates representing debt securities*; and
 - (d) *specialist securities* of the following types:
 - (i) *convertible securities* which convert to *debt securities*;
 - (ii) *convertible securities* which convert to *equity securities*; and
 - (iii) *convertible securities* which are exchangeable for *securities* of another *company*.
- 17.1.2 G An *issuer*, as described in LR 17.1.1R includes:
- (1) a *state monopoly*;
 - (2) a *state finance organisation*;
 - (3) a statutory body; and
 - (4) an *OECD state guaranteed issuer*.
- 17.1.3 G A state, a regional or local authority or a *public international body* with *listed debt securities* should see LR 17.5 for its continuing obligations
- 17.2 Requirements for listing and listing applications
- Requirements for listing
- 17.2.1 G An *issuer* to whom this chapter applies will need to comply with LR 2 (Requirements for listing – all securities).
- Listing Applications
- 17.2.2 G An *issuer* to whom this chapter applies will need to comply with LR 3

(Listing applications).

17.3 Requirements with continuing application

Copies of documents

- 17.3.1 R (1) An *issuer* must forward to the *FSA*, for publication through the *document viewing facility*, two copies of any document required by *LR 17.3* or *LR 17.4* at the same time the document is issued.
- (2) An *issuer* must notify a *RIS* as soon as possible when a document has been forwarded to the *FSA* under paragraph (1) unless the full text of the document is provided to the *RIS*.
- (3) A notification made under paragraph (2) must set out where copies of the relevant document can be obtained.

Admission to trading

- 17.3.2 R (1) An *issuer's securities* must be admitted to trading on a *RIE's* market for *listed securities* at all times.
- (2) An *issuer* must inform the *FSA* in writing without delay if it has:
- (a) requested a *RIE* to admit or re-admit any of its *listed securities* to trading; or
- (b) requested a *RIE* to cancel or suspend trading of any of its *listed securities*; or
- (c) been informed by a *RIE* that the trading of any of its *listed securities* will be cancelled or suspended.

Equality of treatment

- 17.3.3 R An *issuer* must ensure equal treatment for all holders of its *listed securities* of the same *class* in respect of all rights attaching to such *securities*. [**Note:** Article 78(1) *CARD*]

Annual accounts

- 17.3.4 R (1) An *issuer* must publish its annual report and annual accounts as soon as possible after they have been approved. [**Note:** Article 80(1) *CARD*]
- (2) An *issuer* must approve and publish its annual report and accounts within six months of the end of the financial period to which they

relate.

- 17.3.5 G (1) If an *issuer* prepares both own and consolidated annual accounts it may publish either form provided that the unpublished accounts do not contain any significant additional information. [Note: Article 80(2) *CARD*]
- (2) If the annual accounts do not give a true and fair view of the assets and liabilities, financial position and profits or losses of the *issuer* or *group*, additional information must be provided to the satisfaction of the *FSA*. [Note: Article 80(3) *CARD*]
- (3) An *issuer* incorporated or established in a *non-EEA State* which is not required to draw up its accounts so as to give a true and fair view but is required to draw them up to an equivalent standard, may draw up its accounts to this equivalent standard.

17.3.6 G An *issuer* that meets the following criteria is not required to comply with *LR 17.3.4R*:

- (1) the *issuer* is an *issuer of asset-backed securities* and is not required to comply with any other requirement for the publication of annual report and accounts; or
- (2) (a) the *issuer*:
- (i) is a wholly owned subsidiary of a *listed company*;
 - (ii) issues *listed securities* that are unconditionally and irrevocably guaranteed by the *issuer's listed holding company* or equivalent arrangements are in place;
 - (iii) is included in the consolidated accounts of its *listed holding company*; and
 - (iv) is not required to comply with any other requirement for the preparation of annual report and accounts; and
- (b) non-publication of the *issuer's* accounts would not be likely to mislead the public with regard to facts and circumstances that are essential for assessing the *securities*.

Paying agent

17.3.7 R An *issuer* must appoint and retain a paying agent in the *United Kingdom* until the date on which the *listed securities* are finally redeemed unless the *issuer*:

- (1) provides financial services; and
- (2) itself performs the functions of a paying agent in the *United Kingdom*. [**Note:** Article 78(2) *CARD*]

Disclosure Rules

- 17.3.8 G An *issuer*, whose *securities* are admitted to trading on a *regulated market* in the *United Kingdom*, should consider its obligations under *DR 2* (Disclosure and control of inside information by issuers).
- 17.3.9 R An *issuer* that is not already required to comply with *DR 2* must comply with *DR 2* as if it were an *issuer* for the purposes of the *disclosure rules*.

Amendments to trust deeds

- 17.3.10 R An *issuer* must ensure that any *circular* it issues to holders of its *listed securities* about proposed amendments to a *trust deed* includes:
- (1) an explanation of the effect of the proposed amendments; and
 - (2) either the full terms of the proposed amendments, or a statement that they will be available for inspection:
 - (a) from the date the *circular* is sent until the close of the relevant general meeting at a place in or near the City of London or such other place as the *FSA* may determine; and
 - (b) at the place of the general meeting for at least 15 minutes before and during the meeting.

Amendments to constitution

- 17.3.11 R An *issuer* must submit two copies of any proposed amendment to its *constitution* that affects the rights of *securities* holders to the *FSA* by no later than when it sends the notice convening the meeting to decide on the amendment. [**Note:** Article 79 *CARD*]

Early redemptions

- 17.3.12 R (1) An *issuer* must ensure that any *circular* it issues to holders of its *listed securities* relating to a resolution proposing to redeem *listed securities* before their due date for redemption includes:
- (a) an explanation of the reasons for the early redemption;

- (b) a statement of the market values for the *securities* on the first dealing day in each of the six months before the date of the *circular* and on the latest practicable date before sending the *circular*;
 - (c) a statement of any interests of any *director* in the *securities*;
 - (d) if there is a trustee, or other representative, of the holders of the *securities* to be redeemed, a statement that the trustee, or other representative, has given its consent to the issue of the *circular* or stated that it has no objection to the resolution being put to a meeting of the *securities* holders;
 - (e) the timetable for redemption; and
 - (f) an explanation of the procedure to be followed by the *securities* holders.
- (2) The *circular* must not contain specific advice about whether or not to accept the proposal for redemption.
 - (3) The timetable for redemption in the *circular* must have been approved by the *RIE* on which the *listed securities* are traded.

Documents of title

- 17.3.13 R An *issuer* must ensure that any definitive document of title for a *security* (other than a bearer *security*) includes the following matters on its face (or on the reverse in the case of paragraph (5)):
- (1) the authority under which the *issuer* is constituted and the country of incorporation and registered number (if any);
 - (2) the number or amount of *securities* the certificate represents and, if applicable, the number and denomination of units (in the top right-hand corner);
 - (3) a footnote stating that no transfer of the *security* or any portion of it represented by the certificate can be registered without production of the certificate;
 - (4) if applicable, the minimum amount and multiples thereof in which the *security* is transferable;
 - (5) the date of the certificate; and

- (6) the interest payable and the interest payment dates and on the reverse (with reference shown on the face) an easily legible summary of the rights as to redemption or repayment and (where applicable) conversion.

17.4 Disclosures

Disclosures to be made without delay to a RIS

- 17.4.1 R An *issuer* must notify a *RIS* as soon as possible of:
- (1) any new issues and guarantee or security related to such new issues; [**Note:** Article 81 *CARD*]
 - (2) any change of guarantor or security of its *listed securities* where this information is important for the purposes of assessing the *securities* in question;
 - (3) any change in the rights attaching to *listed securities* (including any change in loan terms or in the rate of interest carried by the *listed securities*); [**Note:** Article 81 *CARD*]
 - (4) when any document has been submitted to the *FSA* for publication through the *document viewing facility* under *LR* 17.3.1R, unless the full text of the document is provided to a *RIS*;
 - (5) any change of paying agent in the *United Kingdom*; and
 - (6) the publication of:
 - (a) its annual report and accounts;
 - (b) in the case of *debt securities* guaranteed by another *company*, the annual report and accounts of the *company* that is providing the guarantee unless that *company* is *listed* or adequate information is otherwise available; and
 - (c) in the case of *convertible securities* which are exchangeable for *securities* of another *company*, the annual report and accounts of that other *company* unless that *company* is *listed* or adequate information is otherwise available.

Disclosure to holders: exercise of rights

- 17.4.2 R An *issuer* must ensure that at least in each *EEA state* in which its *securities* are listed, all the necessary facilities and information are

available to enable holders of such *securities* to exercise their rights. In particular, it must:

- (1) inform holders of meetings which they are entitled to attend;
- (2) enable them to exercise their vote, where applicable; and
- (3) publish notices or distribute circulars giving information on:
 - (a) the payment of interest in respect of such *securities*; and
 - (b) the exercise of any conversion, exchange, subscription or renunciation rights and repayment of its *securities*. [**Note:** Article 78(2) *CARD*]

17.4.3 R An *issuer* of bearer *securities* must comply with LR 17.4.2R by publishing an advertisement in at least one national newspaper in the *United Kingdom*.

17.4.4 G An *issuer* of bearer *securities* is not required to comply with LR 17.4.3R if:

- (1) the *securities* are in global form; and
- (2) the *issuer* can confirm that notices will be transmitted without delay to all holders.

