

Regulatory Update September 2011.

UK

FRC proposals published - narrative reporting, risk and going concern, the role of the audit committee and auditors. At the start of this year the Financial Reporting Council published a consultation paper titled Effective Company Stewardship - Enhancing Corporate Reporting and It has now launched Effective Company Stewardship - the Next Steps, in which it sets out some of the actions it proposes to take: see [here](#).

Simpler reporting for the smallest businesses – the BIS/FRC [consultation](#) begins. It sets out some interesting proposals, including requiring certain small businesses to prepare a simplified Trading Statement (in place of the current Profit and Loss Account and prepared on a cash accounting basis), a Statement of Position (to include details of shareholders' funds, fixed assets, cash etc) and a simplified Annual Return.

Financial Services Authority introduces the Zen system. The FSA's surveillance and monitoring system, Zen, went live on Monday, 8 August 2011. Zen replaces the existing FSA Sabre II system. Zen enhances the FSA's ability to monitor transactions for market abuse. [More](#).

European Union

Belgium: Committee responds to Commission's governance framework consultation
The Belgian Corporate Governance Committee has published its response to the European Commission's consultation on the EU corporate governance framework: see [here \(pdf\)](#). In its short response, the Committee endorses the 'comply or explain' principle and argues, amongst other things, that the quality of explanations in corporate governance statements needs to be improved.

ESMA publishes update on short-selling measures. The European Securities and Markets Authority [published](#) an updated summary of the measures taken by Authorities with regard to short-selling. This summary provides further information on the extension of the short-selling ban introduced earlier this month by several Authorities with regard to bank shares, and co-ordinated by the ESMA.

The European Securities and Markets Authority has [certified](#) the operations of 10 credit rating agencies in the European Union. None of them is among the industry's "usual suspects": Moody's, Standard and Poor's and Fitch. and in Switzerland...

Switzerland's financial services regulator FINMA has [laid](#) out requirements on credit rating agencies, and standardises the conditions for recognition.

High frequency trading gets high scrutiny examination from ESMA. The European Securities and Markets Authority has [decided](#) it's time to look inside the black box of high frequency trading.

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The Autorité des Marchés Financiers [reminds](#) market participants that the dissemination of unsubstantiated information may lead to sanction.

US

During the spring proxy season, most companies received broad support for their pay practices, while investors gave greater support to shareholder proposals seeking board declassification. So [say](#) ISS.

See also [analysis](#) from Pay Governance

After several large Wall Street banks helped underwrite American International Group Inc.'s May stock sale, their analysts did something rare: publish biting research reports about the insurer. [More](#)

A [paper](#) from Stanford Grad School presents evidence that when an analyst makes an out-of-consensus forecast of a company's quarterly earnings that turns out to be incorrect, she escalates her commitment to maintaining an out-of-consensus view on the company.

SEC's New Whistleblower Program Takes Effect. With its new whistleblower program officially becoming effective, the Securities and Exchange Commission today launched a new [webpage](#) for people to report a violation of the federal securities laws and apply for a financial award.

How can auditor independence, objectivity and professional scepticism be enhanced? One possible approach on which the PCAOB is [seeking](#) comment, is mandatory audit firm rotation.

The US Securities and Exchange Commission has [taken](#) a further step to reduce the reliance on credit ratings imposed by federal regulation. Acting on a mandate under the Dodd-Frank Act, it voted to remove credit ratings as eligibility criteria for companies seeking to use "short form" registration.

While the surge of sustainability ratings in the marketplace — from Newsweek's Green Rankings to the S&P/IFCI Carbon Efficient Index — is a sign that sustainability indexes are going mainstream, the growth also has a downside, according to [SustainAbility](#). "We launched Rate the Raters because we see great promise in this mainstreaming, yet we observe too many ratings failing to live up to expectations," the firm said in the fourth instalment of "Rate the Raters," which published this week. IR teams spend an increasing amount of time completing sustainability forms.

Companies have continued to downsize the annual shareholder meeting, raising questions about the future of the physical event, according to new [research](#) of the 2011 AGM season from BNY Mellon. The research also suggests that corporate concerns over Say on Pay were largely unwarranted and the hopes of the activists were unfulfilled, as the majority of management-supported Say On Pay proposals were passed.

Thomson Reuters has brought out a new version of its Marketboard iPad app with features specifically for IR professionals. The upgrade means users of Marketboard can now access Thomson Reuters' IR services on the go, such as the firm's contact management system and shareholder analysis tools.

<http://itunes.apple.com/gb/app/thomson-reuters-marketboard/id363999272?mt=8>

NASDAQ announced the launch of Directors Desk HD, an iPad App providing directors and executives access to sensitive and timely information on-the-go. According to a recent KPMG study, fifty percent of directors now report using an online portal for board communications, up from nine percent only two years ago.

<http://www.nasdaqomx.com/whatwedo/corporatesolutions/governance/directorsdesk>

The Committee on Foreign Investment in the United States (CFIUS) has completed its [review](#) of the Deutsche Börse and NYSE Euronext combination without objection to the transaction going forward.

International

South Africa: the Code for Responsible Investing in South Africa. Following consultation on a draft version last year, the Institute of Directors has published its Code for Responsible Investing in South Africa: see [here](#). The Code provides guidance, based on five principles, on how institutional investor should conduct investment activities and exercise rights in order to promote sound governance.

A Dubai-based research institute reckons that more than half of the companies and financial institutions listed on stock exchange in the Middle East suffer from underdeveloped practices in corporate governance. Cass Business School Dubai, part of City University London, announced today that it has signed a [Memorandum of Understanding](#) with Hawkamah, the Institute for Corporate Governance, Dubai, which will advance the implementation of corporate governance and transparency.

Financial reporting [survey](#) shows companies are trying to provide “numbers that make some sense” to investors but may fall short. The use of underlying profit measures in corporate annual reports risks misleading investors, according to a Deloitte, New Zealand report.