

Redeeming the Irredeemable

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The Investment Association has published [guidelines](#) concerning the redemption or cancellation of irredeemable preference shares. The aim of the guidelines, which are of general application to listed companies, is to promote market confidence in irredeemable preference shares as an asset class and avoid reputational risk for issuers.

The guidelines require issuers to follow a fair process, and have regard to the fair market price, when considering the redemption of irredeemable preference shares.

Key to ensuring a fair process is consultation by an issuer with the irredeemable preference shareholders such that they have sufficient time and information to enable them to reach a properly informed decision on the proposed redemption. Achieving a fair market price is crucial.

In following the guidelines, an issuer will also need to respect the position of its ordinary shareholders and consult them equally with regard to the fair process and fair market value to be offered to preference shareholders. The board of the issuer will also be duty bound to act in the best interests of the company as a whole.

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