Communications with holders

- 17.4.5 R (1) An *issuer* must notify a *RIS* of all notices to holders of its *listed securities* no later than the date the notices are sent to holders.
- (2) An *issuer* must submit to the *FSA* draft copies of any proposed amendment to its *constitution* which would affect the rights of holders. [**Note:** Article 79 *CARD*]

Disclosure: convertible and guaranteed securities

- 17.4.6 R Any changes to conversion rights attaching to *convertible securities* must be notified to a *RIS* as soon as possible. [**Note:** Article 81 *CARD*]
- 17.4.7 R In the case of *debt securities* guaranteed by another *company*, an *issuer* must submit to the *FSA* the annual report and accounts of the *company* that is providing the guarantee unless that *company* is *listed* or adequate information is otherwise available.
- 17.4.8 R In the case of *convertible securities* which are exchangeable for *securities* of another *company*, an *issuer* must submit to the *FSA* the annual report and accounts of that other *company* unless that *company* is *listed* or adequate information is otherwise available.

Disclosure: asset-backed securities

17.4.9 R Where an *issuer* proposes to issue further *debt securities* that are:

- (1) backed by the same assets; and
- (2) not fungible with existing classes of *debt securities*; or
- (3) not subordinated to existing classes of *debt securities*;

the *issuer* must inform the holders of the existing classes of *debt securities*.

17.5 Requirements for states, regional and local authorities and public international bodies

17.5.1 R This chapter does not apply to a state, a regional or local authority and a *public international body* with *listed debt securities* except that such an *issuer* must comply with:

- (1) LR 17.3.2R (Admission to trading);
- (2) LR 17.3.3R (Equality of treatment);
- (3) LR 17.4.1R(3) (Disclosures to be made without delay to an RIS); and
- (4) LR 17.4.2R to LR 17.4.4G (Disclosure to holders – exercise of rights).

- 18 Certificates representing certain securities
- 18.1 Application
- 18.1.1 R This chapter applies to:
- (1) a *depository*; and
 - (2) an *issuer* of the *securities* which are represented by certificates.
- 18.2 Requirements for listing
- Issuer of securities is taken to be the issuer
- 18.2.1 R If an application is made for the *admission of certificates representing certain securities*, the *issuer* of the *securities* which the certificates represent is the *issuer* for the purpose of the *listing rules* and the application will be dealt with as if it were an application for the *admission* of the *securities*.
- Certificates representing certain securities
- 18.2.2 R For *certificates representing certain securities* to be *admitted to listing* an *issuer* of the *securities* which the certificates represent must comply with *LR 18.2.3R* to *LR 18.2.7R*.
- 18.2.3 R An *issuer* must be:
- (1) duly incorporated or otherwise validly established according to the relevant laws of its place of incorporation or establishment; and
 - (2) operating in conformity with its *constitution*. [**Note:** Articles 42 and 52 *CARD*]
- 18.2.4 R For the certificates to be *listed*, the *securities* which the certificates represent must:
- (1) conform with the law of the *issuer's* place of incorporation;
 - (2) be duly authorised according to the requirements of the *issuer's constitution*; and
 - (3) have any necessary statutory or other consents. [**Note:** Articles 45 and 53 *CARD*]
- 18.2.5 R
- (1) For the certificates to be *listed*, the *securities* which the certificates represent must be freely transferable. [**Note:** Articles 46, 54 and 60 *CARD*]
 - (2) For the certificates to be *listed*, the *securities* which the certificates

represent must be fully paid and free from all liens and from any restriction on the right of transfer (except any restriction imposed for failure to comply with a notice under section 212 of the Companies Act 1985 (Company investigations))

- 18.2.6 G The *FSA* may modify *LR* 18.2.5R to allow partly paid *securities* if it is satisfied that their transferability is not restricted and investors have been provided with appropriate information to enable dealings in the *securities* to take place on an open and proper basis. [**Note:** Articles 46 and 54 *CARD*]
- 18.2.7 G The *FSA* may, in exceptional circumstances, modify or dispense with *LR* 18.2.5R where the *issuer* has the power to disapprove the transfer of *securities* if the *FSA* is satisfied that this power would not disturb the market in those *securities*.

Certificates representing equity securities of an overseas company

- 18.2.8 R (1) If an application is made for the *admission* of a *class* of *certificates representing shares* of an *overseas company*, a sufficient number of certificates must, no later than the time of *admission*, be distributed to the public in one or more *EEA States*.
- (2) For the purposes of paragraph (1), account may also be taken of holders in one or more states that are not *EEA States*, if the certificates are listed in the state or states.
- (3) For the purposes of paragraph (1), a sufficient number of certificates will be taken to have been distributed to the public when 25% of the certificates for which application for *admission* has been made are in public hands.
- (4) For the purposes of paragraphs (1), (2) and (3), certificates are not held in public hands if they are held, directly or indirectly by:
- (a) a *director* of the *applicant* or of any of its *subsidiary undertakings*; or
 - (b) a *person* connected with a *director* of the *applicant* or of any of its *subsidiary undertakings*; or
 - (c) the trustees of any *employees' share scheme* or pension fund established for the benefit of any *directors* and *employees* of the *applicant* and its *subsidiary undertakings*; or
 - (d) any *person* who under any agreement has a right to nominate a *person* to the board of *directors* of the *applicant*; or
 - (e) any *person* or *persons* in the same *group* who have an interest in 5% or more of the certificates of the relevant *class*.
- 18.2.9 G The *FSA* may modify *LR* 18.2.8R to accept a percentage lower than 25% if it considers that the market will operate properly with a lower percentage in

view of the large number of certificates of the same *class* and the extent of their distribution to the public. [**Note:** Article 48 *CARD*]

Certificates representing equity securities of a UK company

- 18.2.10 R Certificates representing *equity shares* of a *company* incorporated in the *United Kingdom* will be *admitted to listing* only if the *shares* they represent are already *listed* or are the subject of an application for *listing* at the same time.

Additional requirements for the certificates

- 18.2.11 R To be *listed*, the *certificates representing certain securities* must satisfy the requirements set out in *LR 2.2.2R* to *LR 2.2.11R*. For this purpose, in those *rules* references to *securities* are to be read as references to the *certificates representing certain securities* for which application for *listing* is made.
- 18.2.12 R To be *listed*, the *certificates representing certain securities* must not impose obligations on the *depository* that issues the certificates except to the extent necessary to protect the certificate-holders' rights to, and the transmission of entitlements of, the *securities*.

Additional requirements for a depository

- 18.2.13 R A *depository* that issues *certificates representing certain securities* must be a suitably authorised and regulated financial institution acceptable to the *FSA*.
- 18.2.14 R A *depository* that issues *certificates representing certain securities* must hold on trust (or under equivalent arrangements) for the sole benefit of the certificate holders the *securities* to which the certificates relate, all rights relating to the *securities* and all money and benefits that it may receive in respect of them, subject only to payment of the remuneration and proper expenses of the *issuer* of the certificates.

18.3 Listing applications

- 18.3.1 R An *applicant for admission of certificates representing certain securities* must comply with *LR 3.2* and *LR 3.4.4R* to *LR 3.4.7R* subject to the following modifications.

- 18.3.2 R In addition to the documents set out in *LR 3.4.4R* that must be submitted to the *FSA* before midday two *business days* prior to the consideration of the application for *admission*, either of the following documents must be submitted at the same time:

- (1) a copy of the executed deposit agreement; or

- (2) a final draft of the deposit agreement together with confirmation from the *issuer* that a copy of the executed deposit agreement will be submitted to the *FSA* as soon as possible after execution.
- 18.3.3 G Following submission of the relevant documents, *listing* may be granted, subject to the issue of the *certificates representing certain securities*.
- 18.4 Continuing obligations
- 18.4.1 R An *issuer of debt securities* which the certificates represent must comply with the continuing obligations set out in *LR 17.3* (Requirements with continuing application) and *LR 17.4* (Disclosures) in addition to the requirements of this section.
- 18.4.2 R A *UK issuer of equity shares* which the certificates represent must comply with the continuing obligations set out in *LR 9* (Continuing obligations) in addition to the requirements of this section.
- 18.4.3 R An *overseas company* that is the *issuer* of the *equity shares* which the certificates represent must comply with:
- (1) the requirements of this section;
 - (2) the continuing obligations set out in *LR 14.3* (Continuing obligations) and *LR 14.4* (Continuing obligations – financial information); and
 - (3) *DR 2* (Disclosure and control of inside information by issuers), as if it were an *issuer* for the purposes of the *disclosure rules*.

Change of depositary

- 18.4.4 R Prior to any change of the *depositary of certificates representing certain securities*, the new *depositary* must satisfy the *FSA* that it meets the requirements of *LR 18.2.11R* to *LR 18.2.14R*.

Notification of change of depositary

- 18.4.5 R
- (1) An *issuer of securities* represented by *listed certificates representing certain securities* must notify a *RIS* of any change of *depositary*.
 - (2) The notification required by paragraph (1) must be made as soon as possible, and in any event by 7.30 a.m. on the *business day* following the change of *depositary*, and contain the following information:
 - (a) the name, registered office and principal administrative establishment if different from the registered office of the *depositary*;

- (b) the date of incorporation and length of life of the *depository*, except where indefinite;
- (c) the legislation under which the *depository* operates and the legal form which it has adopted under the legislation; and
- (d) any changes to the information regarding the *certificates representing certain securities*.

Documents of title

- 18.4.6 R An *issuer* must comply with the requirements in *LR 9.5.15R* (Temporary documents of title) and *LR 9.5.16R* (Definitive documents of title) so far as relevant to *certificates representing equity securities*.

