

## Regulatory Update – April 2009

### UK/ Europe

New equity research service for smaller companies launched by London Stock Exchange. • Developed to address the need for greater coverage of smaller quoted companies. Complements research from existing providers. Equity research can form a vital element of a company's investor relations strategy

<http://www.londonstockexchange.com/en-gb/about/Newsroom/pressreleases/2009/New+equity+research+service+for+smaller+companies+launches.htm>

Research from the Association of Investment Companies (AIC) suggests growing optimism amongst active investors, who are poised to enter the stockmarket over the next few months tempted by a combination of cheaper stocks and the need to find alternatives to low-interest rate savings accounts.

<http://www.theaic.co.uk/en/Press-centre/Active-investors-get-ready-to-re-enter-stock-market-but-fewer-are-investing-in-ISAs/>

The Financial Services Authority (FSA) has today published the Turner Review of global banking regulation. Lord Turner, chairman of the FSA, was asked by the Chancellor of the Exchequer to review the events that led to the financial crisis and to recommend reforms. The Review identifies three underlying causes of the crisis – macro-economic imbalances, financial innovation of little social value and important deficiencies in key bank capital and liquidity regulations. These were underpinned by an exaggerated faith in rational and self-correcting markets.

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2009/037.shtml>

Following extensive consultation and to help improve transparency in current market conditions, the new disclosure regime for Contracts for Difference (CfDs) will now take effect from 1 June 2009. The new rules would have applied originally from September 2009.

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2009/034.shtml>

The Financial Reporting Council today announced a review of the impact of the Combined Code on Corporate Governance, which sets out best practice corporate governance standards for UK listed companies.

<http://www.frc.org.uk/press/pub1894.html>

At its meeting on 18 December 2008, the AMF decided to keep in place the exceptional measures ordered on 19 September 2008. It said it would re-examine the issue during February 2009 on the basis of the recommendations of the working group and other work on the same subject within CESR and IOSCO. [http://www.amf-france.org/documents/general/8798\\_1.pdf](http://www.amf-france.org/documents/general/8798_1.pdf)

#### FSA Publishes Consultation Paper on Remuneration

The UK Financial Services Authority (FSA) has published a consultation paper (CP 09/10 Reforming remuneration practices in financial services) which puts forward a Code of Practice (Code) on remuneration and formally consults on applying it to a group of 45 large banks and broker dealers and incorporating it into the FSA rules. The CP invites discussion on the possibility that the Code should be applied to all FSA-authorized firms.

2 found guilty of insider dealing. The case is the first insider dealing criminal prosecution brought by the Financial Services Authority (FSA), as part of its tougher approach to tackling market abuse. The jury found that Mr McQuoid had passed inside information to his father-in-law and that Mr Melbourne had traded, and made a profit, using the information. The FSA has also obtained a court order freezing the profits made from the trade, which Mr McQuoid and his father-in-law split equally between them.

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2009/042.shtml>

The FSA has commented on various aspects of the production and announcement of the Annual Financial Report as required by the Disclosure & Transparency Rules (DTRs). Here, they provide clarification on how they interpret these requirements.

[http://www.fsa.gov.uk/pubs/ukla/ukla\\_update3.pdf](http://www.fsa.gov.uk/pubs/ukla/ukla_update3.pdf)

A number of changes to the Takeover Code came into force on 30 March 2009. They include a new ability for bidders and targets to make bid information available to shareholders via electronic communications and additional requirements to publish bid information on websites.

<http://www.thetakeoverpanel.org.uk/wp-content/uploads/2008/11/instrument20091.pdf>

CESR updates the list of measures recently taken by Members regarding short-selling. The documents will be updated on a continuous basis; the latest update has been provided by the German BaFin on 31 March 2009.

[http://www.cesr-eu.org/index.php?page=home\\_details&id=317](http://www.cesr-eu.org/index.php?page=home_details&id=317)

## US

The FASB today issued two proposed staff positions (FSPs) intended to provide additional application guidance regarding fair value measurements and impairments of securities. <http://www.fasb.org/news/nr031709.shtml>

Securities and Exchange Commission Chairman Mary L. Schapiro announced today that the agency is moving to improve the handling of whistleblower complaints and enforcement tips in order to better protect investors. <http://www.sec.gov/news/press/2009/2009-44.htm>

On March 13, the Securities and Exchange Commission announced that it will consider whether to propose short sale price test rules at its open meeting on April 8. Separately, on March 16, Senators Ted Kaufman (D-Delaware) and Johnny Isakson (R-Georgia) introduced a bill to require the SEC to reinstate the “uptick rule” prohibiting short sales not effected upon an increase in the stock price in an attempt to increase the pressure on the SEC to take action. [http://kaufman.senate.gov/press/in\\_the\\_news/news/?id=4375F5B0-6788-41CB-8EBE-76F441D66088](http://kaufman.senate.gov/press/in_the_news/news/?id=4375F5B0-6788-41CB-8EBE-76F441D66088)

Stock Exchanges Propose “Modified” Uptick Rule The BATS Exchange, the New York Stock Exchange and the NASDAQ Stock Market jointly issued a letter to the Securities and Exchange Commission urging it to adopt a “modified uptick” rule that includes a “circuit breaker” feature to combat abusive short selling. The SEC is currently considering a number of measures in the short sale area including a re-adoption of the uptick rule it removed in 2007. The exchanges argued that the old uptick rule “would likely prove difficult to implement and enforce” in today’s current rapid trading and penny increment market environment. As such, the exchanges called for a simple uptick rule that would be triggered after the price of a stock has experienced a precipitous decline (e.g., a 10 percent drop) and would allow short sales only at a price above the highest prevailing national bid in combination. <http://www.batstrading.com/JointShortSaleLetter>

The Society of Corporate Secretaries & Governance Professionals (the Society), which serves over 2,500 issuers, recently submitted a comment letter to the Securities and Exchange Commission regarding the New York Stock Exchange’s proposed change to NYSE Rule 452 which would eliminate broker discretionary voting for the election of directors. <http://www.governanceprofessionals.org/Document.asp?DocID=1557&SnID=1053165658>

## INTERNATIONAL

The International Organization of Securities Commissions' (IOSCO) Technical Committee has published a consultation report entitled Regulation of Short Selling prepared by its Task Force on Short Selling (Task Force), which contains proposed principles designed to help develop a more consistent international approach to the regulation of short selling.

<http://www.iosco.org/news/pdf/IOSCONEWS140.pdf>

IOSCO publishes hedge funds oversight recommendations  
The International Organization of Securities Commissions' (IOSCO) Technical Committee has published a consultation paper – Hedge Funds Oversight: Consultation Report – containing preliminary findings and recommended regulatory approaches to mitigate risks associated with the trading and traditional lack of transparency of hedge funds.

<http://www.iosco.org/news/pdf/IOSCONEWS139.pdf>

The International Organization of Securities Commissions' (IOSCO) Task Force on Credit Rating Agencies (Task Force) has today published the results of its work reviewing credit rating agency (CRA) implementation of IOSCO's Code of Conduct Fundamentals for Credit Rating Agencies (IOSCO CRA Code). <http://www.iosco.org/news/pdf/IOSCONEWS138.pdf>