



ASIC

Australian Securities & Investments Commission

REGULATORY GUIDE 143

Takeovers provisions: Warrants

Related instruments — [CO 99/841], [CO 99/842], [CO 99/843]

Chapter 6 — Acquisition of shares

Issued 4/8/1999

From 5 July 2007, this document may be referred to as Regulatory Guide 143 (RG 143) or Policy Statement 143 (PS 143). Paragraphs in this document may be referred to by their regulatory guide number (e.g. RG 143.1) or their policy statement number (e.g. PS 143.1).

What this guide is about

RG 143.1 This guide sets out ASIC's proposed policy in relation to relief for the issuers and holders of quoted warrants. In particular it provides guidance to market participants on:

- A** Call warrants — class order relief for holders and issuers
see RG 143.4–RG 143.39
- B** Put warrants — class order relief for holders and issuers
see RG 143.40–RG 143.64
- C** Call warrants — class order relief for warrant trustees
see RG 143.65–RG 143.66
- D** Enforcement (*You are strongly urged to read this section*)
see RG 143.67–RG 143.69

For a description of warrants and the similarities between warrants and options, read the section entitled “Key terms”.

see RG 143.70–RG 143.75

RG 143.2 This guide does not discuss the impact of quoted warrants on other provisions of the Law (such as Part 2J.2 — Self acquisition and control of shares).

RG 143.3 ASIC recognises that the Corporate Law Economic Reform Program Bill 1998 proposes substantial reform of Chapter 6 of the Law. This guide will be reviewed if and when this bill is enacted.

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A Call warrants

Our policy

Call warrant holders — s615 relief

RG 143.4 ASIC has issued Class Order [CO 99/841] to allow call warrant holders to disregard any relevant interests and entitlements which arise from a call warrant holder acquiring and holding warrants, for the purposes of s615. The class order does not apply where a call warrant holder has the power to control voting or disposal over the shares underlying the warrant.

Call warrants — association between holder and issuer

RG 143.5 ASIC has issued Class Order [CO 99/842] to disregard any association between call warrant issuers and call warrant holders, which would be created by:

- (a) s12(1)(f), solely as a result of the holder and issuer entering into a call warrant agreement; and
- (b) s12(1)(g), where the terms of a warrant agreement allow the call warrant holder to direct the issuer to sell the underlying shares and remit the proceeds to the call warrant holder.

RG 143.6 This relief will apply for the purposes of both s615 and the substantial shareholding provisions.

RG 143.7 ASIC will not grant relief to disregard an association created by virtue of s11 or s12(1)(e).

Call warrant holders — no relief from the substantial shareholding provisions

RG 143.8 ASIC will not give relief to disregard any relevant interest or entitlement which may arise from holding a call warrant for the purposes of the substantial shareholding provisions.

Relief to covered call warrant issuers

RG 143.9 ASIC has issued Class Order [CO 99/842] for covered call warrant issuers to disregard any relevant interest and entitlement,

which may arise from holding the underlying shares as cover against the rights of the holders and the obligations of the issuer.

RG 143.10 The class order only applies where:

- (a) the underlying shares are held in trust under the terms of the call warrant; and
- (b) the call warrant issuer does not have the power to control voting — other than to enforce the terms of the trust or to retain ownership if the call warrant expires unexercised or the call warrant holder defaults.

Application of class order relief

RG 143.11 Class Orders [CO 99/841] and [CO 99/842] only apply where a call warrant issuer states, in its offering circular, the effect of the relevant class order.

Underlying principles

RG 143.12 ASIC will base its regulatory treatment on the rights and obligations that different persons hold in relation to the different types of warrants, regardless of the type of warrant. The criteria it will use for determining relief for warrants are the specific mechanisms by which particular warrants deal with the issues of ownership, disposal power and voting rights of the underlying shares and the timing and nature of exercise rights, rather than the structure or form of the warrants.

