

UKLA Technical Note

Equality of treatment – Premium Listing Principle 5

Ref: UKLA / TN / 207.2

LR 7.2.1AR and
Premium Listing
Principle 5

The Premium Listing Principles set out in LR 7.2.1AR apply to every company with a premium listing of their equity shares. Under Premium Listing Principle 5, a premium listed company must ensure that it treats all holders of the same class of its listed equity shares equally in respect of the rights attaching to such listed equity shares except where holders are in a different position.

In particular, issuers proposing capital reorganisations should be wary of offending Premium Listing Principle 5. For example, in certain capital reorganisations a share consolidation is immediately followed by a share split. After the share consolidation, such reorganisations involve the sale of fractional entitlements resulting in the compulsory sale of shareholdings below a certain level. The intention and effect of such transactions is to remove small shareholders from the share register.

There are a few limited sets of circumstances where the UKLA has accepted that an issuer can treat a category of shareholders, such as for example smaller or minority shareholders, differently from other shareholders. If an issuer wished to treat a category of shareholders differently it would need to satisfy us both that the group being treated differently is genuinely in a different position, and that there was a sound and objective rationale for doing so. Furthermore, all shareholders in that category would be treated equally. For example, a sound and objective rationale may include where, without different treatment of shareholders, an issuer would have to comply with onerous legislation (see the explanation in UKLA/TN/101 regarding restrictions on transfer and in UKLA/TN/310 regarding share buybacks). We would generally take the view that carrying out a capital reorganisation with the express aim of removing small shareholders from the register is not, in itself, proper justification.

Each circumstance presented to us would be considered on a case-by-case basis. As such, we would urge issuers and their advisers to contact us to discuss the application of Premium Listing Principle 5 if there is any doubt that an issuer's proposals may offend this principle.