

# Financial Services Authority

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Margaret Chamberlain  
Chair, Regulatory Law Committee  
The City of London Law Society  
4 College Hill  
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23 March 2012

Our Ref: CLLS/cleansing announcements

Your Ref: N/A

Dear Margaret,

## Re - Cleansing announcements

Thank you for your letter dated 2 March 2012, relating to a statement concerning cleansing announcements made in the decision notice of David Einhorn and other related publications.

You refer to paragraph 3.11 of that notice which states:

*"Once a third party agrees to be wall crossed, it can be provided with inside information and it is then restricted from trading. The party is only able to trade in the company's shares again once the information it has been given is made public. In the context of a transaction, the information will be made public either when the transaction is announced to the market, or in cases where a transaction does not proceed, when an announcement is made to the market stating that a transaction was contemplated, but did not proceed. This announcement may be referred to as a cleansing statement."*

The particular concern that you raise, reads:

*"However, we note, with concern, the proposition that there should in all cases be a cleansing statement when information is provided about a possible transaction. While we agree that a party who receives inside information will remain unable to trade for so long as it remains inside information, we do not believe that it will always necessarily be the case that the fact that a capital raising is not going ahead remains inside information."*

You also state that this is a matter of some practical significance and set out a number of examples in support of your concerns.


We understand the importance of this issue to your members as well as to the market. We agree that, in some circumstances, the fact that a previously proposed capital raising is no longer going ahead will not necessarily constitute inside information. Each case will depend on its own facts and circumstances, and this will be a matter on which firms and individuals may need to take legal advice as appropriate.

The statement about cleansing in paragraph 3.11 of the Einhorn decision notice must be read in the context of the notice as a whole and the individual facts of that case.

In circumstances where information is no longer inside information a cleansing announcement is unnecessary but the FSA will expect advisers to consider carefully whether this is indeed the case.

Finally, thank you for your letter and I trust that this reply assists the work of the Committee.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Tracey McDermott".

Tracey McDermott  
Acting Director  
Enforcement and Financial Crime Division