RG 143.13 The terms of warrant agreements set out the rights and obligations of the holders and writers of warrants, in relation to the underlying shares. For many warrants, the rights and obligations are sufficiently remote or tenuous that they are unlikely to be used as a means of gaining control of a company.

RG 143.14 A call warrant holder's interest in the underlying shares is sufficiently remote that ASIC has given class order relief allowing call warrant holders to disregard any relevant interests and entitlements arising solely because of their holding of call warrants, for the purposes of s615.

RG 143.15 The markets for the underlying securities and derivatives markets are closely related. Trading in warrants may affect the market in the underlying securities. Therefore it is reasonable to require call warrant holders to disclose their holdings of warrants to

the market, or requiring them to aggregate them with any other relevant interests in, or entitlements to, the underlying shares.

RG 143.16 ASIC considers that the nature of the relationship between most issuers and holders of quoted call warrants, means that the mere fact of entering into a warrant agreement should not constitute an association which the Law recognises for tracing entitlements or relevant interests. However any association which may give a call warrant holder either direct or indirect power over the voting of the shares should not be disregarded.

RG 143.17 If a call warrant issuer has ensured that the underlying shares are lodged with a nominee company or trustee and it has no power to control voting or disposal of the underlying shares (other than requiring the trustee or nominee to comply with the trust or warrant agreement provisions) the relevant interest which a call warrant issuer may have in the underlying shares is sufficiently remote for it to be disregarded.

Explanations

Legal issues

Section 12 — Association

RG 143.18 Entering into a call warrant agreement will make both the issuer and holder associates under s12(1)(f). Although an association under s12(1)(d), (f) or (g) is disregarded under s609(1)(b) in calculating a person's entitlement, the associate term is used in the broad sense in both s33 and the substantial shareholding provisions.

Section 34 — Accelerated relevant interest

RG 143.19 Call warrants give the holder of the warrant the right, but not the obligation, to acquire the underlying shares, under the terms of the warrant agreement. Therefore a call warrant holder has a relevant interest in those shares, that are subject of the warrant agreement, which the warrant issuer has a relevant interest in. Section 34 will accelerate that relevant interest to the point of entry into the warrant agreement, even if the warrant or the right is only exercisable in the future.

Section 36 — Remoteness of relevant interest ignored

RG 143.20 Section 36 provides that the call warrant holder has a relevant interest in the underlying shares even if exercise of the warrant is subject to strict conditions.

Section 609(2)(b) — Definition of entitlement

RG 143.21 Entering into a call warrant agreement will attract the operation of s609(2)(b). Section 609(2)(b) will result in the call warrant holder becoming entitled to the underlying shares, that are the subject of the warrant agreement, which the other party has a relevant interest in.

Section 33 — Aggregation of relevant interests

RG 143.22 Unlike s609(2)(b), when s33 operates to deem persons to have voting rights in shares, it considers and aggregates the voting power of both issuers and holders as associates under s12(1)(f) (or s12(1)(g)) rather than solely the underlying shares which are the subject of the agreement.

RG 143.23 In the case of quoted warrants, aggregation of voting power of issuers and holders by s33 is inappropriate because:

- (a) Most warrant issuers are financial institutions with widespread and diverse shareholdings, and have funds management arms that trade actively in shares. This would make monitoring the issuer's holdings very difficult for warrant holders.
- (b) Warrant issuers have wide spreads of holders who are likely to have portfolios of their own, which would need to be aggregated with the issuer's holdings. This would make monitoring the holders' entitlements very difficult for warrant issuers.

RG 143.24 These aggregations are also an issue in relation to warrants. Because the issuer is so easily identifiable, aggregations can readily focus on one person. In contrast, the writers and takers of exchange traded options are not so readily identifiable because of the novation of market contracts upon registration by the Clearing House.

RG 143.25 The remoteness of an association between warrant issuers and holders which arises solely because of a warrant agreement means that the association should not be recognised for the aggregation purposes of s33. Class order relief operates so that the association between the issuers and holders will not operate in relation to s33.

