

## Glossary

<b>ABI</b>	Association of British Insurers.
<b>ACT</b>	The Association of Corporate Treasurers.
<b>Black-Scholes model (or formula)</b>	A method developed by Fischer Black and Myron Scholes for the valuation of options.
<b>Bonus issue</b>	See <b>scrip issue</b> .
<b>Book building</b>	A method of pricing a new offer of shares which involves potential subscribers making non-legally binding bids specifying the quantity of shares they are prepared to subscribe for and the price they are willing to pay for them. The offer price is fixed on the basis of these bids. Some or all of those who bid at or above that price are then formally invited to accept specified quantities of shares at that price.
<b>Cash underpinning</b>	A method of providing shareholders of a company being acquired with a cash alternative to an offer of shares in a takeover. Some or all of the necessary cash is raised by subscription by the underwriters for the acquiring company's shares.
<b>CULS</b>	Convertible unsecured loan stock. Some offers of CULS provide for its conversion to equity on the happening of a specified event.
<b>Deep-discounted offer</b>	An offer of shares in which new shares are offered at a price sufficiently below the current market price to eliminate the need for <b>underwriting</b> .
<b>FSA</b>	Financial Services Authority (formerly known as the Securities and Investments Board).
<b>Fund managers</b>	In this report a term used to refer to all organizational units (not individuals) which manage funds. These may be the owner of these funds, part of a larger organization which owns them or independent of the owner of the funds.
<b>IFMA</b>	Institutional Fund Managers' Association.
<b>IMRO</b>	Investment Management Regulatory Organisation Limited, the regulatory body responsible for fund managers at the time of our inquiry.
<b>Institutional investors</b>	In this report a term used to refer to both <b>fund managers</b> and <b>institutional shareholders</b> .
<b>Institutional shareholders</b>	Trustees of UK pension funds, insurance companies holding UK life and general insurance funds, trustees of unit trusts, investment trust companies, open-ended investment companies, trustees of UK charitable funds and charitable corporations, and similar foreign financial institutions (holding shares in UK companies). Sometimes simply referred to as 'institutions'. For brevity we omit the reference to trustees in the body of the report.
<b>IPO</b>	Initial Public Offering, in this report an offer or marketing of shares in a company whose shares are not already listed on the <b>Official List</b> of the <b>LSE</b> , but are the subject of an application to be so listed.
<b>Lead underwriter</b>	The person having an underwriting agreement with the issuing com-

pany, as distinct from the **sub-underwriter**, who has an agreement with the **lead underwriter**.

<b>LIBA</b>	London Investment Banking Association.
<b>Listed (or quoted) company</b>	A company, any class of whose securities is included on the <b>Official List</b> .
<b>Listing rules</b>	Rules made by the <b>LSE</b> . They specify the requirements which must be met for securities to be included on the <b>Official List</b> . Often referred to as the 'Yellow Book'.
<b>LSE</b>	London Stock Exchange Limited.
<b>NAPF</b>	National Association of Pension Funds.
<b>Nil-paid rights</b>	See <b>rights issue</b> .
<b>Official List</b>	The main list of securities maintained by the <b>LSE</b> .
<b>Open offer</b>	An offer to existing shareholders to allot new shares in proportion to their existing holdings which is not made by means of a renounceable letter (or other negotiable document). In practice open offers and <b>placings with clawback</b> are the same.
<b>Placing</b>	The marketing of shares to particular institutions or other persons which does not involve an offer to the public or to existing holders of the issuer's shares generally.
<b>Placing with clawback</b>	The marketing of shares to particular institutions or other persons combined with an open offer of the same shares to existing shareholders. To the extent that the latter take up the offer, there is clawback of shares provisionally allotted to places.
<b>Pre-emption Group</b>	A group comprising representatives of listed companies, investment institutions and corporate finance practitioners. The Group was formed in 1987 under the auspices of the <b>LSE</b> and monitors the operation of the <b>Pre-emption guidelines</b> .
<b>Pre-emption guidelines</b>	Guidance to institutional investors on the disapplication of their pre-emption rights, issued by the <b>Pre-emption Group</b> . See Appendix 3.1.
<b>Pre-emption rights</b>	The right of existing shareholders to have the first opportunity to subscribe to any new issue of shares in their company in proportion to their existing holding.
<b>Primary offer</b>	An offer of shares yet to be issued. See <b>secondary offer</b> .
<b>Primary underwriting</b>	An <b>underwriting</b> agreement between the issuing company and one or more <b>lead underwriters</b> .
<b>Put option</b>	A financial instrument which gives the purchaser the right to sell a security at a specific price on a specified date (or within a specified period).
<b>Rights issue</b>	An offer to existing shareholders to allot further shares in proportion to their holdings made by means of the issue of a renounceable letter

which may be traded (as **nil-paid rights**) for a period before payment for the shares is due.

<b>Rump</b>	Where any shareholder does not sell or take up the right to subscribe for shares under a rights issue, the <b>listing rules</b> require the shares to be offered for subscription on terms that any premium over the rights issue subscription price (net of expenses) is to be held for the account of the shareholder. Those shares are referred to as 'the rump'.
<b>Scrip issue</b>	A free issue of new shares to existing shareholders. Also known as a capitalization or <b>bonus issue</b> . <b>Rights issues</b> in which the offer price is at a discount to the market price can be viewed as a combination of an issue at the market price plus a <b>scrip issue</b> .
<b>Secondary offer</b>	An offer of shares that have already been issued. See <b>primary offer</b> .
<b>SFA</b>	Securities and Futures Authority Limited, the regulatory body responsible for corporate financial advisers and brokers at the time of our inquiry.
<b>Sponsor</b>	An adviser appointed by an issuing company who has a responsibility to the <b>LSE</b> to ensure that the issuer is properly guided on the application of the listing rules.
<b>Standard fees</b>	The underwriting fees commonly paid in rights and other issues; see paragraphs 2.12 to 2.14.
<b>Stick</b>	Unsubscribed shares to which the sub-underwriter has to subscribe in accordance with the <b>sub-underwriting</b> agreement.
<b>Sub-underwriting</b>	An <b>underwriting</b> agreement between the <b>lead underwriter</b> and one or more institutions or other persons (known as 'sub-underwriters').
<b>Tailswallowing</b>	The sale by shareholders of just enough of their <b>nil-paid rights</b> to finance the take-up of their remaining rights.
<b>TERP</b>	Theoretical ex-rights price. The theoretical price at which a company's shares are expected to trade on the first day on which they trade ex-rights.
<b>Underwriting</b>	The process by which financial intermediaries, institutions or other persons, in return for a fee, commit themselves to subscribe to a specified number of shares in an offer at a specified price in the event that they are not subscribed to by anyone else by a specified date. For the distinction between 'hard' and 'soft' underwriting, see paragraph 3.37. In this report ' <b>underwriting</b> ' means hard underwriting unless otherwise specified.
<b>Vendor placing</b>	The placing of shares allotted to the vendor as payment in an acquisition. Such placing may be with or without clawback.