

## Press Release

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### **NASDAQ Bid for the LSE – More Examination Required?**

The UK Shareholders Association (UKSA) suggests that the Government needs to look closely at the current bid for the London Stock Exchange (LSE) by the US based NASDAQ exchange. The London Stock Exchange is one of the cornerstones of the strong financial services market which has developed in London – indeed London is one of the pre-eminent financial centres in the world. The London stock market has been a key element in promoting London ahead of other European centres. But will this remain the case if it is taken over by a US based business?

In the global market place, many companies now have a choice of where they list. As a result we have seen many US and other foreign companies listing on AIM in the last couple of years. But if a single entity controls several markets then this may reduce choice and hence reduce competition.

There is also the issue that the NASDAQ bid is not being made on a level playing field. The LSE has no particular restrictions in its Articles that would stop a takeover – they are bound by the normal UK takeover rules. However, NASDAQ have in their Certificate of Incorporation some terms which enable the board to cap the voting rights of any shareholder at 5%, and also nobody is allowed to own more than 20% of the company without the permission of the board - this makes them virtually “bid proof” unless the board consents. But they may not voluntarily wish to relinquish their jobs and such clauses and other similar “poison pill” arrangements which are quite common in the USA would be seen as anathema in a British company.

Also would the US Government or regulators permit one of the major US stock exchanges to be taken over by a foreign corporation? It seems exceedingly unlikely.

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UKSA has no views on the financial merits of the takeover bid by NASDAQ, although we note the low acceptances so far obtained for the bid from shareholders. But we do think that in the interests of all shareholders who trade on the Stock Exchange, and in the interests of the financial sector of the UK economy, that the Government should institute an inquiry into the bid, and if necessary ask the OFT to review the matter.

### **About The UK Shareholders Association (UKSA)**

UKSA is the leading independent organisation which represents the interests of private shareholders in the United Kingdom. We campaign to protect the rights of shareholders in public companies, and to promote improved standards of corporate governance. Our educational activities, regular regional meetings, company "analyst" meetings and the resources of our web site, help to inform the public on investment management. UKSA is a "not for profit" organisation which is financially supported primarily by its individual members.

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