Fully or partly covered — warrant issuers

RG 143.26 The issuer of a covered call warrant normally retains a relevant interest in shares which it holds as cover for its obligations under the warrant. It retains the relevant interest, even where it places shares in trust for holders. This is because the warrant is only a conditional agreement. If the holder does not exercise the warrant, or defaults in some way, the effect of the basic warrant agreement is that the shares remain the property of the issuer, or return to the issuer out of the trust arrangements. Therefore, it will actually be very difficult for the issuer to dispose (as defined in s51(2)) of those shares while the warrant exists.

RG 143.27 For an issuer to dispose of the underlying shares, it must first transfer its rights and obligations in relation to the shares to another person. The onus will lie squarely on any covered call warrant issuer who asserts that it no longer has a relevant interest in the cover shares, to convince ASIC that its arrangements with respect to cover shares mean that it has disposed of those shares.

Compliance issues

RG 143.28 The holder of an uncovered or partly covered call warrant has a number of problems in relation to s615 and the substantial shareholding provisions:

- (a) When a call warrant holder acquires the warrant it usually will not know whether the issuer has a relevant interest in any of the underlying shares.
- (b) Voting shares in the target company in which the issuer has a relevant interest may not be shares to which the relevant agreement relates.
- (c) The issuer may change its relevant interest in the underlying shares without telling the holder.

RG 143.29 Therefore the holder of an uncovered or partly covered call warrant may, at any given time, not know what its relevant interest or entitlement may be in the underlying shares. If this occurs it may have difficulty complying with s615 or the substantial shareholding provisions.

Compliance with the substantial shareholding provisions — call warrant holders

RG 143.30 ASIC recognises that call warrant holders may have difficulty in determining their entitlements, for the purposes of the

substantial shareholding provisions. ASIC however is of the view that as the markets for the underlying securities and derivatives are closely related, it is reasonable to require call warrant holders to disclose their holdings of warrants to the market, or requiring them to aggregate them with any other relevant interests in, or entitlements to, the underlying shares.

RG 143.31 Call warrant holders can comply with the substantial shareholding provisions in only two ways:

- (a) To monitor closely the warrant issuer's holdings of the underlying securities and:
 - (i) aggregate the relevant interest that the holder gains through its holding of call warrants with any other entitlements to underlying securities it has apart from its call warrants; and
 - (ii) report any changes in its entitlements due to changes in the warrant issuer's holdings.

It would not be acceptable for a warrant holder who takes this approach to seek to avoid its obligations under the substantial shareholding provisions by deliberately avoiding enquiring of any changes in the warrant issuer's holdings in the underlying shares.

- (b) The preferred way, would be for the holders of call warrants to comply with any obligations under the substantial shareholding provisions. They could do this by assuming that the warrant issuer currently has sufficient shares to meet any obligations under the warrants it has issued, ie assume that each warrant held gives an entitlement to the relevant number of underlying securities, as is recommended under Regulatory Guide 48 *Takeovers aspects of options over shares* (RG 48).

Covered call warrants — issuer disclosure

RG 143.32 Warrant issuers are required to make disclosure to the market under ASX Business Rule 8.9. They are required to disclose quarterly the number of warrants outstanding, bought back and exercised and the issuers' relevant interest in the voting shares in the target company. Under Business Rule 8.9, warrant issuers must also disclose immediately any change of 1% or more in their relevant interest in the target company's shares. ASIC considers that this is adequate disclosure for issuers of fully covered call warrants where the underlying shares are under the control of a trustee or nominee.

Quoted/unquoted

RG 143.33 ASIC will only grant class order relief in relation to quoted warrants over listed shares. Many of the preconditions for relief on which the ASIC relies, such as standardised contracts, disclosure by issuers, anonymous markets etc apply only for quoted warrants. The continuous disclosure requirements for listed shares also add a desirable level of transparency in relation to trading in warrants.

