

Regulatory Update June 2011.

UK

Companies House has published the spring 2011 edition of its newsletter *Register*: see [here](#). This reports the intention of Companies House to move towards **electronic filing** for the majority of returns and incorporations by March 2013.

ICSA has published the results of its annual survey of how **board evaluations** have been carried out by the largest UK listed companies: see [here](#). The survey reports that 33 of the 200 companies in the survey undertook some form of external board evaluation. The UK's Corporate Governance Code recommends that evaluation of FTSE350 company boards should be externally facilitated at least every three years.

Earlier this year the Financial Reporting Council began an inquiry, led by Lord Sharman, to identify lessons for companies and auditors addressing going **concern and liquidity** risks. A call for evidence was published last week: see [here](#).

In the lecture - titled "The short long" and available [here](#) Mr Haldane argues, on the basis of his research, that **short-termism** is statistically and economically significant in capital markets and appears to be increasing.

Section 85 of the Climate Change Act (2008) provides that the Government must, no later than 6 April 2012, [a] make regulations requiring the directors' report to contain information about the greenhouse gas emissions from activities for which the company is responsible or [b] lay before Parliament a report explaining why such regulations have not been made. The Government has not yet decided whether to introduce such regulations but it has recently published a consultation paper, setting out various options (including a voluntary approach), in order to inform its final decision: see [here](#) (*pdf*).

Sustainability experts are calling on regulators to ask companies for information on how sustainable they are – or explain why if they choose not to provide it. The Global Reporting Initiative (GRI) launched the **Report or Explain** Campaign Forum to encourage more companies to be transparent about their impacts on the world.

<http://www.globalreporting.org/NewsEventsPress/PressResources/2011/SustainabilityExpertsCallforSmarterRegulationonTransparency.htm>

EUROPEAN UNION

The European Fund and Asset Management Association (EFAMA) has published a "**Code for External Governance**" setting out principles for the exercise of ownership rights in investee companies: see [here](#).

Rating agencies:

- New EU regulations making the European Securities and Markets Authority responsible for the supervision of credit rating agencies in Europe from 1 July 2011 <http://www.esma.europa.eu/popup2.php?id=7598>
- Calls of evidence on ratings agencies. http://www.esma.europa.eu/index.php?page=home_details&id=566
- ESMA, JAPAN AGREE STEPS TO REGULATE RATING AGENCIES
The European Union and Japan have agreed terms on how to supervise the cross-border businesses of credit rating agencies. <http://www.esma.europa.eu/popup2.php?id=7599>

Many major investors use the services of **proxy advisors**, which analyse draft resolutions and issue voting recommendations. Since these firms may have significant influence on the adoption of draft resolutions even though they are not shareholders, the AMF in France has held discussions with the industry and is publishing a recommendation on proxy advisors.

http://www.amf-france.org/documents/general/9916_1.pdf

US

The Securities and Exchange Commission has published proposed new rules, and amendments to existing rules, regarding **credit rating agencies**: see [here](#). An overview of the proposals is available [here](#).

The Securities and Exchange Commission has published final rules regarding its new **whistle blowing** programme: see [here](#).

The Securities and Exchange Commission, in conjunction with the Commodity Futures Trading Commission, has proposed a new "Form PF" reporting requirement, which, if implemented as proposed, represents a **substantial increase** in the amount of information required to be reported in to these regulators by **hedge funds**.

<http://www.sec.gov/rules/proposed/2011/ia-3145.pdf>

The recent conviction of Galleon Group founder Raj Rajaratnam, along with other insider trading lawsuits and investigations, has raised concerns over the business model of **expert networks**, along with the "mosaic" approach to collecting information.

<http://www.law.com/jsp/cc/PubArticleCC.jsp?id=1202495618239>

...and...

Expert network firms were once an obscure pocket of Wall Street, an elite service for aggressive money managers looking for an investment edge. Today, these businesses find themselves in the middle of the government's multiyear investigation into insider trading. Winifred Jiau, a former consultant at the expert network firm Primary Global Research, is set to go on trial on charges that she helped pass secret corporate information to her hedge fund clients. If convicted, she faces up to 25 years in prison.

<http://dealbook.nytimes.com/2011/05/31/another-insider-trading-trial-to-begin/?scp=1&sq=New%20Insider%20Trading%20Trial%20Set%20to%20Begin&st=cse>

INTERNATIONAL

The Technical Committee of the International Organization of Securities Commissions (IOSCO) has published a final report, Principles on Dark Liquidity, containing principles to assist securities markets authorities in dealing with issues concerning **dark liquidity**.

<http://www.iosco.org/news/pdf/IOSCONEWS210.pdf>

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[The Singapore Exchange](#) is seeking views on proposed **changes to its Listing Rules** which would require primary-listed issuers to hold their annual general meetings in Singapore, have poll voting for all resolutions and improve disclosure of the results of voting at general meetings. An overview of the proposed changes is available [here](#).

The Australian and Securities and Investments Commission has published a consultation paper concerning the annual compliance reporting of **credit rating agencies**: see [here](#).