

UKLA Technical Note

Reverse Takeovers

Ref: UKLA / TN / 306.2 – Guidance consultation

LR 5.1.2G;
LR 5.6.7G;
LR 5.6.8G

Early engagement on reverse takeovers

LR5.6.8G highlights that in the case of a reverse takeover, the FCA will often consider that a suspension is necessary. In cases where there is doubt about whether a suspension will be required, the FCA will need to consider whether or not a suspension is appropriate.

We would like to remind issuers of the need to ensure that they consider LP6, which requires issuers to deal with the FCA in an open and co-operative manner, when considering the appropriate time to contact the FCA.

Early engagement is particularly important in circumstances where the issuer intends to pursue the transaction or has reached a stage where the transaction can be described in contemplation (LR5.6.7G). A decision to suspend an issuer can have a significant market impact, and as such we consider that early engagement, preferably before the point where a reverse transaction can be considered in contemplation, is essential.

Timing of the announcement

The Listing Rules create a rebuttable presumption that an issuer will be suspended upon announcement or leak of a reverse takeover. When suspending, we will rely on the general suspension powers set out under LR 5. LR 5.1.2G(4) refers only to a 'proposed transaction'. However, we would consider this to refer to situations where information has been announced or leaked in relation to transactions under contemplation, as well as those where the terms have been agreed.

LR 5.6.7G sets out examples of when the UKLA will generally consider a potential transaction sufficiently advanced to trigger a potential suspension requirement. However, we appreciate that at times the situation may not be as clear cut as set out in these examples and there may be situations where there has been a purely speculative leak where a potential suspension would be inappropriate.

We are also aware that competitive auction processes are often difficult to fit into this framework, so we are happy to discuss the specifics of each case with issuers or their advisers. In making a decision about whether it is appropriate to consider suspension, we would expect an issuer to apply a similar rationale, as they would when considering the announcement requirements under the Disclosure and Transparency Rules. We would not, for example, expect an issuer to request a suspension where the transaction in question is too speculative to trigger an announcement under the continuing obligations regime.