

DEFINITIONS

Interests in securities

This definition and its Notes apply equally to references to interests in shares and interests in relevant securities.

A person who has long economic exposure, whether absolute or conditional, to changes in the price of securities will be treated as interested in those securities. A person who only has a short position in securities will not be treated as interested in those securities.

Notwithstanding the above, a person will be treated as having an interest in securities if the person:

- (1) owns them;
- (2) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them, including as a fund manager (see Note 11);
- (3) by virtue of any agreement to purchase, option or derivative:
 - (a) has the right or option to acquire them or call for their delivery; or
 - (b) is under an obligation to take delivery of them,

whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or

- (4) is party to any derivative:
 - (a) whose value is determined by reference to their price; and
 - (b) which results, or may result, in the person having a long position in them; and
- (5) in the case of Rule 5 only, has received an irrevocable commitment in respect of them.

NOTES ON INTERESTS IN SECURITIES

1. Gross interests

The number of securities in which a person is treated as having an interest is normally the gross number, aggregating the number of securities falling under each of paragraphs (1) to (4) (and, for the purposes of Rule 5 only, also paragraph (5)) above. If an interest in securities falls within more than one paragraph, the person shall be treated as interested in the highest number determined under the relevant paragraphs. Short positions should not normally be deducted.

However, if each of the following conditions is met, the Panel will normally allow offsetting positions to be netted off against each other:

- (a) *the offsetting positions are in respect of the same class of relevant security;*
- (b) *the offsetting positions are in respect of the same investment product;*
- (c) *save for the number of securities in question, the terms of the offsetting positions are the same, eg as to strike price and, if appropriate, exercise period; and*
- (d) *the counterparty to the offsetting positions is the same in each case.*

2. Interests of two or more persons

As a result of the way in which interests in securities are categorised, two or more persons may be treated as interested in the same securities. For example, where a shareholder grants a call option to another person, the shareholder will be interested in the shares the subject of the option as a result of paragraph (1) of the definition of interests in securities, and the option holder will be interested in those shares as a result of paragraph (3) of the definition.

3. Number of securities concerned

- (a) *Where the number of securities the subject of an agreement to purchase, option or derivative is not fixed, a person will normally be treated as interested in the maximum possible number of securities.*
- (b) *Where the value of any derivative is determined by reference to the price of a number of securities multiplied by a particular factor, a person will be treated as interested in the number of reference securities multiplied by the relevant factor.*
- (c) *Where a derivative is not referenced to any stated number (or maximum number) of securities, a person will normally be treated as interested in the gross number of securities to changes in the price of which the person has, or may have, economic exposure.*

4. Securities borrowing and lending

If a person has borrowed or lent securities, the person will normally be treated as interested in any securities which it has lent but (except in the circumstances set out in Note 16 on Rule 9.1) will not normally be treated as interested in any securities which it has borrowed. If a person has on-lent securities which it has borrowed, it will not normally be treated as interested in those securities.

5. New shares

Where a person holds securities convertible into, or warrants or options in respect of, new shares, the person will be treated as interested in those

securities, warrants or options but will not be treated as interested in the new shares which may be issued upon conversion or exercise. However, the acquisition of new shares on conversion or exercise of any convertible securities, warrants or options will be treated as an acquisition of an interest in the new shares which are then issued.

6. Proxies and corporate representatives

A person will not be treated as having an interest in securities by reason only that the person has been appointed as a proxy to vote at a specified general or class meeting of the company concerned, or has been authorised by a corporation to act as its representative at any general or class meeting or meetings.

7. Security interests

A bank taking security over shares or other securities in the normal course of its business will not normally be considered to be interested in those shares or securities.

8. Other statutory or regulatory provisions

This definition applies only in respect of the relevant provisions of the Code. Any Panel view expressed in relation to interests in securities can only relate to the Code and should not be taken as guidance on the interpretation of any other statutory or regulatory provisions.

9. Acquisitions of interests in securities

(a) References to a person acquiring an interest in securities include any transaction or dealing (including the variation of the terms of an option in respect of, or derivative referenced to, securities) which results in an increase in the number of securities (including, where relevant, securities which have been assented to an offer) in which the person is treated as interested.

(b) A person will not be treated as acquiring an interest in securities which are the subject of an irrevocable commitment received by the person as a result only of paragraph (3) of the definition of interests in securities.

(c) The Panel should be consulted if an offeror or any person acting in concert with it proposes to enter into a conditional share sale and purchase agreement or option in the context of the offer.

10. Custodians and depositories

A custodian or depository acting in the normal course of its business will not be treated as having an interest in the securities it holds as a result of that activity.

11. Fund managers

(a) A fund manager will be treated as having an interest in securities which it manages for a client on a discretionary basis.

(b) A client will not be treated as having an interest in securities if it has given to an independent fund manager absolute discretion regarding dealing, voting and offer acceptance decisions. If the discretion is not absolute, the client will not normally be treated as having an interest in securities provided that it does not exercise any powers it has retained to intervene in such decisions.

(c) Where a fund manager sub-contracts discretionary management of funds to another independent fund manager, the same approach will be applied, i.e. the sub-contracted fund manager, and not the original fund manager, will be treated as having an interest in securities provided that the sub-contracted fund manager has been given absolute discretion regarding dealing, voting and offer acceptance decisions (and, if the discretion is not absolute, the originally contracted fund manager will not normally be treated as having an interest in securities provided that it does not exercise any powers it has retained to intervene in such decisions).