Voting powers — issuer/holder

RG 143.34 Class Order [CO 99/841] does not apply where the call warrant holder, at any time until exercise of the warrant, has the power to control voting or disposal of any of the shares underlying the warrant. Class Order [CO 99/842] does not disregard a call warrant issuer's relevant interest in and entitlement to the underlying shares where the call warrant issuer retains the power to control voting or disposal of any of the shares held on trust, other than to enforce the terms of the trust or to retain ownership if the call warrant expires unexercised or the call warrant holder defaults.

Extension warrant holders

RG 143.35 Extension warrants are now marketed in response to the use of instalment receipts, as a marketing aid, by some large privatisations. An instalment receipt holder has a relevant interest, under s34, in the shares underlying their instalment receipts. An instalment receipt holder may place their underlying shares into a trust as security for the extension warrant issuer paying the instalment. They are, in some ways, in a similar position to covered warrant issuers. They place the underlying shares into a trust and in many cases have little or no control over the shares until exercise of the extension warrant. Class order relief extends to extension warrant holders only where the holder has no power to vote or dispose of the underlying securities.

RG 143.36 Extension warrant issuers may be able to rely on the provisions of s38 to disregard any relevant interest in the underlying shares gained by holding the underlying shares as security. Otherwise they may be within the terms of Class Order [CO 97/1] or be entitled to Pro Forma 81 relief: see Superseded Policy Statement 69 [SPS 69].

When the relief falls away

RG 143.37 Class order relief ceases to apply:

- (a) on the exercise, maturing or lapsing of warrants. If a warrant is exercised or allowed to mature, either the call warrant holder or the call warrant issuer obtains control over the underlying shares. Therefore it is a logical point to recognise the relevant interests which had previously been deemed to be too remote or tenuous.
- (b) if the terms of a warrant change so that either the issuer or the holder acquires the power to control voting or disposal of the underlying shares (see RG 143.34).

Passive acquisition

RG 143.38 If under the terms of a warrant, the holder or issuer automatically gains a relevant interest in voting shares on the expiry of a warrant, the person will still legally acquire the shares when it acquires the relevant interest pursuant to the terms of the warrant agreement. There will still be an acquisition, even though the person takes no positive action at the time. On issuing or acquiring the warrant, the person will enter into a transaction which is in relation to the underlying shares and will acquire the relevant interest in the shares as a result of entering into the warrant agreement. ASIC rejects any suggestion that it would be possible to construct a warrant agreement which would give a person a relevant interest in the underlying shares without acquiring the share at the time of gaining the relevant interest.

RG 143.39 Similarly, if a person avails themselves of class order relief granted by ASIC, upon exercise or lapse of the warrant, any relevant interest or entitlement which has been disregarded under the relief will commence being counted for the purposes of the Law and the person will acquire the relevant interest and therefore the share at the time the relief ceases to have effect. Even though the agreement had been entered into previously and the relevant interest was only acquired on lapse of the effect of the relief, the person would acquire the shares under s51(1) at the time of gaining the relevant interest.

B Put warrants

B Our policy

Put warrant issuers

RG 143.40 ASIC has issued Class Order [CO 99/843] to quoted put warrant issuers disregarding associations, relevant interests or entitlements arising solely from the warrant agreements of those put warrants they have issued.

Put warrants — association between holder and issuer

RG 143.41 ASIC has issued Class Order [CO 99/843] to disregard any association between put warrant issuers and put warrant holders, which would be created by s12(1)(f), solely as a result of the holder and issuer entering into a put warrant agreement. The relief will apply for the purposes of both s615 and the substantial shareholding provisions.

RG 143.42 ASIC will not grant relief to disregard an association created by virtue of s11 or s12(1)(e).

RG 143.43 There may be cases where the terms of a warrant agreement give rise to an association by virtue of s12(1)(g), although this is more likely to occur in the case of call warrants. ASIC considers such cases will be infrequent and will consider them as minor and technical variations to its published policy.

