

## Chapter 12

# Dealing in own securities and treasury shares: Premium listing

**12.1 Application**

**Application**

12.1.1 **R** This chapter applies to a *company* that has a *premium listing*.

12.1.2 **R** This chapter contains *rules* applicable to a *listed company* that:

- (1) purchases its own *equity shares*; or
- (2) purchases its own *securities* other than *equity shares*; or
- (3) sells or transfers *treasury shares*; or
- (4) [deleted]
- (5) purchases its own *securities* from a *related party*.

**Exceptions**

12.1.3 **R** ■ LR 12.2 to ■ LR 12.5 do not apply to a transaction entered into:

- (1) in the ordinary course of business by a securities dealing business; or
- (2) on behalf of third parties either by the *company* or any member of its *group*;

if the *listed company* has established and maintains effective *Chinese walls* between those responsible for any decision relating to the transaction and those in possession of *inside information* relating to the *listed company*.



**12.2 Prohibition on purchase of own securities**

12.2.1 **R** [deleted]

## 12.3 Purchase from a related party

**12.3.1** **R** Where a purchase by a *listed company* of its own *equity securities* or *preference shares* is to be made from a *related party*, whether directly or through intermediaries, ■ LR 11 (Related party transactions) must be complied with unless:

- (1) a *tender offer* is made to all holders of the *class of securities*; or
- (2) in the case of a market purchase pursuant to a general authority granted by shareholders, it is made without prior understanding, arrangement or agreement between the *listed company* and any *related party*.

**12.3.2** **R** Where a purchase by a *listed company* of its own *equity securities* or *preference shares* is to be made from a *related party* which is a *sovereign controlling shareholder* or an *associate* of a *sovereign controlling shareholder*, the modifications to ■ LR 11 (Related party transactions) in ■ LR 21.5 (Transactions with related parties: Equity shares) and ■ LR 21.10 (Transactions with related parties: Certificates representing shares) do not apply for the purposes of ■ LR 12.3.1R.



## 12.4 Purchase of own equity shares

### Purchases of less than 15%

- 12.4.1 **R** Unless a *tender offer* is made to all holders of the *class*, purchases by a *listed company* of less than 15% of any *class* of its *equity shares* (excluding *treasury shares*) pursuant to a general authority granted by shareholders, may only be made if the price to be paid is not more than the higher of:
- (1) 5% above the average market value of the *company's equity shares* for the 5 *business days* prior to the day the purchase is made; and
  - (2) that stipulated by article 5(6) of the *Market Abuse Regulation*.

### Purchases of 15% or more

- 12.4.2 **R** Purchases by a *listed company* of 15% or more of any *class* of its *equity shares* (excluding *treasury shares*) pursuant to a general authority by the shareholders must be by way of a *tender offer* to all shareholders of that *class*.
- 12.4.2A **R** Purchases of 15% or more of any class of its own *equity shares* may be made by a *listed company*, other than by way of a *tender offer*, provided that the full terms of the *share buyback* have been specifically approved by shareholders.

- 12.4.3 **G** Where a series of purchases are made pursuant to a general authority granted by shareholders, which in aggregate amount to 15% or more of the number of *equity shares* of the relevant *class* in issue immediately following the shareholders meeting at which the general authority to purchase was granted, a *tender offer* need only be made in respect of any purchase that takes the aggregate to or above that level. Purchases that have been specifically approved by shareholders are not to be taken into account in determining whether the 15% level has been reached.

### Notification prior to purchase

- 12.4.4 **R**
- (1) Any decision by the board to submit to shareholders a proposal for the *listed company* to be authorised to purchase its own *equity shares* must be notified to a *RIS* as soon as possible.
  - (2) A notification required by paragraph (1) must set out whether the proposal relates to:

- (a) specific purchases and if so, the names of the *persons* from whom the purchases are to be made; or
  - (b) a general authorisation to make purchases.
- (3) The requirement set out in paragraph (1) does not apply to a decision by the board to submit to shareholders a proposal to renew an existing authority to purchase own *equity shares*.

**12.4.5** **R** A *listed company* must notify a *RIS* as soon as possible of the outcome of the shareholders' meeting to decide the proposal described in **LR 12.4.4 R**.

**Notification of purchases**

**12.4.6** **R** Any purchase of a *listed company's* own *equity shares* by or on behalf of the *company* or any other member of its *group* must be notified to a *RIS* as soon as possible, and in any event by no later than 7:30 a.m. on the *business day* following the calendar *day* on which the purchase occurred. The notification must include:

- (1) the date of purchase;
- (2) the number of *equity shares* purchased;
- (3) the purchase price for each of the highest and lowest price paid, where relevant;
- (4) the number of *equity shares* purchased for cancellation and the number of *equity shares* purchased to be held as *treasury shares*; and
- (5) where *equity shares* were purchased to be held as *treasury shares*, a statement of:
  - (a) the total number of *treasury shares* of each *class* held by the *company* following the purchase and non-cancellation of such *equity shares*; and
  - (b) the number of *equity shares* of each *class* that the *company* has in issue less the total number of *treasury shares* of each *class* held by the *company* following the purchase and non-cancellation of such *equity shares*.

**Consent of other classes**

**12.4.7** **R** Unless **LR 12.4.8 R** applies, a *company* with *listed securities* convertible into, or exchangeable for, or carrying a right to subscribe for *equity shares* of the *class* proposed to be purchased must (prior to entering into any agreement to purchase such *shares*):

- (1) convene a separate meeting of the holders of those *securities*; and
- (2) obtain their approval for the proposed purchase of *equity shares* by a special resolution.

