

# Chapter 15

## EQUITY SECURITIES

### OPTIONS, WARRANTS AND SIMILAR RIGHTS

- 15.01 This section applies both to options, warrants and similar rights to subscribe or purchase equity securities of an issuer which are issued or granted on their own by that issuer or any of its subsidiaries (“warrants”) and to warrants which are attached to other securities but does not apply to any options which are granted under an employee or executive share scheme which complies with Chapter 17. Warrants which are attached to other securities but which are non-detachable are convertible securities and are also subject to the provisions of Chapters 16 (convertible equity securities) or 28 (convertible debt securities), as appropriate.
- 15.02 All warrants must, prior to the issue or grant thereof, be approved by the Exchange and in addition, where they are warrants to subscribe equity securities, by the shareholders in general meeting (unless they are issued by the directors under the authority of a general mandate granted to them by shareholders in accordance with rule 13.36(2)). In the absence of exceptional circumstances which would include, by way of example, a rescue reorganisation, the Exchange will only grant approval to the issue or grant of warrants to subscribe securities if the following requirements are complied with:—
- (1) the securities to be issued on exercise of the warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed twenty per cent. of the number of issued shares of the issuer at the time such warrants are issued. Options granted under employee or executive share schemes which comply with Chapter 17 are excluded for the purpose of this limit; and
  - (2) such warrants must expire not less than one and not more than five years from the date of issue or grant and must not be convertible into further rights to subscribe for securities which expire less than one year or more than five years after the date of issue or grant of the original warrants.
- 15.03 The circular or notice to be sent to shareholders convening the requisite meeting under rule 15.02 must include at least the following information:—
- (1) the maximum number of securities which could be issued on exercise of the warrants;
  - (2) the period during which the warrants may be exercised and the date when this right commences;

- (3) the amount payable on the exercise of the warrants;
- (4) the arrangements for transfer or transmission of the warrants;
- (5) the rights of the holders on the liquidation of the issuer;
- (6) the arrangements for the variation in the subscription or purchase price or number of securities to take account of alterations to the share capital of the issuer;
- (7) the rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer; and
- (8) a summary of any other material terms of the warrants.

15.04 Where application is made for the listing of warrants, the Exchange will normally apply the same requirements as would apply to the underlying securities to be subscribed or purchased. However, where such an application is contemplated, the Exchange should be consulted at the earliest opportunity as to the requirements which will apply.

15.05 Warrants may be listed only if the underlying securities to be subscribed or purchased are (or will become at the same time):—

- (1) a class of listed equity securities; or
- (2) a class of equity securities listed or dealt in on another regulated, regularly operating, open stock market recognised by the Exchange.

However, the Exchange may list warrants in other circumstances if it is satisfied that holders have the necessary information available to form an opinion concerning the value of the underlying securities to which such warrants relate.

15.06 Any alterations in the terms of warrants after issue or grant must be approved by the Exchange, except where the alterations take effect automatically under the terms of such warrants. In particular the Exchange should be consulted at the earliest opportunity where the issuer proposes to alter the exercise period or the exercise price.