



## Response to the Takeover Panel's consultation on Companies Subject to the Takeover Code (PCP 2012/3)

September 2012

This submission represents our view as the operator of markets in the UK which include the Main Market (an EU Regulated Market) and AIM (an exchange regulated market classed as a Multilateral Trading Facility under European directives and as a Prescribed Market under the UK Financial Services and Markets Act 2000).

London Stock Exchange ('LSE') welcomes the Panel's consultation on companies subject to the Takeover Code which directly impact companies on AIM.

As AIM has attracted a critical mass of companies and investors, we have sought to ensure confidence in the market framework through a robust and balanced regulatory framework. We receive regular feedback from investors, issuers and advisers calling for clarity over how the residency test is applied to AIM companies registered in the UK, Channel Islands or Isle of Man to determine whether they are subject to the Code. We agree with the Code Committee's observation that there may be cases of false expectations regarding the applicability of the Code, from shareholders and/or companies. We are also aware that companies that do not fall within the Panel's remit may often seek to include provisions in their articles to provide investor protections similar to those offered under the Code.

We have discussed the aforementioned issues with the Panel and advocated application of the Code to all AIM companies registered in the UK, Channel Islands or Isle of Man. **We support the Panel's proposal to remove the residency test from the Code – which will impact the ~220 AIM companies that are registered in the UK, Channel Islands or Isle of Man but may not necessarily have their central place of management and control there.** Automatic application of the Code to this population of companies would provide clarity and certainty to companies and their shareholders.

We do not have any specific comments on the draft amendments.

To help companies transition, we would urge the Panel to provide guidance on how removal of the residency test will impact companies currently not subject to the Code and what documentation (e.g. Articles of Association) and procedures they should consider changing as a result.

### For further information:

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