

## UKLA Technical Note

### Market makers

Ref: UKLA / TN / 548.12 Guidance Consultation

DTR 5.1.3R and  
DTR 5.1.4R

Market makers will only be required to disclose holdings of 10% and above. To benefit from the exemption, the shares or financial instruments falling within DTR 5.3.1R(1) must be held by a market maker acting in that capacity, and the market maker must comply with the conditions and operating requirements set out in DTR 5.1.34R-(3). These requirements include that the market maker must not intervene in the management of the issuer, or exert any influence on the issuer to buy back such shares or support the share price. We consider ~~shares voting rights held through financial instruments falling within DTR 5.3.1R(1) long economic Contracts for Difference positions and qualifying financial instruments will not need to be notified;~~ if the aggregate of all ~~shares with voting rights held attached~~ is below 10%.

The following examples are intended to clarify how the exemption will work in practice. In general terms, the exemption falls away once the threshold has been breached:

#### Example A

A market maker purchases a holding of 9% that is covered by the exemption, but has no other interests. In this case, there is no disclosure obligation as the market maker has a holding of less than 10% covered by an exemption.

The market maker increases holdings covered by the exemption to 10% (a 1% increase), but has no other interests. A disclosure obligation arises as the market maker exemption falls away at 10%.

#### Example B

A market maker has a holding of 9% covered by the exemption and a holding of 5% which is not. In this case the required disclosure is of a 5% holding as the market maker has exempted holdings of 9% (below the 10% threshold) but non-exempted holdings of 5%.

The market maker increases its holding as market maker to 11% (a 2% increase) but its other holdings remain at 5%. Here, the required disclosure is of a 16% holding, as the market maker exemption falls away at 10%. The full market maker holding must be aggregated with the non-exempted holdings of 5%.

#### Example C

A market maker has a holding of 10% as a market maker and other interests of 4%. In this case, the required disclosure is of a 14% holding as the market maker has no exemption for its market maker holding (as it is required at and above the 10% threshold). This must be aggregated with the other interests of 4%.

The market maker decreases its market maker holdings to 8% (a 2% decrease), and other interests remain at 4%. Here, the disclosure is of a 4% holding, as the market maker exemption applies in the respect of the 8% as it is under 10%, but the non-exempted holdings of 4% must be disclosed.

These examples are summarised in the table below:

#### Market maker exemption (DTR 5.1.3R (3))

	Market maker holding	Other interest, not covered by an exemption	Disclosure obligation
Example A	9%	0%	No disclosure required. The market maker holding is less than 10%:-
	Original holding 9% Change in holding +1% Total holding 10%	Original holding 0% Change in holding 0% Total holding 0%	10% – the market maker exemption falls away at the 10% threshold:-
Example B	9%	5%	5% – the market maker holding is less than 10% so the exemption applies, but the other holding needs to be disclosed:-
	Original holding 9% Change in holding +2% Total holding 11%	Original holding 5% Change in holding 0% Total holding 5%	16% – the market maker exemption falls away at the 10% threshold so both types of interest need to be aggregated and disclosed:-
Example C	10%	4%	14% – the market maker exemption falls away at the 10% threshold so both types of interest need to be aggregated and disclosed.
	Original holding 10% Change in holding 2% Total holding 8%	Original holding 4% Change in holding 0% Total holding 4%	4% – the market maker holding is less than 10% so the threshold applies, but the other holding needs to be disclosed.

Market makers should also be aware that a disclosure obligation could arise where there is a change in the total number of voting rights issued, even though the individual market maker has neither increased nor decreased the level of his shareholdings. The example below should make this clearer:

### Example A

Company XYZ has 2,000 shares with voting rights attached in issue. A market maker has a holding of 160 (8% of the total), so the exemption applies, and a holding of 80 shares, which is not exempted (4% of the total). In this case, the required disclosure is of a 4% holding as the market maker has exempted holdings of 8% (below the 10% threshold) but non-exempted holdings of 4%.

Issuer XYZ repurchases 400 shares with voting rights attached; the total number of shares in issue is now 1,600. Even though the voting rights held by the market maker do not change, a disclosure obligation is triggered. The market maker's holdings rise to 10% (a 2% increase), by virtue of the change in the denominator (from 2,000 to 1,600 shares). This holding is now above the exempt level. In addition, for the same reason, the percentage level of the other

holdings also increases (from 4% to 5%). Hence, both types of holding need to be aggregated and the disclosure is of a 15% holding.

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

	Total number of shares with voting rights issued	Market maker holding		Other interest, not covered by an exemption		Disclosure obligation
		Total no. of shares held	Percentage of voting rights	Total no. of shares held	Percentage of voting rights held	
Example A	2,000	160	8%	80	4%	4% – the market maker holding is less than 10% so the exemption applies, but the other holding needs to be disclosed:
	2,000 shares repurchased (400) No. of shares 1,600	160	10%	80	5%	15% – the number of voting rights decreases; the number of shares held as a market maker is the same but the proportion has changed; B; both types of interests need to be aggregated and disclosed: