

UK Takeovers: Panel narrows scope of companies subject to the Code

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The Takeover Panel is narrowing the scope of companies subject to the Takeover Code. The amendments will refocus the application of the Code on companies registered in the UK, the Channel Islands, or the Isle of Man, and whose securities are (or were recently) admitted to trading in one of those jurisdictions.

On April 24, 2024, the Code Committee of the Takeover Panel published [Public Consultation Paper \(PCP 2024/1\)](#) proposing a new jurisdictional framework to narrow the scope of companies to which the Code applies (read our [client update summarising the proposed changes](#)). The proposed amendments aimed to refocus the application of the Code on companies registered in the UK, the Channel Islands, or the Isle of Man, and whose securities are (or were recently) admitted to trading in one of those jurisdictions.

Historically, the Code has applied to a broad range of companies, including those with their registered offices in the UK, the Channel Islands, or the Isle of Man, and whose securities were admitted to trading on a UK regulated market, a UK multilateral trading facility (MTF), or a stock exchange in the Channel Islands or the Isle of Man. Additionally, the Code has applied to public companies not quoted on these markets but whose securities were traded on overseas markets or matched bargain facilities, and certain private companies that met specific criteria in the 'residency test'.

The Code Committee's proposal aimed to narrow this scope by focusing on companies that are UK registered and either currently quoted or recently quoted on the specified markets. This change was intended to provide greater clarity and certainty for market participants and to ensure that the Code's application was more aligned with the current market environment.

The consultation period for PCP 2024/1 ended on July 31, 2024, and the Code Committee adopted the amendments with certain modifications, including reducing the proposed run-off and transition periods from three years to two years. The final amendments were set out in [Response Statement \(RS 2024/1\)](#) published on November 6, 2024, and will take effect on February 3, 2025.

Key amendments

The key amendments to the Code and the practical implications of the same are as follows:

1. Narrowing the scope of the Code: The Code will apply to companies that are UK registered and either currently quoted on a UK regulated market, a UK MTF, or a stock exchange in the Channel Islands or the Isle of Man, or were quoted on these markets at any time during the two years prior to the relevant date. The relevant date is defined as the date on which an announcement is made of an offer or possible offer for the company or on which some other event occurs in relation to the company that has significance under the Code.

2. Transitional arrangements: The Code will apply to transition companies during a two-year transition period starting on February 3, 2025, and ending on February 2, 2027. A 'transition company' is defined as a company that was subject to the Code under the previous jurisdictional framework immediately prior to the implementation date but does not meet

the new criteria for Code application. The transitional arrangements will allow these companies time to adjust to the new regime and make any necessary arrangements including, for example, any changes to their governance arrangements or constitutional documents to replicate any Code-like provisions that would otherwise cease to apply at the end of the transition period.

3. Run-off period: Companies that cease to be quoted on the specified markets on or after the implementation date will continue to be subject to the Code for a run-off period of two years from the date of the cancellation of the admission to trading of their securities. This run-off period ensures that any new controller of the company will be required to comply with the General Principles and rules of the Code during this period. This change will provide continued protection for any minority shareholders.

4. Abolition of the 'residency test': The residency test, which required companies to have their place of central management and control in the UK, the Channel Islands, or the Isle of Man to be subject to the Code, will be abolished. The Code will apply to companies based on their registration and trading status, regardless of the residency of their directors. This change will provide greater certainty for companies and market participants as to whether the Code applies and will remove the need to consult the Panel on the application of the residency test.

5. Waivers: The Panel will have the ability to grant waivers from the application of some or all of the provisions of the Code in respect of companies that have ceased to be quoted on the specified markets. This flexibility will allow the Panel to consider the specific circumstances of a proposed transaction and determine whether the application of the Code is appropriate.

6. Disclosure requirements: Companies that decide to cancel the admission of their securities to trading on the specified markets will be required to make appropriate disclosures to shareholders about the implications of the cancellation, including the fact that the company will be subject to the Code for a run-off period of two years.

Impact of the amendments

Overall, the amendments to the Code will provide greater clarity and certainty for market participants by narrowing the scope of companies subject to the Code and aligning the Code's application with the current market environment. The transitional arrangements and run-off period will ensure that companies and their shareholders have time to adjust to the new regime and make any necessary arrangements.

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