Put warrant holders

RG 143.44 ASIC will not grant relief to put warrant holders, from s615 or the substantial shareholding provisions — except for the purposes of disregarding an association formed solely by entry into a quoted put warrant agreement.

Restriction on class order relief for put warrants

RG 143.45 Class Order [CO 99/843] only applies:

- (a) to quoted put warrants that do not give the issuer of the warrant power to control voting or disposal over any of the shares underlying the warrant; and

- (b) where the put warrant issuer states in its offering circular the effect of the class order.

Underlying principles

RG 143.46 ASIC will base its regulatory treatment on the rights and obligations that different persons hold in relation to the different types of warrants, regardless of the type of warrant. The criteria it will use for determining relief for warrants are the specific mechanisms by which particular warrants deal with the issues of ownership, disposal power and voting rights of the underlying shares and the timing and nature of exercise rights, rather than the structure or form of the warrants.

RG 143.47 The terms of warrant agreements set out the rights and obligations of the holders and writers of warrants, in relation to the underlying shares. For many warrants, the rights and obligations are sufficiently remote or tenuous that they are unlikely to be used as a means of gaining control of a company.

RG 143.48 ASIC has granted class order relief to issuers of quoted put warrants disregarding associations, relevant interests or entitlements arising solely from the warrant agreements of those quoted put warrants they have issued because:

- (a) as a result of the secondary trading of quoted warrants, issuers of quoted put warrants will not be able to trace the relevant interests or intentions of the warrant holders; and
- (b) they have no present control over the underlying shares.

RG 143.49 There is no reason for granting relief to put warrant holders, because holding the warrant does not affect their control over any underlying shares. Other than disregarding an association formed solely by entry into a quoted put warrant agreement, ASIC will not grant put warrant holders relief from s615 or the substantial shareholding provisions.

Explanations

Legal issues

Section 12 — Association

RG 143.50 Entering into a put warrant agreement will make both the issuer and holder associates under s12(1)(f). Although an

association under s 12(1)(d), (f) or (g) is disregarded under s609(1)(b) in calculating a person's entitlement, the associate term is used in the broad sense in both s33 and the substantial shareholding provisions.

Section 34 — Accelerated relevant interest

RG 143.51 Put warrants give the holder the right, but not the obligation, to sell the underlying shares to the issuer. Therefore a put warrant issuer has a relevant interest in those shares, that are subject of the warrant agreement, which the put warrant holder has a relevant interest in. Section 34 will accelerate that relevant interest to the point of entry into the warrant agreement, even if the warrant or the right is only exercisable in the future.

Section 36 — Remoteness of relevant interest ignored

RG 143.52 Section 36 provides that the put warrant issuer has a relevant interest in the underlying shares even if exercise of the warrant is subject to strict conditions.

Section 609(2)(b) — Definition of entitlement

RG 143.53 Entering into a put warrant agreement will attract the operation of s609(2)(b). Section 609(2)(b) will result in the put warrant issuer becoming entitled to the underlying shares, that are the subject of the warrant agreement, which the other party has a relevant interest in.

Section 33 — Aggregation of relevant interests

RG 143.54 Unlike s609(2)(b), when s33 operates to deem persons to have voting rights in shares, it considers and aggregates the voting power of both issuers and holders as associates under s12(1)(f) (or s12(1)(g)) rather than solely the underlying shares which are the subject of the agreement.

RG 143.55 In the case of quoted warrants, aggregation of voting power of issuers and holders by s33 is inappropriate because:

- (a) most warrant issuers are financial institutions with widespread and diverse shareholdings, and have funds management arms that trade actively in shares. This would make monitoring the issuers' holdings very difficult for warrant holders.
- (b) warrant issuers have wide spreads of holders who are likely to have portfolios of their own, which would need to be aggregated

with the issuers' holdings. This would make monitoring the holders' entitlements very difficult for warrant issuers.