**12.4.8** **R** ■ LR 12.4.7 R does not apply if the trust deed or terms of issue of the relevant securities authorise the *listed company* to purchase its own *equity shares*.

**12.4.9** **R** A *circular* convening a meeting required by ■ LR 12.4.7 R must include (in addition to the information in ■ LR 13 (Contents of circulars)):

- (1) a statement of the effect on the conversion expectations of holders in terms of attributable assets and earnings, on the basis that the *company* exercises the authority to purchase its *equity shares* in full at the maximum price allowed (where the price is to be determined by reference to a future market price the calculation must be made on the basis of market prices prevailing immediately prior to the publication of the *circular* and that basis must be disclosed); and
- (2) any adjustments to the rights of the holders which the *company* may propose (in such a case, the information required under paragraph (1) must be restated on the revised basis).

**Other similar transactions**.....

**12.4.10** **G** A *listed company* intending to enter into a transaction that would have an effect on the *company* similar to that of a purchase of own *equity shares* should consult with the *FCA* to discuss the application of ■ LR 12.4.



## 12.5 Purchase of own securities other than equity shares

- 12.5.1** **R** Except where the purchases will consist of individual transactions made in accordance with the terms of issue of the relevant *securities*, where a *listed company* intends to purchase any of its *securities* convertible into its *equity shares* with a *premium listing* it must:
- (1) ensure that no dealings in the relevant *securities* are carried out by or on behalf of the *company* or any member of its *group* until the proposal has either been notified to a *RIS* or abandoned; and
  - (2) notify a *RIS* of its decision to purchase.

### Notification of purchases, early redemptions and cancellations

- 12.5.2** **R** Any purchases, early redemptions or cancellations of a *company's* own *securities* convertible into *equity shares* with a *premium listing*, by or on behalf of the *company* or any other member of its *group* must be notified to a *RIS* when an aggregate of 10% of the initial amount of the relevant *class* of *securities* has been purchased, redeemed or cancelled, and for each 5% in aggregate of the initial amount of that *class* acquired thereafter.

- 12.5.3** **R** The notification required by **■ LR 12.5.2 R** must be made as soon as possible and in any event no later than 7:30 a.m. on the *business day* following the calendar day on which the relevant threshold is reached or exceeded. The notification must state:
- (1) the amount of *securities* acquired, redeemed or cancelled since the last notification; and
  - (2) whether or not the *securities* are to be cancelled and the number of that *class* of *securities* that remain outstanding.

- 12.5.4** **R** [deleted]

### Period between purchase and notification

- 12.5.5** **R** In circumstances where the purchase is not being made pursuant to a *tender offer* and the purchase causes a relevant threshold in **■ LR 12.5.2 R** to be reached or exceeded, no further purchases may be undertaken until after a notification has been made in accordance with **■ LR 12.5.2 R** to **■ LR 12.5.4 R**.



**Convertible securities**

12.5.6 **R** [deleted]

**Warrants and options**

12.5.7 **R** Where, within a period of 12 months, a *listed company* purchases *warrants* or *options* over its own *equity shares* which, on exercise, convey the entitlement to *equity shares* representing 15% or more of the *company's* existing issued *shares* (excluding *treasury shares*), the *company* must send to its shareholders a *circular* containing the following information:

- (1) a statement of the *directors'* intentions regarding future purchases of the *company's warrants* and *options*;
- (2) the number and terms of the *warrants* or *options* acquired and to be acquired and the method of acquisition;
- (3) where *warrants* or *options* have been, or are to be, acquired from specific parties, a statement of the names of those parties and all material terms of the acquisition; and
- (4) details of the prices to be paid.

## 12.6 Treasury shares

12.6.1 **R** [deleted]

12.6.2 **R** [deleted]

### Notification of capitalisation issues and of sales, transfers and cancellations of treasury shares

12.6.3 **R** If by virtue of its holding *treasury shares*, a *listed company* is allotted *shares* as part of a capitalisation issue, the *company* must notify a *RIS* as soon as possible and in any event by no later than 7:30 a.m. on the *business day* following the calendar *day* on which allotment occurred of the following information:

- (1) the date of the allotment;
- (2) the number of *shares* allotted;
- (3) a statement as to what number of *shares* allotted have been cancelled and what number is being held as *treasury shares*; and
- (4) where *shares* allotted are being held as *treasury shares*, a statement of:
  - (a) the total number of *treasury shares* of each *class* held by the *company* following the allotment; and

- (b) the number of *shares* of each *class* that the *company* has in issue less the total number of *treasury shares* of each *class* held by the *company* following the allotment.

12.6.4

**R**

Any sale for cash, transfer for the purposes of or pursuant to an *employees' share scheme* or cancellation of *treasury shares* that represents over 0.5% of the *listed company's share capital* must be notified to a *RIS* as soon as possible and in any event by no later than 7:30 a.m. on the *business day* following the calendar day on which the sale, transfer or cancellation occurred. The notification must include:

- (1) the date of the sale, transfer or cancellation;
- (2) the number of *shares* sold, transferred or cancelled;
- (3) the sale or transfer price for each of the highest and lowest prices paid, where relevant; and
- (4) a statement of:
  - (a) the total number of *treasury shares* of each *class* held by the *company* following the sale, transfer or cancellation; and
  - (b) the number of *shares* of each *class* that the *company* has in issue less the total number of *treasury shares* of each *class* held by the *company* following the sale, transfer or cancellation.

