

26 May 2011

Press information

Board to review takeover rules

The Swedish Corporate Governance Board has decided to undertake a minor review of takeover rules, including rules for agreements between bidders and target companies.

The existing takeover rules came into force for both NASDAQ OMX Stockholm and NGM Equity on 1 October 2009. Equivalent rules for First North, Nordic MTF and AktieTorget came into force on 1 January 2010.

Last year, the Board took over the duties of the Swedish Industry and Commerce Stock Exchange Committee (NBK), and has now decided to undertake a review of the rules concerning takeover bids for listed companies that were devised by NBK.

“Even though the new takeover rules, which came about following an extensive review process, are fine in essence, some aspects may require some “fine tuning”, says Björn Kristiansson, Executive Director of the Swedish Corporate Governance Board.

The review concerns the applicability of the rules when a target company, i.e. the company that is the object of an offer, is not Swedish. Another example is the rules regarding the period for acceptance of an offer, as there may be circumstances in which it is appropriate to force a bidder to extend the acceptance period. A third example concerns what price should be offered if a mandatory bid is triggered by a directed share issue.

The Swedish takeover rules are modelled on the UK’s City Code on Takeovers and Mergers. The UK Takeover Panel has initiated a review of parts of its takeover code, which may lead to stricter rules in areas such as transaction agreements between bidders and target companies which severely limit the possibility of using break fee arrangements, i.e. agreements which mean that the target company must pay a certain amount of money to the bidder if the offer is not fulfilled.

“Transaction agreements of this type are appearing more often in the Swedish market”, says Björn Kristiansson, “primarily as part of foreign offers for Swedish companies. The takeover rules regarding this issue are relatively imprecise.”

The Board intends to appoint Rolf Skog to lead the review and appoint a broad based reference panel. Additionally, the Board intends to hold an open hearing on the existing framework of rules. The review is expected to be completed in the summer of 2012. More information will be provided when the process commences.

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