RG 143.56 These aggregations are also an issue in relation to warrants. Because the issuer is so easily identifiable, aggregations can readily focus on one person. In contrast, the writers and takers of exchange traded options are not so readily identifiable because of the novation of market contracts upon registration by the Clearing House.

RG 143.57 The remoteness of an association between warrant issuers and holders which arises solely because of a warrant agreement means that the association should not be recognised for the aggregation purposes of s33. Class order relief operates so that the association between the issuers and holders will not operate in relation to s33.

Compliance issues

RG 143.58 The issuer of a put warrant has a number of problems in relation to s615 and the substantial shareholding provisions:

- (a) When the put warrant issuer issues the warrant it usually will not know whether the holder has a relevant interest in any of the underlying shares.
- (b) Voting shares in the target company in which the holder has a relevant interest may not be shares to which the relevant agreement relates.
- (c) The put warrant holder may change its relevant interest in the underlying shares without telling the issuer.

RG 143.59 Therefore the put warrant holder may, at any given time, not know what its relevant interest or entitlement may be in the underlying shares. If this occurs it may have difficulty in complying with s615 or the substantial shareholding provisions.

Voting powers — issuer/holder

RG 143.60 Class Order [CO 99/843] does not apply where the put warrant issuer, at any time until exercise of the warrant, has the power to control voting or disposal of any of the shares underlying the warrant.

Quoted/unquoted

RG 143.61 Class Order [CO 99/843] only applies in relation to quoted warrants over listed shares. Many of the preconditions for

relief on which ASIC relies, such as standardised contracts, disclosure by issuers, anonymous markets etc apply only for quoted warrants. The continuous disclosure requirements for listed shares also add a desirable level of transparency in relation to trading in warrants.

When the relief falls away

RG 143.62 Class Order [CO 99/843] ceases to apply:

- (a) on the exercise, maturing or lapsing of warrants. If a warrant is exercised or allowed to mature, the put warrant issuer obtains control over the underlying shares. Therefore it is a logical point to recognise the relevant interests which had previously been deemed to be too remote or tenuous.
- (b) if the terms of a warrant change so that the issuer of warrants acquires the power to control voting or disposal of the underlying shares (see RG 143.60).

Passive acquisition

RG 143.63 If under the terms of a warrant, the holder or issuer automatically gains a relevant interest in voting shares on the expiry of a warrant, the person will still legally acquire the shares when it acquires the relevant interest pursuant to the terms of the warrant agreement. There will still be an acquisition, even though the person takes no positive action at the time. On issuing or acquiring the warrant, the person will enter into a transaction which is in relation to the underlying shares and will acquire the relevant interest in the shares as a result of entering into the warrant agreement. ASIC rejects any suggestion that it would be possible to construct a warrant agreement which would give a person a relevant interest in the underlying shares without acquiring the share at the time of gaining the relevant interest.

RG 143.64 Similarly, if a person avails themselves of class order relief granted by ASIC, upon exercise or lapse of the warrant, any relevant interest or entitlement which has been disregarded under the relief will commence being counted for the purposes of the Law and the person will acquire the relevant interest and therefore the share at the time the relief ceases to have effect. Even though the agreement had been entered into previously and the relevant interest was only acquired on lapse of the effect of the relief, the person would acquire the shares under s51(1) at the time of gaining the relevant interest.

C Warrant trustees

Our policy

RG 143.65 ASIC has granted relief by Class Order [CO 99/1006], from s615 and the substantial shareholding provisions, for a trustee of a warrant trust deed to disregard any relevant interest in or entitlement to shares it holds as cover under the trust deed. The relief applies where the trustee:

- (a) has rights and powers on default or liquidation which might prevent the relief in s39 for a bare trustee being available to it, but otherwise exercises power only to maintain shares in cover under the terms of the trust deed, or under instruction of the issuer or holder; and
- (b) lodges with ASIC a statement in writing stating that it elects to have the class order apply to it.

Underlying principle

RG 143.66 The basis for relief to trustees in this case is the tenuousness of the power and the immateriality of the information that disclosure would provide to the market.