- 19 Securitised derivatives
- 19.1 Application
- 19.1.1 R This chapter applies to an *issuer* of:
- (1) *retail securitised derivatives*;
- (2) *specialist securitised derivatives*; and
- (3) other derivative products if the *FSA* has specifically approved their *listing* under this chapter.
- Other derivative products
- 19.1.2 R For the purposes of this chapter, an *issuer* of other derivative products that have received the specific approval of the *FSA* to be *listed* under this chapter must comply with the *rules* applicable to an *issuer* of *specialist securitised derivatives* unless otherwise stated.
- 19.1.3 R The *FSA* will not admit to *listing*, under this chapter, other derivative products that are likely to be bought and traded by investors who are not *specialist investors*, unless the derivative product falls within the scope of *specified investments* in Part III of the *Regulated Activities Order*.
- 19.2 Requirements for listing
- 19.2.1 R An *applicant* for the *admission* of *securitised derivatives* must comply with *LR 2* (Requirements for listing – all securities) and the following requirements.
- Requirements for listing: the issuer
- 19.2.2 R An *applicant* for the *admission* of *securitised derivatives* must either:
- (1) have *permission* under the *Act* to carry on its activities relating to *securitised derivatives* and be either a *bank* or a *securities and futures firm*;
- (2) if the *applicant* is an *overseas company*:
- (a) be regulated by an *overseas* regulator responsible for the regulation of banks, securities firms or futures firms and which has a lead regulation agreement for financial supervision with the *FSA*; and

- (b) be carrying on its activities relating to *securitised derivatives* within the approved scope of its business; or
- (3) arrange for its obligations in relation to the *securitised derivatives*, to be unconditionally and irrevocably *guaranteed* by, or benefit from an arrangement which is equivalent in its effect to such a *guarantee* provided by, an entity which satisfies (1) or (2).

Requirements for listing

- 19.2.3 R For a *securitised derivative* to be *listed*, its *underlying instrument* must be traded on a regulated, regularly operating, recognised open market, unless it is:
- (1) a currency; or
 - (2) an index; or
 - (3) an interest rate; or
 - (4) a basket of any of the above.
- 19.2.4 R The *FSA* may modify or dispense with the requirement in *LR 19.2.3R* for other derivative products.

Requirements for listing: retail products

- 19.2.5 R To be *listed*, a *retail securitised derivative* must:
- (1) satisfy the requirements set out in *LR 19.2.3R*; and
 - (2) not be a *contingent liability investment*.
- 19.2.6 R To be *listed*, if a *retail securitised derivative* gives its holder a right of exercise, its terms and conditions must provide that:
- (1) for cash settled *securitised derivatives* that are *in the money* at the *exercise time* on the *expiration date*, the exercise of the *securitised derivative* is automatic; or
 - (2) for physically settled *securitised derivatives* that are *in the money* at the *exercise time* on the *expiration date*, if the holder fails to deliver an *exercise notice* by the time stipulated in the terms and conditions, the *issuer* will, irrespective of the failure to exercise, pay to the holder an amount in cash in lieu of the holder's failure to deliver the *exercise notice*, the amount and method of calculation of this amount to be determined by the *issuer*.

19.3 Listing applications

Listing application procedures

19.3.1 R An *applicant for admission of securitised derivatives* must comply with:

(1) LR 3.2 (Application for admission to listing); and

(2) LR 3.4.4R to LR 3.4.10R;

subject to the following modification.

19.3.2 R An *issuer* must submit a copy of the *securitised derivative* agreement or *securitised derivative* instrument or equivalent document (as appropriate) as soon as possible after the date on which *admission* becomes effective.

19.4 Continuing obligations

Application

19.4.1 R An *issuer* that has only *securitised derivatives listed* is subject to the continuing obligations set out in this chapter.

19.4.2 R An *issuer* that has both *securitised derivatives* and other *securities listed* is subject to the continuing obligations set out in this chapter and the continuing obligations that are applicable to the other *securities so listed*.

Admission to trading

19.4.3 R (1) An *issuer's listed securitised derivatives* must be admitted to trading on a *RIE's* market for *listed securities* at all times.

(2) An *issuer* must inform the *FSA* in writing as soon as possible if it has:

(a) requested a *RIE* to admit or re-admit any of its *listed securitised derivatives* to trading; or

(b) requested a *RIE* to cancel or suspend trading of any of its *listed securitised derivatives*; or

(c) been informed by a *RIE* that the trading of any of its *listed securitised derivatives* will be cancelled or suspended.

Equality of treatment

19.4.4 An *issuer* must ensure equal treatment for all holders of *listed securitised derivatives* of the same series in respect of all rights attaching to such *securitised derivatives*.

Annual accounts

- 19.4.5 R (1) An *issuer* must publish its annual accounts as soon as possible after they have been approved.
- (2) An *issuer* must approve and publish its annual accounts within six months of the end of the financial period to which they relate.
- 19.4.6 R (1) Annual accounts must be drawn up and be independently audited.
- (2) If an *issuer* prepares both own and consolidated annual accounts, it may publish either form provided that the unpublished accounts do not contain any significant additional information.
- 19.4.7 R If an issue is *guaranteed* by an unlisted *company*, an *issuer* must submit the guarantor's accounts to the *FSA*.
- 19.4.8 R The *FSA* may dispense with *LR 19.4.5R* and *LR 19.4.6R* if:
- (1) the issue is *guaranteed*;
- (2) the guarantor is a listed *company*;
- (3) the *issuer* is included in the consolidated accounts of the guarantor;
- (4) no other requirement for the preparation of annual reports and accounts exists; and
- (5) non-publication of the *issuer's* accounts would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the *securitised derivatives* in question.

Paying agent

- 19.4.9 R An *issuer* must maintain a paying agent in the *United Kingdom* until the maturity date of the *securitised derivatives* unless the *issuer*:
- (1) provides financial services; and
- (2) itself performs the function of a paying agent in the *United Kingdom*.

Settlement arrangements

- 19.4.10 R (1) An *issuer* must ensure that appropriate settlement arrangements for its *listed securitised derivatives* are in place.
- (2) *Listed securitised derivatives* must be eligible for electronic settlement, which includes settlement by a “relevant system,” as that term is defined in the Uncertificated Securities Regulations 1995 (SI 1995/3272).

Disclosure rules

- 19.4.11 R An *issuer* must comply with *DR 2.1* to *DR 2.7* as if it were an *issuer* for the purposes of the *disclosure rules*.

Documents of title

- 19.4.12 R An *issuer* must comply with the requirements in *LR 9.5.15R* (temporary documents of title) and *LR 9.5.16R* (definitive documents of title) so far as relevant to *securitised derivatives*.

19.5 Disclosures

- 19.5.1 R An *issuer* must submit to the *FSA* two copies of any document required by *LR 19.5.2R* to *LR 19.5.10R* at the same time as the document is issued.

Changes to rights

- 19.5.2 R Any change in the rights attaching to *listed securitised derivatives* must be notified to a *RIS* as soon as possible.
- 19.5.3 R An *issuer* must notify a *RIS* as soon as possible of:
- (1) any new issues and guarantee or security related to such new issues; and
 - (2) any change of guarantor or security for the *securitised derivatives* where this information is important for the purposes of assessing the *securities* in question.

Annual accounts

- 19.5.4 R Immediately following the publication of its annual accounts an *issuer* must notify a *RIS* of where *securitised derivative* holders can obtain a copy of the annual accounts free of charge.
- 19.5.5 R Where an *issuer* has been granted a dispensation under *LR 19.4.8R* from publishing annual accounts, it must notify a *RIS* once the accounts have been published of where *securitised derivative* holders can obtain a copy of the guarantor's accounts free of charge.

Communications with holders

- 19.5.6 R All notices to holders must be made either by:
- (1) publishing an advertisement in at least one national newspaper circulating in the *United Kingdom*;
 - (2) despatch of the notice to the holders registered address; or

(3) sending the notice electronically to the holder's e-mail address.

- 19.5.7 R An *issuer* must notify a *RIS* of all notices to holders of *listed securitised derivatives* no later than the date of despatch or publication.

Paying agent

- 19.5.8 R Any change of paying agent within the *United Kingdom* must be notified to a *RIS* as soon as possible.

Underlying instruments

- 19.5.9 R An *issuer* must notify a *RIS* of any adjustment or modification it makes to the *securitised derivative* as a result of any change in or to the *underlying instrument* including details of the underlying event that necessitated the adjustment or modification.

Suspension of listing

- 19.5.10 R An *issuer* must inform the *FSA* immediately if it becomes aware that an *underlying instrument* that is listed or traded outside the *United Kingdom* has been suspended.

Note: *LR 5.1.2G(7)* and (8) and *LR 5.4.6G* are of relevance to an *issuer* of *securitised derivatives*.

LR Appendix 1 Note – Relevant definitions

LR App 1.1 - Relevant definitions

Note: The following definitions relevant to the *listing rules* are extracted from the *Glossary*.

<i>Act</i>	the Financial Services and Markets Act 2000.
<i>admission or admission to listing</i>	<i>admission of securities</i> to the <i>official list</i> .
<i>admission to trading</i>	admission of <i>securities</i> to trading on an <i>RIE's</i> market for <i>listed securities</i> .
<i>advertisement</i>	(as defined in the <i>PD Regulation</i>) announcements: <ol style="list-style-type: none">(a) relating to a specific offer to the public of securities or to an admission to trading on a regulated market; and(b) aiming to specifically promote the potential subscription or acquisition of securities.
<i>applicant</i>	an <i>issuer</i> which is applying for <i>admission of securities</i> .
<i>asset backed security</i>	(as defined in the <i>PD Regulation</i>) securities which: <ol style="list-style-type: none">(1) represent an interest in assets, including any rights intended to assure servicing, or the receipt or timeliness of receipts by holders of assets of amounts payable there under; or(2) are secured by assets and the terms of which provide for payments which relate to payments or reasonable projections of payments calculated by reference to identified or identifiable assets.
<i>associate</i>	in relation to a <i>director, substantial shareholder, 50/50 joint venture partner</i> or <i>person exercising significant influence</i> , who is an individual: <ol style="list-style-type: none">(1) that individual's spouse or child (together "the individual's family");(2) the trustees (acting as such) of any trust of which the individual or any of the individual's family is a beneficiary or discretionary object (other than a trust which is either an <i>occupational pension scheme</i> or an <i>employees' share scheme</i> which does not, in either case, have the effect of conferring benefits on persons all or most of whom are related parties;(3) any <i>company</i> in whose <i>equity securities</i> the individual or any member or members (taken together) of the individual's family or

the individual and any such member or members (taken together) are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that they are (or would on the fulfilment of the condition or the occurrence of the contingency be) able:

- (a) to exercise or control the exercise of 30% or more of the votes able to be cast at general meetings on all, or substantially all, matters; or
- (b) to appoint or remove *directors* holding a majority of voting rights at board meetings on all, or substantially all, matters.

