



RECOGNISED INTERMEDIARY STATUS

Introduction

A recognised intermediary is that part of the trading operations of a bank or securities house which is accepted by the Panel as a recognised intermediary for the purposes of the Code. Recognised intermediaries benefit from dispensations from certain provisions of the Code, as described below.

If any part of the trading operations of a bank or securities house wishes to be accepted by the Panel as a recognised intermediary, it must apply to the Panel to be granted such status and it will have to comply with any requirements imposed by the Panel as a condition of its granting such status. The Panel will be able to grant recognised intermediary status to trading desks if they trade as principal primarily in a client-serving capacity, i.e. in order to fulfil orders received from clients, to respond to a client's requests to trade, or to hedge positions arising out of these activities. The criteria which must be satisfied in order for a desk to be granted recognised intermediary status by the Panel are set out below.

Dispensations afforded to recognised intermediaries

If a desk has recognised intermediary status then the following dispensations will apply:

- (a) to the extent that the desk has interests in shares by virtue of paragraph (3) or paragraph (4) of the definition of "interests in securities" (i.e. derivatives and options) which are held in a client-serving capacity (but not proprietary interests), those interests will not be taken into account in establishing whether it (or the organisation of which it forms part) is interested, for the purposes of Rule 9.1, in 30% or more of a company's shares carrying voting rights; and
- (b) to the extent that the desk deals in relevant securities in a client-serving capacity, it will be exempted from disclosing those dealings (but not proprietary dealings) in relevant securities under Rule 8.3(d).

"Interests in securities" and "dealings" are defined in the Definitions Section of the Code.

The criteria for recognised intermediary status

In determining whether a desk should be granted recognised intermediary status, the Panel will need to be satisfied as to each of the following matters in respect of the desk in question:

- (a) that the entity of which the desk forms part has been authorised by the FSA with permission (without material limitation) to deal as principal in UK equities or in derivatives or options referenced to or in respect of such equities. Where it is based overseas, the entity must have been granted equivalent authorisation and permission by its home state regulator to deal in UK equities or in derivatives or options referenced to or in respect of such equities;
- (b) that where the desk deals as principal it does so primarily to fulfil orders received from clients, to respond to a client's requests to trade, or to hedge positions arising out of these dealings and not on a proprietary basis – i.e. where it deals as principal it does so primarily in a client-serving capacity;
- (c) that the desk is suitable for recognised intermediary status having regard to all the circumstances, including (i) the connection of the entity of which it forms part with any other person, and (ii) the need to ensure that its activities will not be carried on with the purpose of assisting an offeror, potential offeror or offeree company or any of their respective associates;
- (d) that the desk and the entity of which it forms part have appropriate systems and compliance policies and procedures in place in order to identify, distinguish between and monitor their client-serving dealings and interests and their proprietary trading dealings and interests;
- (e) that if the desk is part of, or if the entity of which it forms part is or is part of, a wider organisation, or is associated with any other person, the desk's links with the rest of that organisation or with such person are not likely adversely to influence the Panel's supervision of its activities or its compliance with the Code; and
- (f) that if the desk is part of, or if the entity of which it forms part is or is part of, a wider organisation, or is associated with any other person, which deals as principal on a proprietary basis or carries out investment company, investment management, investment advisory or collective investment or other investment fund functions, there is appropriate functional separation between the activities of the desk and of those other functions.

Further details

Further details in relation to recognised intermediary status are given in Response Statement 2005/3 which can be found under "Response Statements".

Enquiries

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