D Enforcement

RG 143.67 ASIC will consider taking injunctive, or other action, against parties who act outside class order relief and contravene s615 and Pt 6.7. ASIC will review the suitability for licensing of any licensed person who breaches, or facilitates the breach, of any of the provisions of the class orders, s615 or the substantial shareholding provisions.

RG 143.68 If a person does anything which is not within the spirit of the class order relief, or uses the class order relief in a way which is contrary to the Eggleston principles, ASIC is likely to consider whether unacceptable circumstances have occurred (s733(1)) and may refer the matter to the Corporations and Securities Panel. Any party seeking to use warrants in any control transaction is advised to seek advice from ASIC before embarking on any such course of conduct.

RG 143.69 ASIC is very concerned that warrant issues not be used to abuse the policy or relief of this guide through sham transactions. It will take strong enforcement action against any such attempt.

Key terms

General

RG 143.70 In this guide, a reference to:

“American style warrant” means a warrant that is exercisable at any time prior to expiry;

“ASX” means Australian Stock Exchange Limited;

“call warrant” means a warrant entitling the holder to buy a fixed quantity of the underlying shares at a stated price;

“European style warrant” means a warrant that is only exercisable at expiry;

“put warrant” means a warrant entitling the holder to sell a fixed quantity of the underlying shares at a stated price;

“quoted warrant” means a warrant admitted to trading status on the ASX;

“substantial shareholding provisions” are the provisions relating to the disclosure of substantial entitlements to voting shares located in Pt 6.7 of the Law;

“target company” means the issuer of the underlying shares; and

“underlying shares” means the shares which are subject of the warrant agreement.

What are warrants?

RG 143.71 Warrants in Australia are usually options contracts and are therefore securities under s92(1)(e). They are largely marketed to retail investors.

Warrants and options

RG 143.72 Warrants have the following characteristics which are similar to options and which distinguish them from shares:

- (a) they are primarily financial instruments designed to give an investor financial exposure to the performance of the underlying company or commodity, rather than control over the company;

- (b) they do not give direct control over the underlying shares until they are exercised; and
- (c) they generally have relatively short, fixed lives, compared to equities.

RG 143.73 Quoted warrants generally have these additional characteristics:

- (a) ASX applies an overall limit to the proportion of the underlying shares over which exercisable quoted warrants may be issued (except for fully covered warrants);
- (b) there are specific disclosure regimes for warrant issuers in ASX Business Rules;
- (c) within a series, their terms are standardised, fully disclosed and are not variable by issuer or holder;
- (d) they are primarily marketed to and acquired and traded by, retail investors; and
- (e) they generally have relatively longer lives than exchange traded options (except long life flex options).

RG 143.74 The rights and obligations of warrant issuers are often very similar to those of option writers. Likewise the rights and obligations of warrant holders are very similar to those of option takers.

RG 143.75 However, unlike exchange traded options writers, who are anonymous except to the clearing house, the issuer of a quoted warrant is a single entity who is always readily identifiable, so that application of s615 and substantial shareholding provisions to warrants are more focused and identifiable.

Related information

RG 143.76

Headnotes

s92, s33, s34, s615, Pt 6.7, s995, covered warrant, uncovered warrant, disposal, enforcement, put warrant, call warrant, quoted warrant, relevant interest, entitlement, underlying shares, voting rights, warrants, derivatives.

Class orders and pro formas

[CO 97/1], [CO 99/841], [CO 99/842], [CO 99/843], [PF 81].

Policy statements

Superseded Policy Statement 69 *Entitlements where relevant interest disregarded* [SPS 69]

Regulatory guides

RG 48 *Takeovers aspects of options over shares*

Legislation

Chapter 6, s615, s12(1)(f), s11, s12(1)(e), s12(1)(g), s609(1)(b), s609(2)(b), s33, s34, s36, s51(2), s51(1), s733(1), s92(1)(e) and Pt 6.7.