

---

DRAFT STATUTORY INSTRUMENTS

---

**2019 No.**

**The Takeovers (Amendment) (EU Exit) Regulations 2019**

**Amendments to the Companies Act 2006**

7.—(1) Section 966 is amended as follows.

(2) In subsection (1), for “three” substitute “five”.

(3) In subsection (2), before “regulated market” insert “UK”.

(4) For subsection (3) substitute—

“(3) The second condition is that the company’s articles of association do not contain any restrictions on the transfer of shares or, if they do contain any such restrictions, provide that they are not to apply to—

- (a) transfers to the offeror, or at the offeror’s direction to another person, during the offer period, or
- (b) transfers to any person at a time during the offer period when the offeror holds shares amounting to not less than 75% in value of all the voting shares in the company.

(3A) The third condition is that the company’s articles of association—

- (a) do not contain any restrictions on rights to vote at a general meeting of the company, or
- (b) if they do contain any such restrictions, provide that they are not to have effect on rights to vote at a general meeting of the company that—
  - (i) decides whether to take any action which might result in the frustration of the takeover bid, or
  - (ii) is held at a time when the offeror holds shares amounting to not less than 75% in value of all the voting shares in the company,

unless the restrictions are compensated for by specific pecuniary advantages.

(3B) The fourth condition is that the company’s articles of association do not contain any other provision which would be incompatible with the requirements of subsection (3C).

(3C) Those requirements are—

- (a) multiple-vote shares are to carry only one vote each at a general meeting of the company that decides whether to take any action which might result in the frustration of the takeover bid,
- (b) multiple-vote shares are to carry only one vote each at a general meeting of the company which—
  - (i) is the first such meeting to be held after the end of the offer period,
  - (ii) is held at a time when the offeror holds shares amounting to not less than 75% in value of all the voting shares in the company, and

(iii) is called at the offeror's request under section 969 in order to amend the company's articles of association or to appoint or remove members of the board of directors, and

(c) at a time during the offer period when the offeror holds shares amounting to not less than 75% in value of all the voting shares in the company, shareholders are not to have any extraordinary rights to appoint or remove members of the board of directors.

(3D) The references in subsections (3A)(b) and (3C)(a) to voting at a general meeting of the company that decides whether to take any action which might result in the frustration of the takeover bid includes a reference to voting on a written resolution concerned with that question.

(3E) For the purposes of subsections (3A)(b)(i) and (3C)(a), action which might result in the frustration of the takeover bid is any action of that kind specified in rules under section 943(1) made in accordance with paragraphs 17 or 18 of Schedule 1C.

(3F) The references in subsections (3), (3A) and (3C) to voting shares in the company do not include—

(a) debentures, or

(b) shares that, under the company's articles of association, do not normally carry rights to vote at its general meetings (for example, shares carrying rights to vote that, under those articles, arise only where specified pecuniary advantages are not provided).

(3G) In subsection (3C), "multiple-vote shares" means shares included in a distinct and separate class and carrying more than one vote each."

(5) In subsection (4), for "third" substitute "fifth".

(6) Omit subsection (6).