

THE TAKEOVER PANEL

THE PANEL SUBSTANTIALLY RESTRICTS ADVERTISEMENTS CONNECTED WITH TAKE-OVERS

The Panel has become concerned about the increasing use of advertising campaigns as a major feature of take-overs. It has noted the growing frequency in such campaigns of the denigration of other parties involved in the take-over and the use of selective statistics to create a particular general impression.

Hitherto the approach of the Panel has been to stress that it requires advertisements to be prepared with the highest standards of care and accuracy, akin to a prospectus, and to leave those concerned with the responsibility of ensuring that this happens. In the light of the developments mentioned above, it is clear that this approach is no longer adequate and more restrictive rules are now needed. The Panel has therefore decided to restrict substantially advertisements connected with offers and potential offers in the manner set out below with effect from Monday, 7 April 1986 and the Code will be amended to reflect this along the following lines:

The publication of advertisements connected with an offer or potential offer is prohibited unless the advertisement falls into one of the exempt categories described below.

For this purpose advertisements include not only press advertisements but also advertisements in other media such as television, radio, video, tape and poster.

Exempt advertisements

- (i) Product or corporate image advertisements not bearing on an offer or potential offer.
- (ii) Advertisements confined to non-controversial information about an offer, for example, reminders as to closing times or the value of an offer. Such advertisements should avoid argument or invective.
- (iii) Advertisements comprising preliminary or interim results and their accompanying statement, provided the latter is not used as a vehicle for argument or invective concerning an offer.
- (iv) Advertisements giving information the publication of which by advertisement is required or specifically permitted by The Stock Exchange.
- (v) Advertisements being the communication of information relevant to holders of bearer securities.
- (vi) Advertisements being tender offer advertisements under the Rules Governing Substantial Acquisitions of Shares.
- (vii) Advertisements being notices relating to Court schemes.
- (viii) Advertisements published with the specific prior consent of the Panel. (As an example, this might be given if it were necessary to communicate with shareholders during a postal strike.)

Except where there is no doubt that an advertisement is a product or corporate image advertisement, the Panel will continue its pre-vetting role for the time being.

The Panel expects that the provisions described above will deal with the particular problems of 'knocking-copy' and the use of selective statistics and will re-establish prospectus standards of care and accuracy. If this does not happen, this new approach will be made more restrictive.

If a person currently involved in a take-over has, for a particular reason, a major difficulty in complying with these provisions with effect from 7 April, the Panel should be consulted.

26 March 1986