

THE TAKEOVER PANEL

OPEN-ENDED INVESTMENT COMPANIES ("OEICs")

Parliament recently approved the Open-Ended Investment Companies (Investment Companies with Variable Capital) Regulations 1996 which will come into force on 6 January 1997. It will then be possible to incorporate OEICs in the United Kingdom.

The City Code on Takeovers and Mergers (the "Code") currently applies to all listed and unlisted public companies (and, where appropriate, statutory and chartered companies) considered by the Panel to be resident in the United Kingdom, the Channel Islands or the Isle of Man. It also applies to certain categories of private company considered by the Panel to be so resident. The Rules Governing Substantial Acquisitions of Shares (the "SARs"), which are issued on the authority of the Panel, apply to transactions in the shares of companies considered by the Panel to be resident in the United Kingdom, the Channel Islands or the Isle of Man if their shares are listed on the London Stock Exchange Limited (the "Stock Exchange") or are traded on its Alternative Investment Market. The Code and the SARs also apply at present to certain companies considered by the Panel to be resident in the Irish Republic but will cease to do so when Irish legislation to establish a separate regulatory body in Ireland comes into effect. This is expected to take place shortly.

OEICs will be limited liability companies with variable capital which will carry the right to vote in certain circumstances and may be listed on the Stock Exchange. The Panel has considered whether it is appropriate for the Code or the SARs to apply to OEICs and has concluded that it is not, because the share capital of OEICs, not being fixed, will be subject to continual change and, whilst OEICs will be corporate entities, they will have a number of the characteristics of unit trusts, such as pricing near to net asset value. It is therefore not appropriate for the rules of either the Code, which are concerned with the control of companies, or the SARs, which are concerned with the obtaining of significant influence over companies, to apply to OEICs.

The Code and the SARs will be amended in due course to make it clear that they do not apply to OEICs.

2 January 1997