For the purpose of paragraph (3), if more than one *director* of the *listed company*, its *parent undertaking* or any of its *subsidiary undertakings* is interested in the *equity securities* of another *company*, then the interests of those *directors* and their *associates* will be aggregated when determining whether that *company* is an associate of the *director*.

in relation to a *substantial shareholder*, *50/50 joint venture partner* or *person exercising significant influence*, which is a *company*:

- (1) any other *company* which is its *subsidiary undertaking* or *parent undertaking* or fellow *subsidiary undertaking* of the *parent undertaking*;
- (2) any *company* whose *directors* are accustomed to act in accordance with the *substantial shareholder's*, *50/50 joint venture partner's* or *person exercising significant influence's* directions or instructions.

authorised person

(in accordance with section 31 of the *Act* (Authorised persons)) one of the following:

- (a) a *person* who has a *Part IV permission* to carry on one or more *regulated activities*;
- (b) an *incoming EEA firm*;
- (c) an *incoming Treaty firm*;
- (d) a *UCITS qualifier*;
- (e) an *ICVC*;
- (f) the *Society of Lloyd's*.

authorised property unit trust

a *unit trust scheme* authorised by the *FSA* and which is a *property scheme* or an *umbrella scheme* each separate part of which would qualify as a *property scheme* if it were a separate *authorised unit trust scheme*.

<i>bank</i>	<p>(a) a <i>firm</i> with a <i>Part IV permission</i> which includes <i>accepting deposits</i>, and:</p> <p style="margin-left: 2em;">(i) which is a <i>credit institution</i>; or</p> <p style="margin-left: 2em;">(ii) whose <i>Part IV permission</i> includes a requirement that it comply with <i>IPRU (BANK)</i>;</p> <p style="margin-left: 2em;">but which is not a <i>building society</i>, a <i>friendly society</i> or a <i>credit union</i>;</p> <p>(b) an <i>EEA bank</i> which is a <i>full credit institution</i>.</p>
<i>base prospectus</i>	a base prospectus referred to in <i>PR 2.2.7R</i> .
<i>book value of property</i>	(in relation to a <i>property company</i>) the value of a <i>property</i> (which is not classified as a net current asset) before the deduction of mortgages or borrowings as shown in the <i>company's</i> latest annual report and accounts.
<i>break fee</i>	a fee payable by a <i>listed company</i> if certain specified events occur which have the effect of materially impeding a transaction or causing the transaction to fail.
<i>building block</i>	(as defined in the <i>PD Regulation</i>) a list of additional information requirements, not included in one of the schedules, to be added to one or more schedules, as the case may be, depending on the type of instrument and/or transaction for which a prospectus or base prospectus is drawn up.
<i>business day</i>	<p>(1) (in relation to anything done or to be done in (including to be submitted to a place in) any part of the <i>United Kingdom</i>), any <i>day</i> which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in that part of the <i>United Kingdom</i>;</p> <p>(2) (in relation to anything done or to be done by reference to a market outside the <i>United Kingdom</i>) any <i>day</i> on which that market is normally open for business.</p>
<i>Buy-back and Stabilisation Regulation</i>	Commission Regulation (EC) of 22 December 2003 implementing the <i>Market Abuse Directive</i> as regards exemptions for buy-back programmes and stabilisation of financial instruments (No 2273/2003).
<i>CARD</i>	<i>Consolidated Admissions and Reporting Directive</i> .
<i>certificate representing certain securities</i>	<p>the <i>investment</i> specified in article 80 of the <i>Regulated Activities Order</i> (Certificates representing certain securities), which is in summary: a certificate or other instrument which confers contractual or property rights (other than rights consisting of <i>options</i>):</p> <p style="margin-left: 2em;">(a) in respect of any <i>share</i>, <i>debenture</i>, <i>government and public security</i> or <i>warrant</i>) held by a <i>person</i> other than the <i>person</i> on whom the rights are conferred by the certificate or</p>

instrument; and

- (b) the transfer of which may be effected without requiring the consent of that *person*;

but excluding any certificate or other instrument which confers rights in respect of two or more *investments* issued by different *persons* or in respect of two or more different *government and public securities* issued by the same *person*.

certificate representing debt securities a *certificate representing certain securities* where the certificate or other instrument confers rights in respect of *debentures* or *government and public securities*.

certificate representing equity securities a *certificate representing certain securities* where the certificate or other instrument confers rights in respect of *equity securities*.

certificate representing shares a *certificate representing certain securities* where the certificate or other instrument confers rights in respect of *equity shares*.

CESR recommendations the recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses no 809/2004 published by the Committee of European Securities Regulators.

charge (in relation to *securitised derivatives*) means any payment identified under the terms and conditions of the *securitised derivatives*.

Chinese wall an arrangement that requires information held by a *person* in the course of carrying on one part of its business to be withheld from, or not to be used for, *persons* with or for whom it acts in the course of carrying on another part of its business.

circular any document issued to holders of *listed securities* including notices of meetings but excluding *prospectuses*, *listing particulars*, annual reports and accounts, interim reports, proxy cards and dividend or interest vouchers.

class *securities* the rights attaching to which are or will be identical and which form a single issue or issues.

class 1 acquisition a *class 1 transaction* that involves an acquisition by the relevant *listed company* or its *subsidiary undertaking*.

class 1 circular a *circular* relating to a *class 1 transaction*.

class 1 disposal a *class 1 transaction* that consists of a disposal by the relevant *listed*

	<i>company</i> or its <i>subsidiary undertaking</i>
<i>class 1 transaction</i>	a transaction classified as a class 1 transaction under <i>LR 10</i> .
<i>class 2 transaction</i>	a transaction classified as a class 2 transaction under <i>LR 10</i> .
<i>class 3 transaction</i>	a transaction classified as a class 3 transaction under <i>LR 10</i> .
<i>class tests</i>	the tests set out in <i>LR 10 Ann 1</i> (and for certain specialist companies, those tests as modified or added to by <i>LR 10.7</i>), which are used to determine how a transaction is to be classified for the purposes of the <i>listing rules</i> .
<i>closed-ended</i>	(in relation to investment entities) an <i>investment company</i> which is not an <i>open-ended investment company</i> .
<i>close period</i>	as defined in paragraph 1(a) of the <i>Model Code</i> .
<i>COB</i>	the Conduct of Business Sourcebook.
<i>Combined Code</i>	the corporate governance code issued by the Financial Reporting Council
<i>company</i>	any <i>body corporate</i> .
<i>competent authority</i>	(in relation to the functions referred to in Part VI of the <i>Act</i>): <ul style="list-style-type: none"> (a) the authority designated under Schedule 8 to the <i>Act</i> (transfer of functions under Part VI (Official listing)) as responsible for performing those functions under the <i>Act</i>; for the time being the <i>FSA</i> in its capacity as such; or (b) an authority exercising functions corresponding to those functions under the laws of another <i>EEA State</i>.
<i>connected client</i>	in relation to a <i>sponsor</i> or securities house, any client of the <i>sponsor</i> or securities house who is: <ul style="list-style-type: none"> (a) a partner, <i>director</i>, employee or controller (as defined in section 422 of the <i>Act</i>) of the <i>sponsor</i> or securities house or of an undertaking described in paragraph (d); (b) the spouse or child of any individual described in paragraph (a); (c) a <i>person</i> in his capacity as trustee of a private trust (other than a pension scheme or an <i>employee's share scheme</i>) the beneficiaries of which include any <i>person</i> described in paragraph (a) or (b); or

	(d) an undertaking which in relation to the <i>sponsor</i> or securities house is a group undertaking.
<i>connected person</i>	as defined in section 96B(2) of the <i>Act</i> .
<i>Consolidated Admissions and Reporting Directive</i>	Directive of the European Parliament and of the Council on the admission of securities to official stock exchange listing and on information to be published on those securities (No 2001/34/EC).
<i>constitution</i>	memorandum and articles of association or equivalent constitutional document.
<i>contingent liability investment</i>	a <i>derivative</i> under the terms of which the <i>client</i> will or may be liable to make further payments (other than <i>charges</i> , and whether or not secured by <i>margin</i>) when the transaction falls to be completed or upon the earlier <i>closing out</i> of his position.
<i>contract of significance</i>	a contract which represents in amount or value (or annual amount or value) a sum equal to 1% or more, calculated on a <i>group</i> basis where relevant, of: <ul style="list-style-type: none"> (1) in the case of a capital transaction or a transaction of which the principal purpose or effect is the granting of credit, the aggregate of the <i>group's</i> share capital and reserves; or (2) in other cases, the total annual purchases, sales, payments or receipts, as the case may be, of the <i>group</i>.
<i>convertible securities</i>	a <i>security</i> which is: <ul style="list-style-type: none"> (1) convertible into, or exchangeable for, other <i>securities</i>; or (2) accompanied by a warrant or option to subscribe for or purchase other <i>securities</i>.
<i>deal</i>	a <i>dealing</i> transaction;
<i>dealing</i>	(in accordance with paragraph 2 of Schedule 2 to the <i>Act</i> (Regulated activities)) buying, selling, subscribing for or underwriting <i>investments</i> or offering or agreeing to do so, either as <i>principal</i> or as agent, including, in the case of an <i>investment</i> which is a <i>contract of insurance</i> , carrying out the contract.
<i>DEC</i>	the Decision making manual.
<i>debt security</i>	debentures, debenture stock, loan stock, bonds, certificates of deposit or any other instrument creating or acknowledging indebtedness.
<i>depository</i>	a <i>person</i> that issues <i>certificates representing certain securities</i> that have

been *admitted to listing* or are the subject of an application for *admission to listing*.

