

## Regulatory Update May 2007

The Financial Reporting Council today initiated an assessment of the progress made in implementing the Combined Code on Corporate Governance.

The FRC is inviting views on issues such as whether the Code has helped to improve board performance, its impact on smaller listed companies, and the effectiveness of the “comply or explain” mechanism. Views are sought from listed companies, directors, investors and other interested parties by 20 July 2007.

<http://www.frc.org.uk/press/pub1299.html>

This is a revised version of LIST! 14 published in December 2006. We have amended some of the text and readers should also be aware that this version includes further informal guidance. For a summary of amendments please see the Annex at the end of this publication.

[http://www.fsa.gov.uk/pubs/ukla/list14\\_apr07.pdf](http://www.fsa.gov.uk/pubs/ukla/list14_apr07.pdf)

US House of Representatives, shareholder advisory vote on pay US House committee passes bill giving shareholders a vote on pay

The House of Representatives’ Financial Services Committee has passed legislation that would require US public companies to give shareholders an advisory vote on their executive pay plans. The proposed law will now be considered by the full House. <http://financialservices.house.gov/fs041807.html>

The Securities and Exchange Commission today announced a series of actions it intends to take relating to the acceptance of financial reporting in International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

The Commission anticipates issuing a Proposing Release this summer that will request comments on proposed changes to the Commission's rules which would allow the use of IFRS in financial reports filed by foreign private issuers that are registered with the Commission. The approach in the proposed rule would be to give foreign private issuers a choice between IFRS and U.S. GAAP. In addition, the Commission plans a Concept Release relating to issues surrounding the possibility of treating U.S. and foreign issuers similarly in this respect by also providing U.S. issuers the alternative to use IFRS. Comments on both would be due in the fall.

<http://www.sec.gov/news/press/2007/2007-72.htm> see also  
<http://www.sec.gov/news/speech/2007/spch041207rcc.htm>

New momentum to stamp out stamp duty. Leading City of London institutions have launched a new assault on stamp duty on share trading, saying the tax is hindering the UK. The London Stock Exchange, the Association of British Insurers, the Investment Management Association and the Corporation of London have commissioned research institute Oxera to examine the issue. “The research will show that abolishing the tax would be revenue enhancing and, at worst, neutral,” a source close to the group said. (eFinancial News, 16/04)

## Hedge funds

- The FSF discussed developments in the hedge fund sector and the supervisory, regulatory and private sector actions taken in recent years to strengthen market discipline, risk management practices and market infrastructure...They have information, valuation, and risk management systems that enable them to provide accurate and relevant information to investors, creditors and counterparties with appropriate frequency, breadth and detail. Building on its discussion and on work by its member bodies, the FSF is preparing an update of its 2000 report, to be submitted to G7 finance ministers and central bank governors in May.  
[http://www.fsforum.org/press/press\\_releases\\_100.html](http://www.fsforum.org/press/press_releases_100.html)
- European finance ministers have called for a voluntary commitment to improve the hedge-fund industry's transparency, while the German EU Presidency has called for a code of conduct.  
<http://www.euractiv.com/en/financial-services/eu-finance-ministers-call-transparency-hedge-funds/article-163311> More details on ECOFIN website  
[http://www.eu2007.de/en/News/Press\\_Releases/April/0421ECOFIN.html?](http://www.eu2007.de/en/News/Press_Releases/April/0421ECOFIN.html?)

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All of the Takeover Panel's regulatory activities will be placed within a statutory framework for the first time from 6th April 2007 when the second phase of the implementation of the Companies Act 2006 comes into effect. Part 28 of the Act replaces regulations that implemented the Takeovers Directive on an interim basis pending the coming into force of the Act.

In addition to powers already conferred on the Panel by those regulations, Part 28 of the Act gives the Takeover Panel a new power to make statutory rules while keeping the right to determine its own constitutional and operational framework. Previously the rules on takeovers were set out in the Takeover Code, which historically had no statutory basis.

<http://www.gnn.gov.uk/environment/fullDetail.asp?ReleaseID=277517&NewsAreaID=2&NavigatedFromDepartment=False>

DG Internal Market and Services is making public a working document related to possible minimum standards and conditions for the bodies charged with the storage of regulated information pursuant to Directive 2004/109/EC (so-called Transparency Directive). It includes some reflection as to the possibility to create a pan-European network of national storage systems. This working document does not prejudice the regulatory or non-regulatory nature of any possible legal instrument that would contain these standards in the future. This working document is available on the European Commission's website:

[http://europa.eu.int/comm/internal\\_market/securities/transparency/index\\_en.htm](http://europa.eu.int/comm/internal_market/securities/transparency/index_en.htm)

The Financial Reporting Council (FRC), the US Securities and Exchange Commission (SEC) and the UK Financial Services Authority (FSA) signed a protocol today for implementing the Work Plan between the SEC and the Committee of European Securities Regulators as it relates to sharing information on the application of International Financial Reporting Standards (IFRS) by issuers listed in the UK and the US. <http://www.frc.org.uk/press/pub1305.html>

Shareholder Value: Companies that list in the U.S. have a valuation nearly one-third higher than those listed elsewhere, according to a study co-authored by professors Andrew Karolyi and Rene Stulz of Ohio State University and Craig Doidge of the University of Toronto. Companies that cross-list in the U.S. have a valuation 13.9% higher. This is attributed to the greater visibility, as well as improved disclosure and transparency, of a U.S. listing. [http://www.news.utoronto.ca/inthenews/archive/2006\\_08\\_28.html](http://www.news.utoronto.ca/inthenews/archive/2006_08_28.html)