

UKLA Technical Note

Changes in holdings

Ref: UKLA / TN / 545.2

DTR 5

Increase or decrease in total number of shares with voting rights attached

Shareholders should be aware that they may have a disclosure obligation in the event of an issuer notifying the market that it has altered the total number of shares with voting rights attached, even if the shareholder has not increased or decreased the level of their holding of shares or other disclosable instruments. This arises because a change in the total number of shares (the denominator in the calculation) may change the proportion of shares held, triggering a disclosure obligation.

The example below will help illustrate this point:

Example A:

- Company XYZ has 2,000 shares with voting rights attached in issue. Person A purchases 120 shares in issuer XYZ. His holding amounts to 6% of total shares; exceeds the 3% threshold and so a disclosure obligation is triggered.
- Issuer XYZ issues a further 1,000 shares with voting rights attached and notifies the market that the total number of shares in issue is 3,000. Even though there is no change in the number of shares held by person A, the percentage of voting rights held decreases from 6% to 4%. This triggers a disclosure obligation. This obligation arises in spite of the fact that person A has not changed his aggregate holdings.

Example B:

- Company XYZ has 2,000 shares with voting rights attached in issue. Person A purchases 120 shares in issuer XYZ. His holding amounts to 6% of total share; this exceeds the 3% threshold and so a disclosure obligation is triggered.
- Issuer XYZ repurchases 286 shares with voting rights attached and notifies the market that the total number of shares in issues is 1,714. Even though there is no change in the number of shares held by person A, the percentage of voting rights held increases from 6% to 7%. This triggers a disclosure obligation. This obligation arises in spite of the fact that person A has not changed his aggregate holdings.

These examples are summarised in the table below:

	Total number of shares with voting rights issued	Total number of shares with voting rights held	Percentage of voting rights held	Disclosure obligation
Example A	2,000	Original holding 0 Purchased +120 Total held 120	6%	6% – number of shares with voting rights attached is higher than the 3% minimum threshold, triggering a disclosure obligation
	New shares issued +1,000 Total number 3,000	120	4%	4% – there is no change in the total number of shares held but the number of shares with voting rights has decreased, triggering a disclosure obligation
Example B	2,000	No of shares purchased 120	6%	6% – number of shares with voting rights attached is higher than the 3% minimum threshold, triggering a disclosure obligation
	Change in number due to share repurchase: -286 Total number 1,714	120	7%	7% – there is no change in the total number of shares held but the number of shares with voting rights has increased, triggering a disclosure obligation