<i>designated professional body</i>	<p>a professional body designated by the Treasury under section 326 of the <i>Act</i> (Designation of professional bodies) for the purposes of Part XX of the <i>Act</i> (Provision of Financial Services by Members of the Professions); as at 21 June 2001 the following professional bodies have been designated in the Financial Services and Markets Act 2000 (Designated Professional Bodies) Order 2001 (SI 2001/1226):</p> <ul style="list-style-type: none">(a) The Law Society (England and Wales);(b) The Law Society of Scotland;(c) The Law Society of Northern Ireland;(d) The Institute of Chartered Accountants in England and Wales;(e) The Institute of Chartered Accountants of Scotland;(f) The Institute of Chartered Accountants in Ireland;(g) The Association of Chartered Certified Accountants;(h) The Institute of Actuaries.
<i>director</i>	<p>(in accordance with section 417(1)(a) of the <i>Act</i>) a <i>person</i> occupying in relation to it the position of a director (by whatever name called) and, in relation to an <i>issuer</i> which is not a <i>body corporate</i>, a <i>person</i> with corresponding powers and duties.</p>
<i>disclosure rules</i>	<p>(in accordance with section 73A(3) of the <i>Act</i>) rules relating to the disclosure of information in respect of <i>financial instruments</i> which have been admitted to trading on a <i>regulated market</i> or for which a request for <i>admission to trading</i> on such a market has been made.</p>
<i>document</i>	<p>any piece of recorded information, including (in accordance with section 417(1) of the <i>Act</i> (Interpretation)) information recorded in any form; in relation to information recorded otherwise than in legible form, references to its production include references to producing a copy of the information in legible form.</p>
<i>document viewing facility</i>	<p>a location identified on the <i>FSA</i> website where the public can inspect documents referred to in the <i>listing rules</i> as being documents to be made available at the document viewing facility.</p>
<i>DR</i>	<p>the sourcebook containing the <i>disclosure rules</i>.</p>
<i>EEA State</i>	<p>(in accordance with paragraph 8 of Schedule 3 to the <i>Act</i> (EEA Passport Rights)) a State which is a contracting party to the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it</p>

has effect for the time being; as at 1 May 2004, the following are the *EEA States*: Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden and the *United Kingdom*.

<i>employee</i>	an individual: <ul style="list-style-type: none">(a) who is employed or appointed by a <i>person</i> in connection with that <i>person's</i> business, whether under a contract of service or for services or otherwise; or(b) whose services, under an arrangement between that <i>person</i> and a third party, are placed at the disposal and under the control of that <i>person</i>; but excluding an <i>appointed representative</i> of that <i>person</i> .
<i>employees' share scheme</i>	has the same meaning as in section 743 of the Companies Act 1985.
<i>equity security</i>	<i>equity shares</i> and <i>securities</i> convertible into <i>equity shares</i> .
<i>ENF</i>	the Enforcement manual.
<i>equity share</i>	<i>shares</i> comprised in a <i>company's equity share capital</i> .
<i>equity share capital</i>	(for a <i>company</i>), its issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution.
<i>exercise notice</i>	(in relation to <i>securitised derivatives</i>), a document that notifies the <i>issuer</i> of a holder's intention to exercise its rights under the <i>securitised derivative</i> .
<i>exercise price</i>	(in relation to <i>securitised derivatives</i>), the price stipulated by the <i>issuer</i> at which the holder can buy or sell the <i>underlying instrument</i> from or to the <i>issuer</i> .
<i>exercise time</i>	(in relation to <i>securitised derivatives</i>), the time stipulated by the <i>issuer</i> by which the holder must exercise their rights.
<i>expiration date</i>	(in relation to <i>securitised derivatives</i>), the date stipulated by the <i>issuer</i> on which the holder's rights in respect of the <i>securitised derivative</i> ends.
<i>extraction</i>	(in relation to <i>mineral companies</i>), includes mining, quarrying or similar activities and the reworking of mine tailings or waste dumps.
<i>final terms</i>	the document containing the final terms of each issue which is intended to

	be <i>listed</i> .
<i>financial information table</i>	financial information presented in a tabular form that covers the reporting period set out in <i>LR</i> 13.5.13R in relation to the entities set out in <i>LR</i> 13.5.14R, and to the extent relevant <i>LR</i> 13.5.15R and <i>LR</i> 13.5.16R.
<i>FSA</i>	the Financial Services Authority.
<i>50/50 joint venture</i>	a joint venture where the two parties to the joint venture have a deadlocked interest in the joint venture.
<i>50/50 joint venture partner</i>	a party to a <i>50/50 joint venture</i> with a <i>listed company</i> or its <i>subsidiary undertaking</i> .
<i>guarantee</i>	(in relation to <i>securitised derivatives</i>), either: <ul style="list-style-type: none"> (1) a guarantee given in accordance with <i>LR</i> 19.2.2R(3) (if any); or (2) any other guarantee of the issue of <i>securitised derivatives</i>.
<i>guidance</i>	guidance given by the <i>FSA</i> under the <i>Act</i> .
<i>group</i>	(1) except in <i>LR</i> 6.1.19R, an <i>issuer</i> and its <i>subsidiary undertakings</i> (if any); and <ul style="list-style-type: none"> (2) in <i>LR</i> 6.1.19R, as defined in section 421 of the <i>Act</i>.
<i>Handbook</i>	the <i>FSA</i> 's Handbook of rules and guidance.
<i>Home Member State or Home State</i>	(as defined in section 102C of the <i>Act</i>) in relation to an issuer of <i>transferable securities</i> , the <i>EEA State</i> which is the "home Member State" for the purposes of the <i>prospectus directive</i> (which is to be determined in accordance with Article 2.1(m) of that directive).
<i>Host Member State or Host State</i>	(as defined in Article 2.1(n) of the <i>prospectus directive</i>) the State where an offer to the public is made or admission to trading is sought, when different from the <i>home Member State</i> .
<i>IAS</i>	<i>International Accounting Standards</i> .
<i>inside information</i>	as defined in section 118C of the <i>Act</i> .
<i>insider list</i>	a list of persons with access to <i>inside information</i> as required by <i>DR</i> 2.8.1R.
<i>International Accounting Standards</i>	international accounting standards within the meaning of EC Regulation No 1606/2002 of the European Parliament and of the Council of 19 July 2002 as adopted from time to time by the European Commission in accordance with that Regulation.

intermediaries offer a marketing of *securities* already or not yet in issue, by means of an offer by, or on behalf of, the *issuer* to intermediaries for them to allocate to their own clients.

in the money (in relation to *securitised derivatives*):

- (a) where the holder has the right to buy the *underlying instrument* or *instruments* from the *issuer*, when the *settlement price* is greater than the *exercise price*; or
- (b) where the holder has the right to sell the *underlying instrument* or *instruments* to the *issuer*, when the *exercise price* is greater than the *settlement price*.

investment company a *company* whose object is to invest its funds wholly or mainly in:

(a) any of the following *investments* specified in the *Regulated Activities Order*:

- i. *share* (article 76);
- ii. *debenture* (article 77);
- iii. *government and public security* (article 78);
- iv. *warrant* (article 79);
- v. *certificate representing certain securities* (article 80);
- vi. *unit* (article 81);
- vii. *option* (article 83);
- viii. *future* (article 84);
- ix. *contract for differences* (article 85);
- x. rights to or interests in investments in (i) to (ix) (article 89);

(b) interests in partnership arrangements, participations, joint ventures and other forms of non-corporate investment provided that the conditions of listing are met; or

(c) interests in any other property provided that the relevant requirements of this chapter are met;

with the object of spreading investment risk and managing its portfolio for the benefit of its shareholders.

investment manager a *person* who, acting only on behalf of a *client*:

- (a) manages *designated investments* in an account or portfolio on a discretionary basis under the terms of a discretionary management agreement; or
- (b) manages *designated investments* in an account or portfolio on a non-discretionary basis under the terms of a non-discretionary management agreement.

