



## Scope refocussed: Panel reduces the range of companies to be subject to the Takeover Code

---

12 November 2024

On 6 November 2024, the Takeover Panel (the "**Panel**") published a [response statement](#) setting out changes to be made to the Takeover Code (the "**Code**"), to narrow the range of companies to which the Code applies.

The Panel is proceeding with the changes it proposed in its April 2024 [public consultation](#), save that the run-off and transitional periods described below will be two years rather than three.

The changes will take effect on 3 February 2025.

### At a Glance

#### What?

The scope of the Code is being narrowed so that it will apply only to a company registered in the UK, Channel Islands or the Isle of Man and whose securities are (or were within the past two years) admitted to trading in one of those jurisdictions.

#### Why?

The aim of the changes is to refocus the application of the Code on those companies which might expect to be subject to takeover regulation and to provide clarity and certainty as to the companies which fall within the Panel's jurisdiction.

#### When?

The new rules will take effect on 3 February 2025, but there will be a two-year transitional period from this date, during which interim arrangements will apply to certain companies which are not UK-quoted, as set out in the response statement and explained further below.

### A Closer Look

#### The Takeover Code: a refined scope

From 3 February 2025, subject to the transitional arrangements explained further below, the Code will only apply to a company if:

- it has its registered office in the UK, the Channel Islands or the Isle of Man (a "**UK-registered company**"); and
- either:
  - any of its securities are admitted to trading on a UK regulated market (*the Main Market of the LSE and AQSE*), a UK multilateral trading facility (*AIM and the AQSE Growth Market*) or a stock exchange in the Channel Islands or the Isle of Man (*TISE*) (a "**UK-quoted company**"); or
  - it was a UK-quoted company at any time in the two years prior to the date of an announcement of an offer or possible offer for it, or any other event with Code significance (the "**run-off period**").

The Panel had originally proposed a three-year run-off period but shortened it to two years following consultation.

Therefore, subject to the transitional arrangements explained further below, the Code will no longer apply to the following UK-registered companies:

- a public or private company which ceased to be a UK-quoted company more than two years prior to the relevant date;
- a public or private company whose securities are, or were previously, admitted to trading solely on an overseas market or traded using a matched bargain facility (*such as Asset Match or JP Jenkins*); or
- a private company which filed a prospectus during the 10 years prior to the relevant date (provided it was not a UK-quoted company in the two years prior to the relevant date).

Currently, the Code may apply to a UK-registered company which is: (i) a public company that is not a UK-quoted company or (ii) a private company which was a UK-quoted company in the previous 10 years, if the Panel considers it to have its place of central management and control in the UK, Channel Islands or Isle of Man ("**UK-resident**"). Save in respect of certain transitional arrangements detailed below, this subjective residency test will no longer apply.

The Panel has also confirmed that the Code will not apply to a company solely by virtue of its securities or other interests being traded using another platform, such as a private market (for example, *TISE Private Markets*), a secondary market of a crowdfunding platform (for example, *Seedrs Secondary Market*) or the UK Government's proposed Private Intermittent Securities and Capital Exchange System (*PISCES*).

Finally, the Panel has codified its longstanding practice not to seek to apply the Code to companies with a sole beneficial owner.

## **Transitional arrangements**

The Panel will implement transitional arrangements from 3 February 2025, to ensure that a company to which the Code applies (or potentially applies) immediately prior to 3 February 2025, but to which it will not apply following the implementation of these changes, will have time to adjust to the new regime.

In particular:

- the transitional arrangements will apply for two years, ending on 2 February 2027 (shortened from the three years originally proposed by the Panel);
- the transitional arrangements will apply to a public or private UK-registered company that is not, on 2 February 2025, a UK-quoted company, but which was subject to the Code immediately prior to 3 February 2025 (or which would have been subject to it, but for the fact it was not UK-resident) (a **"Transition Company"**); and
- the Code will apply to a transaction relating to a Transition Company, if at the time of the transaction the Transition Company is UK-resident, until 2 February 2027 (or, if earlier, 10 years from the date on which a private company ceased to be a UK-quoted company).

The [response statement](#) contains flowcharts in Appendix D and Appendix E, which help companies to understand whether they are a Transition Company and, if so, whether the Code applies to a specific transaction.

## Comment

We welcome the clarity brought about by these changes, which will provide greater certainty to clients and enable the Panel to concentrate on UK-registered and quoted companies, but we note that, in practice, these changes are likely to impact only a small number of companies.

The transitional arrangements will give time for Code companies who will cease to be caught by the new regime sufficient time to put in place alternative arrangements (such as adopting amendments to their articles of association), and for their shareholders to digest what it means to no longer benefit from the protections afforded by the Code and, if necessary, to sell their shares.