

**PRACTICE STATEMENT NO 20**

**RULE 2 – SECRECY, POSSIBLE OFFER ANNOUNCEMENTS AND PRE-ANNOUNCEMENT RESPONSIBILITIES**

**1. Introduction**

...

1.3 ... As explained in ~~paragraph section 3(f)~~ of the Introduction to the Code, ...

...

**2. Secrecy**

...

~~2.2 In this regard, the Executive notes the Principles of Good Practice for the Handling of Inside Information (the “Principles of Good Practice”) developed by the Financial Services Authority<sup>1</sup>.~~

~~2.32~~ ...

~~<sup>1</sup> See Market Watch, Issue No 27, June 2008~~

...

**4. When an announcement is required before an approach**

...

**(b) The requirement to consult the Executive**

...

**(ii) Share price movements**

4.5 Note 1(c) on Rule 2.2 also requires that the Executive should be consulted at the latest whenever there is a material or abrupt movement in the share price of the potential offeree company after the time when an offer is first actively considered by a potential offeror. For these purposes:

(a) a movement of 10% or more above the lowest share price since that time is regarded as a material movement; and

(b) a movement may be abrupt even if there has not been a material movement: for example, a price rise of 5% in the course of a single day is normally regarded as being abrupt.

~~4.6 The Executive’s policy is to treat the 10% share price movement referred to in paragraph 4.5(a) above as being relevant for determining the latest time by which it should first be notified by a potential offeror, or its financial adviser, of a possible offer. If, prior to there having been such a 10% share price movement, the potential offeror, or its financial adviser, has previously notified the Executive of the possible offer, the Executive will not expect to be consulted solely because of such a 10% share price movement. Accordingly, once the Executive has been notified by the potential offeror of the possible offer, it will be necessary for the offeror to consult the Executive under Note 1(c) on Rule 2.2 only if there is an abrupt share price movement as described in paragraph 4.5(b) above.~~

~~4.7 When calculating share price movements over the period of time relevant for the purpose of paragraph 4.5(a) above, the reference price should normally be taken to be the lowest closing~~

price during that period. However, the use of the lowest intra-day price during that period would also be acceptable.

4.8 When calculating share price movements in the course of a single day for the purpose of paragraph 4.5(b) above, the reference price should normally be taken to be the previous day's closing price, in order to ensure that overnight movements are included in the calculation.

4.9 The Executive should be consulted in the case of any doubt as to how share price movements should be monitored and calculated.

(iii) *When an offer is first actively considered*

4.610 ...

4.711 ...

(c) **The requirement for an announcement**

4.812 ...

4.913 ...

4.104 ...

5. **When an announcement is required following an approach or where a purchaser or potential offeror is being sought**

...

(b) **The requirement to consult the Executive**

...

(ii) *Share price movements*

5.7 In the case of Rule 2.2(c), Note 1(b) on Rule 2.2 also requires that, unless an immediate announcement is to be made, the Executive should be consulted at the latest whenever there is a material or abrupt movement in the share price of the potential offeree company after the time of the approach. For these purposes:

(a) a movement of 10% or more above the lowest share price since that time is regarded as a material movement; and

(b) a movement may be abrupt even if there has not been a material movement: for example, a price rise of 5% in the course of a single day is normally regarded as being abrupt.

5.8 The Executive's policy is to treat the 10% share price movement referred to in paragraph 5.7(a) above as being relevant for determining the latest time by which it should first be notified by an offeree company, or its financial adviser, of a possible offer. If, prior to there having been such a 10% share price movement, the offeree company, or its financial adviser, has previously notified the Executive of the possible offer, the Executive will not expect to be consulted solely because of such a 10% share price movement. Accordingly, once the Executive has been notified by the offeree company of the possible offer, it will be necessary for the offeree company to consult the Executive under Note 1(b) on Rule 2.2 only if there is an abrupt share price movement as described in paragraph 5.7(b) above.

5.9 When calculating share price movements over the period of time relevant for the purpose of paragraph 5.7(a) above, the reference price should normally be taken to be the lowest closing price during that period. However, the use of the lowest intra-day price during that period would also be acceptable.

5.10 When calculating share price movements in the course of a single day for the purpose of paragraph 5.7(b) above, the reference price should normally be taken to be the previous day's closing price, in order to ensure that overnight movements are included in the calculation.

~~The Executive should be consulted in the case of any doubt as to how share price movements should be monitored and calculated.~~

5.8~~11~~ Paragraphs 5.8 to 5.10 above apply sSimilarly, in the case of Rule 2.2(f)(i), ~~the Executive should be consulted at the latest~~ whenever there is a material or abrupt movement in the share price of the potential offeree company after the time when one or more purchasers or offerors are first sought.

5.12 ~~The Executive should be consulted in the case of any doubt as to how share price movements should be monitored and calculated.~~

**(c) *The requirement for an announcement***

~~5.9~~13 ...

~~5.10~~4 ...

~~5.14~~5 ...

~~5.12~~6 ...

**(d) *Strategic review announcements***

~~5.13~~7 ...

...

**10. Pre-announcement responsibilities**

...

**(c) *Monitoring procedures***

...

10.6 With regard to monitoring for rumour and speculation, the principal sources of information relating to offers (including newswires and newspapers) and such other sources of information as are reasonable in the context of the transaction (including social media, overseas publications, trade publications and internet bulletin boards) should be monitored for any rumour and speculation about the possibility of an offer for the offeree company.

...

**7 March 2008**

**Last amended ~~4 April 2019~~ 9 February 2022**