<i>investment trust</i>	<p>a <i>company listed</i> in the <i>United Kingdom</i> or another <i>EEA State</i> which:</p> <p>(a) is approved by the Inland Revenue Commissioners under section 842 of the Income and Corporation Taxes Act 1988 (or, in the case of a newly formed <i>company</i>, has declared its intention to conduct its affairs so as to obtain such approval); or</p> <p>(b) is resident in an <i>EEA State</i> other than the <i>United Kingdom</i> and would qualify for such approval if resident and <i>listed</i> in the <i>United Kingdom</i>.</p>
<i>issuer</i>	any <i>company</i> or other legal person or undertaking (including a <i>public sector issuer</i>), any <i>class</i> of whose <i>securities</i> has been <i>admitted to listing</i> or is the subject of an application for <i>admission to listing</i> .
<i>LR</i>	the sourcebook containing the <i>listing rules</i> .
<i>list of sponsors</i>	the list of <i>sponsors</i> maintained by the <i>FSA</i> in accordance with section 88(3)(a) of the <i>Act</i> .
<i>listed</i>	admitted to the <i>official list</i> maintained by the <i>FSA</i> in accordance with section 74 of the <i>Act</i> .
<i>listed company</i>	a <i>company</i> that has any <i>class</i> of its <i>securities listed</i> .
<i>listing particulars</i>	(in accordance with section 79(2) of the <i>Act</i>), a document in such form and containing such information as may be specified in <i>listing rules</i> .
<i>listing rules</i>	(in accordance with section 73A(2) of the <i>Act</i>) rules relating to admission to the <i>official list</i> .
<i>London Stock Exchange</i>	London Stock Exchange Plc.
<i>long-term incentive scheme</i>	<p>any arrangement (other than a retirement benefit plan, a deferred bonus or any other arrangement that is an element of an executive <i>directors</i> remuneration package) which may involve the receipt of any asset (including cash or any <i>security</i>) by a <i>director</i> or <i>employee</i> of the <i>group</i>:</p> <p>(1) which includes one or more conditions in respect of service and/or performance to be satisfied over more than one financial year; and</p> <p>(2) pursuant to which the <i>group</i> may incur (other than in relation to the establishment and administration of the arrangement) either cost or a liability, whether actual or contingent.</p>
<i>MAD</i>	<i>Market Abuse Directive</i> .
<i>Market Abuse</i>	Directive of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse) (No

<i>Directive</i>	2003/6/EC).
<i>major subsidiary undertaking</i>	a <i>subsidiary undertaking</i> that represents 25% or more of the aggregate of the gross assets or profits (after deducting all charges except taxation) of the <i>group</i> .
<i>member</i>	(in relation to a profession) a <i>person</i> who is entitled to practise that profession and, in practising it, is subject to the rules of the relevant <i>designated professional body</i> , whether or not he is a member of that body.
<i>mineral company</i>	a <i>company</i> or <i>group</i> , whose principal activity is, or is planned to be, the <i>extraction of mineral resources</i> (which may or may not include exploration for <i>mineral resources</i>).
<i>mineral resources</i>	include metallic and non-metallic ores, mineral concentrates, industrial minerals, construction aggregates, mineral oils, natural gases, hydrocarbons and solid fuels including coal.
<i>mineral expert's report</i>	a report prepared in accordance with the <i>CESR recommendations</i>
<i>Model Code</i>	the Model Code on <i>directors'</i> dealings in <i>securities</i> set out in LR 9 Ann 1.
<i>modified auditors report</i>	an auditor's report: <ul style="list-style-type: none"> (a) in which the auditor's opinion is qualified; or (b) which sets out: <ul style="list-style-type: none"> (i) a problem relating to the business as a going concern; or (ii) a significant uncertainty, the resolution of which is dependent upon future events.
<i>net annual rent</i>	(in relation to a <i>property</i>) the current income or income estimated by the valuer: <ul style="list-style-type: none"> (1) ignoring any special receipts or deductions arising from the <i>property</i>; (2) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and (3) after making deductions for superior rents (but not for amortisation) and any disbursements including, if appropriate, expenses of managing the <i>property</i> and allowances to maintain it in a condition to command its rent.
<i>new applicant</i>	an <i>applicant</i> that does not have any <i>class</i> of its <i>securities</i> already <i>listed</i> .

<i>non-EEA State</i>	a country or state that is not an <i>EEA State</i> .
<i>OECD state guaranteed issuer</i>	an <i>issuer</i> of <i>debt securities</i> whose obligations in relation to those <i>securities</i> have been guaranteed by a member state of the <i>OECD</i> .
<i>offer</i>	an <i>offer of transferable securities to the public</i> .
<i>offer of transferable securities to the public</i>	<p>(as defined in section 102B of the <i>Act</i>), in summary:</p> <p>(a) a communication to any person which presents sufficient information on:</p> <ul style="list-style-type: none"> (i) the transferable securities to be offered, and (ii) the terms on which they are offered, <p>to enable an investor to decide to buy or subscribe for the securities in question;</p> <p>(b) which is made in any form or by any means;</p> <p>(c) including the placing of securities through a financial intermediary;</p> <p>(d) but not including a communication in connection with trading on:</p> <ul style="list-style-type: none"> (i) a regulated market; (ii) a multilateral trading facility; or (iii) any market prescribed by an order under section 130A of the <i>Act</i>. <p>Note: This is only a summary, to see the full text of the definition, readers should consult section 102B of the <i>Act</i>.</p>
<i>offer for sale</i>	an invitation to the public by, or on behalf of, a third party to purchase <i>securities</i> of the <i>issuer</i> already in issue or allotted (and may be in the form of an invitation to tender at or above a stated minimum price).
<i>offer for subscription</i>	an invitation to the public by, or on behalf of, an <i>issuer</i> to subscribe for <i>securities</i> of the <i>issuer</i> not yet in issue or allotted (and may be in the form of an invitation to tender at or above a stated minimum price).
<i>offeror</i>	(a) in <i>LR 5.2.10R</i> , an offeror as defined in the <i>Takeover Code</i> ; and

	(b) elsewhere in <i>LR</i> , a person who makes an <i>offer of transferable securities to the public</i> .
<i>official list</i>	the list maintained by the <i>FSA</i> in accordance with section 74(1) of the <i>Act</i> for the purposes of Part VI of the <i>Act</i> .
<i>open ended investment company</i>	as defined in section 236 of the <i>Act</i> (Open-ended investment companies).
<i>open offer</i>	an invitation to existing <i>securities</i> holders to subscribe or purchase <i>securities</i> in proportion to their holdings, which is not made by means of a renounceable letter (or other negotiable document).
<i>option</i>	the <i>investment</i> , specified in article 83 of the <i>Regulated Activities Order</i> (Options), which is an option to acquire or dispose of: <ul style="list-style-type: none"> (a) a <i>designated investment</i> (other than an option); or (b) currency of the <i>United Kingdom</i> or of any other country or territory; or (c) palladium, platinum, gold or silver; or (d) an option to acquire or dispose of an option specified in (a), (b) or (c).
<i>overseas</i>	outside the <i>United Kingdom</i> .
<i>overseas investment exchange</i>	an investment exchange which has neither its head office nor its registered office in the <i>United Kingdom</i> .
<i>overseas company</i>	a <i>company</i> incorporated outside the <i>United Kingdom</i> .
<i>PD</i>	<i>prospectus directive</i> .
<i>PD Regulation</i>	Regulation number 809/2004 of the European Commission
<i>PR</i>	the sourcebook containing the <i>Prospectus Rules</i> .
<i>parent undertaking</i>	as defined in section 258 of the Companies Act 1985.
<i>Part 6 rules</i>	(in accordance with section 73A(1) of the <i>Act</i>) <i>rules</i> made for the purposes of Part 6 of the <i>Act</i> .
<i>percentage ratio</i>	(in relation to a transaction) the figure, expressed as a percentage, that results from applying a calculation under a <i>class test</i> to the transaction.

<i>person</i>	(in accordance with the Interpretation Act 1978) any person, including a body of persons corporate or unincorporate (that is, a natural person, a legal person and, for example, a <i>partnership</i>).
<i>person discharging managerial responsibilities</i>	as defined in section 96B(1) of the <i>Act</i> .
<i>person exercising significant influence</i>	in relation to a <i>listed company</i> , a <i>person</i> or entity which exercises significant influence over that <i>listed company</i> (other than a <i>50/50 joint venture partner</i>).
<i>placing</i>	a marketing of <i>securities</i> already in issue but not <i>listed</i> or not yet in issue, to specified <i>persons</i> or clients of the <i>sponsor</i> or any securities house assisting in the placing, which does not involve an offer to the public or to existing holders of the <i>issuer's securities</i> generally.
<i>preference share</i>	a <i>share</i> conferring preference as to income or return of capital which is not convertible into an <i>equity share</i> and does not form part of the <i>equity share capital</i> of a <i>company</i> .
<i>primary listed issuer</i>	an <i>issuer</i> with a <i>primary listing</i> of its <i>securities</i> .
<i>primary listing</i>	a <i>listing</i> by the <i>FSA</i> by virtue of which the <i>issuer</i> is subject to the full requirements of the <i>listing rules</i> .
<i>probable reserves</i>	<p>(1) in respect of <i>mineral companies</i> primarily involved in the <i>extraction</i> of oil and gas resources, those reserves which are not yet <i>proven</i> but which, on the available evidence and taking into account technical and economic factors, have a better than 50% chance of being produced; and</p> <p>(2) in respect of <i>mineral companies</i> other than those primarily involved in the <i>extraction</i> of oil and gas resources, those <i>measured</i> and/or <i>indicated mineral resources</i>, which are not yet <i>proven</i> but of which detailed technical and economic studies have demonstrated that <i>extraction</i> can be justified at the time of the determination and under specified economic conditions.</p>
<i>profit estimate</i>	(as defined in the <i>PD Regulation</i>) a profit forecast for a financial period which has expired and for which results have not yet been published.
<i>profit forecast</i>	(as defined in the <i>PD Regulation</i>) a form of words which expressly states or by implication indicates a figure or a minimum or maximum figure for the likely level of profits or losses for the current financial period and/or financial periods subsequent to that period, or contains data from which a calculation of such a figure for future profits or losses may be made, even

