

# THE TAKEOVER PANEL

## **REVISED EDITION OF THE CITY CODE ON TAKE-OVERS AND MERGERS ("THE CODE") AND THE RULES GOVERNING SUBSTANTIAL ACQUISITIONS OF SHARES ("THE SARs")**

A revised edition of the Code and the SARs is being published today and where practicable the new Rules should be applied with effect from 29 April.

The new edition is in a completely revised loose-leaf format which collects in separate sections all material on one subject so that the requirements are easier to follow and amendments may be made more conveniently. As part of this re-ordering, there has been a general effort to clarify difficult areas and some additional Rules and guidance have been added, mainly as a result of cases since the last revision in 1981.

The Rules restricting the speed of acquisition of shares and rights over shares (old Rules 40-41) just before and during an offer have been simplified. The provision that no shares could be acquired by an offeror for seven days after the firm announcement of an offer has been dropped, as has the ban (old Rule 42) against stating, until after the first closing date of an offer, that the offer will not be revised. With the same exceptions as in the previous Rules, new Rule 5 essentially prevents a unilateral offeror from taking its holding of shares and rights over shares to 30% or more until after the first closing date. In the related area of the SARs, the maximum acquisition permitted of shares carrying voting rights or rights over such shares in any seven day period has been increased from 5% to 10%.

Several changes have been made in the sections of the Code dealing with time periods, revision and extension of offers and alternative offers, in addition to general clarification of the requirements. Offerors will be held to statements regarding the finality of the closing date or level of consideration unless the right to vary the terms of the offer in particular circumstances has been specifically and prominently reserved. Without such reservation, recommendation of the offeree company board alone will not be sufficient to allow an offeror to go back on an earlier statement. Except in the case of a cash alternative offer provided as to over 50% by underwriters, an offeror will not be allowed to close an offer or alternative after the offer is unconditional as to acceptances (a shut-off) unless a further 14 days have elapsed.

These and some other significant changes are described in the introductory notes to the revised edition.

19 April 1985