

INTRODUCTION

2 THE CODE

Save for section 2(c) (which sets out a rule), this section gives an overview of the nature and purpose of the Code.

(a) Nature and purpose of the Code

The Code is designed principally to ensure that shareholders in an offeree company are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders in the offeree company of the same class are afforded equivalent treatment by an offeror. The Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

The Code is not concerned with the financial or commercial advantages or disadvantages of a takeover. These are matters for the offeree company and its shareholders. In addition, it is not the purpose of the Code either to facilitate or to impede takeovers. Nor is the Code concerned with those issues, such as competition policy, which are the responsibility of government and other bodies.

The Code has been developed since 1968 to reflect the collective opinion of those professionally involved in the field of takeovers as to appropriate business standards and as to how fairness to offeree company shareholders and an orderly framework for takeovers can be achieved. The rules set out in the Code have a statutory basis in relation to the United Kingdom and comply with the relevant requirements of the Act. The rules set out in the Code also have a statutory basis in relation to the Isle of Man, Jersey and Guernsey: see sections 14, 15 and 16 respectively.

(b) General Principles and Rules

The Code is based upon a number of General Principles, which are essentially statements of standards of commercial behaviour. These General Principles are the same as the general principles set out in Part 1 of Schedule 1C to the Act. They apply to takeovers and other matters to which the Code applies. They are expressed in broad general terms and the Code does not define the precise extent of, or the limitations on, their application. They are applied in accordance with their spirit in order to achieve their underlying purpose.

In addition to the General Principles, the Code contains a series of rules. Although most of the rules are expressed in less general terms than the General Principles, they are not framed in technical language and, like the General Principles, are to be interpreted to achieve their underlying purpose. Therefore, their spirit must be observed as well as their letter.

(c) Derogations and Waivers

The Panel may derogate or grant a waiver to a person from the application of a rule (provided that the General Principles are respected) either:

- (i) in the circumstances set out in the rule; or
- (ii) in other circumstances where the Panel considers that the particular rule would operate unduly harshly or in an unnecessarily restrictive or burdensome or otherwise inappropriate manner (in which case a reasoned decision will be given).

In exceptional circumstances, for example, in order to facilitate the rescue of a company to which the Code applies which is in serious financial difficulty, the Panel may derogate or grant a waiver to a person from the application of a rule notwithstanding that, in doing so, one or more of the General Principles might not be respected.