	if no particular figure is mentioned and the word "profit" is not used.
<i>prohibited period</i>	as defined in the <i>Model Code</i> .
<i>property</i>	freehold, heritable or leasehold property.
<i>property company</i>	a <i>company</i> primarily engaged in <i>property</i> activities including: <ol style="list-style-type: none"> (1) the holding of <i>properties</i> (directly or indirectly) for letting and retention as investments; (2) the development of <i>properties</i> for letting and retention as investments; (3) the purchase and development of <i>properties</i> for subsequent sale; or (4) the purchase of land for development <i>properties</i> for retention as investments.
<i>property investment company</i>	an <i>investment company</i> or an <i>investment trust</i> which invests or intends to invests 20% or more of its gross assets directly in <i>property</i> and satisfies the requirements of LR 15.5 in addition to any other relevant requirements of LR 15.
<i>property valuation report</i>	a <i>property</i> valuation report prepared by an independent expert in accordance with the Appraisal and Valuation Standards (5 th edition) issued by the Royal Institution of Chartered Surveyors.
<i>prospectus</i>	a prospectus required under the <i>prospectus directive</i> .
<i>prospectus directive</i>	the Directive of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (No 2003/71/EC).
<i>prospectus rules</i>	(as defined in section 73A(4) of the <i>Act</i>) <i>rules</i> expressed to relate to transferable securities.
<i>proven reserves</i>	<ol style="list-style-type: none"> (1) in respect of <i>mineral companies</i> primarily involved in the <i>extraction</i> of oil and gas resources, those reserves which, on the available evidence and taking into account technical and economic factors, have a better than 90% chance of being produced; and (2) in respect of <i>mineral companies</i> other than those primarily involved in the <i>extraction</i> of oil and gas resources, those <i>measured mineral resources</i> of which detailed technical and economic studies have demonstrated that <i>extraction</i> can be justified at the time of the determination, and under specified economic conditions.
<i>public international</i>	the African Development bank, the Asian Development Bank, the Caribbean Development Bank, the Council of Europe Resettlement Fund,

<i>body</i>	the European Atomic Energy Community, the European Bank for Reconstruction and Development, the European Coal and Steel Community, the European Company for the Financing of Railroad Stock, the European Economic Community, the European Investment Bank, the Inter-American Development bank, the International Bank for Reconstruction and Development, the International Finance Corporation, the International Monetary Fund, the Nordic Investment bank.
<i>public sector issuer</i>	states and their regional and local authorities, <i>state monopolies</i> , <i>state finance organisations</i> , <i>public international bodies</i> , statutory bodies and <i>OECD state guaranteed issuers</i> .
<i>registration document</i>	a registration document referred to in <i>PR 2.2.2R</i> .
<i>recognised scheme</i>	a <i>scheme</i> recognised under: <ul style="list-style-type: none"> (a) section 264 of the <i>Act</i> (Schemes constituted in other EEA States); or (b) section 270 of the <i>Act</i> (Schemes authorised in designated countries or territories); or (c) section 272 of the <i>Act</i> (Individually recognised overseas schemes).
<i>Regulated Activities Order</i>	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544).
<i>regulated market</i>	(a) (as defined in article 1 of the <i>ISD</i>) a market for the instruments listed in Section B of the Annex to the <i>ISD</i> which: <ul style="list-style-type: none"> (i) appears on the list of such markets drawn up by the market's <i>Home State</i> as required by article 16 of the <i>ISD</i>; (ii) functions regularly; (iii) is characterised by the fact that regulations issued or approved by the competent authorities define the conditions for the operation of the market, the conditions for access to the market and, where Directive 79/279/EEC is applicable, the conditions governing admission to listing imposed in that Directive and, where that Directive is not applicable, the conditions that must be satisfied by a financial instrument before it can effectively be dealt in on the market; and (iv) requires compliance with all the reporting and transparency requirements laid down by articles 20 and 21

of the *ISD*;

(see Tables 1 and 2 of *SUP 17 Ann 5G* for an indicative list of these markets); and

- (b) a market notified under article 16 of the *ISD*, as included in point 30b of Annex IX to the Agreement of the European Economic Area, to the Standing Committee of the EFTA States as defined in that agreement;

(see Tables 3 and 4 of *SUP 17 Ann 5G* for an indicative list of these markets).

regulatory information service or RIS a Regulatory Information Service that is approved by the *FSA* as meeting the Primary Information Provider criteria and that is on the list of Regulatory Information Services maintained by the *FSA*.

related party as defined in *LR 11.1.4R*.

related party circular a *circular* relating to a *related party transaction*.

related party transaction as defined in *LR 11.1.5R*.

relevant securities has the same meaning as in section 80 of the Companies Act 1985.

retail securitised derivative a *securitised derivative* which is not a specialist securitised derivative; in this definition, a "specialist securitised derivative" is a *securitised derivative* which, in accordance with the *listing rules*, is required to be admitted to listing with a clear statement on any disclosure document that the issue is intended for a purchase by only investors who are particularly knowledgeable in investment matters.

reverse takeover a transaction classified as a *reverse takeover* under *LR 10*.

rights issue an offer to existing *security* holders to subscribe or purchase further *securities* in proportion to their holdings made by means of the issue of a renounceable letter (or other negotiable document) which may be traded (as "nil paid" rights) for a period before payment for the *securities* is due.

RIE *recognised investment exchange*.

rule (in accordance with section 417(1) of the *Act* (Definitions)) a rule made by the *FSA* under the *Act*, including:

- (a) a *Principle*; and

(b) an *evidential provision*.

<i>schedule</i>	(as defined in the <i>PD Regulation</i>) a list of minimum information requirements adapted to the particular nature of the different types of <i>issuers</i> and/or the different <i>securities</i> involved.
<i>scientific research based company</i>	a <i>company</i> primarily involved in the laboratory research and development of chemical or biological products or processes or any other similar innovative science based company.
<i>secondary listed issuer</i>	an <i>issuer</i> with a <i>secondary listing</i> of its <i>equity securities</i> .
<i>secondary listing</i>	a <i>listing</i> by the <i>FSA</i> of <i>equity securities</i> of an <i>overseas company</i> which is not a <i>primary listing</i> .
<i>securitised derivative</i>	an <i>option</i> or <i>contract for differences</i> which, in either case, is <i>listed</i> under <i>LR 19</i> (including such an <i>option</i> or <i>contract for differences</i> which is also a <i>debenture</i>).
<i>securities note</i>	a securities note referred to in <i>PR 2.2.2R</i> .
<i>security</i>	(in accordance with section 102A of the <i>Act</i>) anything which has been, or may be admitted to the <i>official list</i> .
<i>settlement price</i>	(in relation to <i>securitised derivatives</i>), the reference price or prices of the <i>underlying instrument</i> or <i>instruments</i> stipulated by the <i>issuer</i> for the purposes of calculating its obligations to the holder.
<i>shadow director</i>	as in sub-paragraph (b) of the definition of director in section 417(1) of the <i>Act</i> .
<i>share</i>	(in accordance with section 744 of the Companies Act 1985) a share in the share capital of a <i>company</i> , and includes: (a) stock (except where a distinction between shares and stock is express or implied); and (b) <i>preference shares</i> .
<i>specialist investor</i>	an investor who is particularly knowledgeable in investment matters.
<i>specialist securities</i>	<i>securities</i> which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.
<i>specialist securitised derivative</i>	a <i>securitised derivative</i> which because of its nature is normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

specified investment

any of the following *investments* specified in Part III of the *Regulated Activities Order* (Specified Investments):

- (a) *deposit* (article 74);
- (aa) *electronic money* (article 74A);
- (b) *contract of insurance* (article 75); for the purposes of the permission regime, this is sub-divided into:
 - (i) *general insurance contract*;
 - (ii) *long-term insurance contract*;and then further sub-divided into classes of *contract of insurance*;
- (c) *share* (article 76);
- (d) *debenture* (article 77);
- (e) *government and public security* (article 78);
- (f) *warrant* (article 79);
- (g) *certificate representing certain securities* (article 80);
- (h) *unit* (article 81);
- (i) *stakeholder pension scheme* (article 82);
- (j) *option* (article 83); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *option* (excluding a *commodity option* and an *option* on a *commodity future*);
 - (ii) *commodity option* and an *option* on a *commodity future*;
- (k) *future* (article 84); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *future* (excluding a *commodity future* and a *rolling spot forex contract*);
 - (ii) *commodity future*;
 - (iii) *rolling spot forex contract*;
- (l) *contract for differences* (article 85); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *contract for differences* (excluding a *spread bet* and a *rolling*

	<i>spot forex contract</i>);
	(ii) <i>spread bet</i> ;
	(iii) <i>rolling spot forex contract</i> ;
	(m) <i>underwriting capacity of a Lloyd's syndicate</i> (article 86(1));
	(n) <i>membership of a Lloyd's syndicate</i> (article 86(2));
	(o) <i>funeral plan contract</i> (article 87);
	(oa) <i>regulated mortgage contract</i> (article 61(3));
	(p) <i>rights to or interests in investments</i> (article 89).
<i>sponsor</i>	a <i>person</i> approved, under section 88 of the <i>Act</i> by the <i>FSA</i> , as a sponsor.
<i>state finance organisation</i>	a legal person other than a <i>company</i> : <ul style="list-style-type: none"> (1) which is a national of an <i>EEA State</i>; (2) which is set up by or pursuant to a special law; (3) whose activities are governed by that law and consist solely of raising funds under state control through the issue of <i>debt securities</i>; (4) which is financed by means of the resources they have raised and resources provided by the <i>EEA State</i>; and (5) the <i>debt securities</i> issued by it are considered by the law of the relevant <i>EEA State</i> as securities issued or guaranteed by that state.
<i>state monopoly</i>	a <i>company</i> or other legal person which is a national of an <i>EEA State</i> and which: <ul style="list-style-type: none"> (1) in carrying on its business benefits from a monopoly right granted by an <i>EEA state</i>; and (2) is set up by or pursuant to a special law or whose borrowings are unconditionally and irrevocably guaranteed by an <i>EEA state</i> or one of the federated states of an <i>EEA state</i>.
<i>subsidiary undertaking</i>	as defined in section 258 of the Companies Act 1985.
<i>substantial shareholder</i>	any <i>person</i> (excluding a bare trustee) who is entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the <i>company</i> (or any other <i>company</i> which is its <i>subsidiary undertaking</i> or <i>parent undertaking</i> or is a

	fellow <i>subsidiary undertaking</i> of its <i>parent undertaking</i>).
<i>summary</i>	(in relation to a <i>prospectus</i>) the <i>summary</i> included in the <i>prospectus</i> .
<i>SUP</i>	the Supervision manual.
<i>supplementary listing particulars</i>	(in accordance with section 81(1) of the <i>Act</i>), supplementary listing particulars containing details of the change or new matter.
<i>supplementary prospectus</i>	a supplementary prospectus containing details of a new factor, mistake or inaccuracy.
<i>Takeover Code</i>	the City Code on Takeovers and Mergers issued by the <i>Takeover Panel</i> .
<i>target</i>	the subject of a <i>class 1 transaction</i> .
<i>tender offer</i>	an offer by a <i>company</i> to purchase all or some of a <i>class</i> of its <i>listed equity securities</i> or <i>preference shares</i> at a maximum or fixed price (that may be established by means of a formula) that is: <ol style="list-style-type: none"> (1) communicated to all holders of that <i>class</i> by means of a <i>circular</i> or advertisement in two national newspapers; (2) open to all holders of that <i>class</i> on the same terms for at least 7 days; and (3) open for acceptance by all holders of that <i>class</i> pro rata to their existing holdings.
<i>transferable security</i>	(as defined in section 102A of the <i>Act</i>) anything which is a transferable security for the purposes of the <i>investment services directive</i> , other than money-market instruments for the purposes of that directive which have a maturity of less than 12 months.
<i>treasury shares</i>	qualifying shares to which sections 162A to 162G of the Companies Act 1985 apply.
<i>trust deed</i>	a trust deed or equivalent document securing or constituting <i>debt securities</i> .
<i>UK</i>	<i>United Kingdom</i> .
<i>underlying instrument</i>	(in relation to <i>securitised derivatives</i>) means either: <ol style="list-style-type: none"> (1) if the <i>securitised derivative</i> is an <i>option</i> or <i>debt security</i> with the characteristics of an <i>option</i>, any of the underlying investments listed in article 83 of the <i>Regulated Activities Order</i>; or (2) if the <i>securitised derivative</i> is a <i>contract for differences</i> or <i>debt security</i> with the characteristics of a <i>contract for differences</i>, any factor by

reference to which a profit or loss under article 85 of the *Regulated Activities Order* can be calculated.

unrecognised scheme a *collective investment scheme* which is neither a *recognised scheme* nor a scheme that is constituted as an *authorised unit trust scheme*.

vendor consideration placing a marketing, by or on behalf of vendors, of *securities* that have been allotted as consideration for an acquisition.

venture capital trust a *company* which is, or which is seeking to become, approved as a venture capital trust under section 842AA of the Income and Corporation Taxes Act 1988.

warrant the *investment*, specified in article 79 of the *Regulated Activities Order* (Instruments giving entitlements to investments), which is in summary: a warrant or other instrument entitling the holder to subscribe for a *share*, *debenture* or *government and public security*.

LR Appendix 2R – Fees and financial penalty income

LR App 2.1 - Fees and financial penalty income

2.1.1R

Fee type	Fee amount
Annual fees for the period 1 April 2005 to 31 March 2006	
<p>Annual Issuer Fees – all <i>listed issuers</i> of <i>shares</i>, depositary receipts and <i>securitised derivatives</i>. This fee represents the total annual fee for a <i>listed issuer</i> – no additional annual fee is due under the <i>disclosure rules</i>.</p>	<p>(1) For all <i>issuers</i> of <i>securitised derivatives</i>, depositary receipts and global depositary receipts the fees payable are set out in Table 1.</p> <p>(2) For all other <i>issuers</i> fees to be determined according to market capitalisation as set out in Table 2. The fee is calculated as follows:</p> <p>(a) the relevant minimum fee; plus</p> <p>(b) the cumulative total of the sums payable for each of the bands calculated by multiplying each relevant tranche of the <i>firm's</i> market capitalisation by the rate indicated for that tranche.</p> <p>(3) Notwithstanding (2), <i>overseas issuers</i> with a <i>listing</i> of <i>equity securities</i> which is not a <i>primary listing</i> will only pay 80% of the fee otherwise payable under (2).</p>
Annual Sponsor Fees	£10,000
Annual fees are charged in annual cycles beginning on 1 April of a year and ending on 31 March of the following year. An <i>issuer</i> or <i>sponsor</i> which becomes subject to the <i>listing rules</i> during the course of the financial year must pay a proportion of the annual fee which is calculated in accordance with the following Table 3.	

Table 1

Annual fees for issuers of securitised derivatives, depositary receipts and global depositary receipts

Issuer	Fee amount
<i>Issuers</i> of <i>securitised derivatives</i>	£3,000
<i>Issuers</i> of depositary receipts and global depositary receipts	£3,600

Table 2

Tiered annual fees for all other issuers

Fee payable

Minimum fee (£) 3,000

£ million of Market Capitalisation	Fee (£/£m or part £m of Market Capitalisation)
0 – 100	0
>100 – 250	11.81
>250 – 1,000	4.72
>1,000 – 5,000	1.57
>5,000 – 25,000	0.0295
>25,000	0.0079

Table 3

Quarter in which the <i>issuer/sponsor</i> becomes subject to the <i>Listing Rules</i>	Proportion payable
1 July to 30 September inclusive	75%
1 October to 31 December inclusive	50%
1 January to 31 March inclusive	25%

Annex 2

Fee type

Fee amount

Transaction vetting fees for the period 1 July 2005 to 31 March 2006		
Transaction vetting fees relate to specific events or transactions that an <i>issuer</i> might be involved in during the year and fall due when documentation is first submitted to the <i>FSA</i> .		
Eligibility	New applicants	£1,300
Category 1	<i>Class 1 transactions</i>	£5,700
Category 2	<i>Listing particulars for specialist security issuers (including depositary receipts)</i>	£2,500
Category 3	All other vetting only transactions	£2,500
Category 4	<i>Supplementary listing particulars</i>	£500

Annex 3

Part 1

Fee type

Fee amount

Application Fees for the period 1 July 2005 to 31 March 2006	
Application for <i>listing</i> An application fee becomes payable when an <i>issuer</i> makes an application for <i>listing</i> .	£225
Tranches from debt issuance programmes and <i>securitised derivative</i> tranches	£100

An upfront fee is required per tranche for draw downs in the following 12 months. Payment in advance for more than 75 draw downs will attract a 10% discount.	
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Part 2

Sponsor Application Fees for the period 1 July 2005 to 31 March 2006	
Fee type	Fee amount
Application for approval as <i>sponsor</i> An application fee becomes payable when a <i>person</i> applies for approval as a <i>sponsor</i> .	£4,000

Fees from other fee schedules contained in other sections of the sourcebook may be applicable to a single submission.

Financial penalty income

- G Section 100 of the *Act* (Penalties) provides that the *FSA* must prepare and operate a scheme for ensuring that the amounts paid to it as penalties are applied for the benefit of *issuers*.
- G The *FSA* will allow a permitted deduction from the annual fees of an amount equal to that *issuer's* share of the amounts paid to the *FSA* by way of penalties.
- G The *FSA* will notify *issuers* annually of the amount of the permitted deduction for each relevant year.

LR Appendix 3R – List of Regulatory Information Services

LR App 3R

The following are approved *Regulatory Information Services*:

Business Wire Regulatory Disclosure provided by Business Wire

FirstSight provided by Romeike

Announce provided by Hugin ASA

News Release Express provided by CCNMatthews UK Limited

PR Newswire Disclose provided by PRNewswire

RNS provided by the London Stock Exchange

Transitional Provisions for Sponsors

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1	LR 8.6.2R	R	<p>(1) A <i>person</i> that is approved as a <i>sponsor</i> and whose name is included on the <i>list of sponsors</i> immediately prior to LR 8.6 coming into force need not apply to the <i>FSA</i> under LR 8.6.2R if it:</p> <p>(a) has reasonable grounds for concluding that it complies with LR 8.6; and</p> <p>(b) notifies the <i>FSA</i> of this in writing.</p>	From 1 July 2005	1 July 2005
			<p>(2) The notification required by paragraph (1)(b) must:</p> <p>(a) provide the same information that is required by the Sponsor Firm Application Form and the Sponsor Employee Application Form; and</p> <p>(b) be submitted to the <i>FSA</i> by no later than the 31 July, 2005.</p>		
2		G	A <i>person</i> may use the Sponsor Firm Application Form and the Sponsor Employee Application Form to provide the information required by TR 1(2)(a).		

3		G	<p>If a <i>person</i> that is approved as a <i>sponsor</i> and whose name is included on the <i>list of sponsors</i> immediately prior to these <i>rules</i> coming into force:</p> <p>(a) does not notify the <i>FSA</i> of its compliance with <i>LR</i> 8.6 in accordance with TR 1(2);</p> <p>(b) and it wants to provide services as a <i>sponsor</i> and be included on the list of <i>sponsors</i>;</p> <p>it will need to apply to the <i>FSA</i> in accordance with <i>LR</i> 8.6.2R.</p>		