

# Regulatory Update July 2009

## UK news

Responses to the FRC consultation on changes to the Combined Code are varied, although almost all favour retention of the comply or explain principle.

<http://www.frc.org.uk/corporate/2009reviewresponses.cfm>

More than half of Venture Capital execs consider industry to be broken, survey finds

<http://www.scribd.com/doc/16919534/PolachiVCSurvey>

Nearly half (49%) of pension schemes will spend more time scrutinising the actions of their fund managers on engagement issues as a result of the economic crisis.

[http://www.napf.co.uk/DocumentArchive/Press%20Releases/01\\_2009/20090629\\_26-06-2009%20-%20Pension%20Schemes%20Plan%20to%20Spend%20More%20Time%20on%20Engagement.pdf](http://www.napf.co.uk/DocumentArchive/Press%20Releases/01_2009/20090629_26-06-2009%20-%20Pension%20Schemes%20Plan%20to%20Spend%20More%20Time%20on%20Engagement.pdf)

Improving institutional investors' role in governance: an institutional shareholders' committee paper

<http://www.theaic.co.uk/Documents/Technical/AICISCImprovinginstitutionalinvestorroleingovernanceJune2009.pdf>

The Financial Reporting Council (FRC), the UK's independent regulator responsible for promoting confidence in corporate reporting and governance, has published a discussion paper arising from its project on reducing complexity in corporate reporting.

<http://www.frc.org.uk/press/pub1994.html>

The Climate Disclosure Standards Board (CDSB) today announced proposals designed to assist directors in the inclusion of climate change-related information in companies' annual reports. [http://www.cdsb-global.org/uploads/pdf/CDSB\\_Press\\_Release.pdf](http://www.cdsb-global.org/uploads/pdf/CDSB_Press_Release.pdf)

The Financial Services Authority (FSA) has today extended, without a time limit, the current disclosure regime for significant net short positions in the stocks of UK financial sector companies due to expire on 30 June.

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2009/084.shtml>

FSA has carried out a review of Interim Management Statements (IMS) that are required under the Transparency Directive (TD).

[http://www.fsa.gov.uk/pubs/ukla/list\\_may09.pdf](http://www.fsa.gov.uk/pubs/ukla/list_may09.pdf)

## US News

More than three out of four American investors (79 percent) want to “see strong action taken to correct the problems that exist today” in the financial markets, including over a third (34 percent) who are “angry” about the debacle on Wall Street and the related failure of regulatory oversight, according to a major new survey of 1,256 U.S. investors conducted by Opinion Research Corporation (ORC) on behalf of ShareOwners.org (<http://www.ShareOwners.org>), a new nonprofit and nonpartisan organization that will educate and organize U.S. investors to support both short- and long-term financial market reforms.

SEC acts on dark pools: Chairman Shapiro. “To this end, I have directed Commission staff to investigate ways the Commission can best bring light to an area of the market known as dark pools. Dark pools can be defined in various ways, but generally refer to automated trading systems that do not display quotes in the public quote stream. We have heard concerns from market participants that the lack of post-trade transparency by dark pools makes it difficult, if not impossible, for the public to assess dark pool trading and to identify pools that are most active in particular stocks“.

<http://www.sec.gov/news/speech/2009/spch061809mls-2.htm>

The SEC has announced proposed rules to amend Exchange Act Rule 14a-8(i)(8). This amendment will allow certain shareholders to use the corporate proxy machinery to nominate directors. Shareholders who hold their shares for more than 1 year and hold more than 1% of a reporting company's outstanding shares may nominate one director.

<http://www.sec.gov/news/press/2009/2009-116.htm>

## EU/ International

The vast majority of fund managers are willing to pay a premium for companies with good IR, according to a new study by Singapore Management University (SMU) and the Investor Relations Professionals Association Singapore (IRPAS).

The survey finds that, faced with two broadly comparable companies, 89 percent of portfolio managers would pay a premium to invest in the company with ‘more credible IR practices’. Two thirds of the fund managers questioned for the study say they would pay a premium of up to 15 percent while a quarter say they would be happy to pay an even bigger premium to invest in a company with good IR.

<http://www.irpas.com/SMU-IRPAS%20study.html>

The International Accounting Standards Board (IASB) today published for public comment a proposed non-mandatory framework to help entities prepare and present a narrative report, often referred to as management commentary.

<http://www.iasb.org/NR/rdonlyres/BC0A610A-CED2-4CD8-BC01-8CD43A95ACBF/0/PRManagementcommentary1.pdf>

And IOSCO has also launched a consultation that makes preliminary recommendations for disclosures that could be provided by issuers in periodic reports, particularly annual reports, of listed entities. <http://www.iosco.org/library/statements/pdf/statements-8.pdf>.

Meanwhile, IOSCO also published a report - Protection of Minority Shareholders in Listed Issuers - last week which summarises information gathered by the task force concerning the rules designed to protect minority shareholders in eighteen jurisdictions. <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD295.pdf>

Short selling rules update. Changes have been introduced in Austria, France, Germany and Italy, either extending bans on short selling financial companies, or bans on naked short selling. Details at <http://www.cesr.eu/popup2.php?id=5238>

The International Organization of Securities Commissions' (IOSCO) Technical Committee has published a final report entitled *Regulation of Short Selling* which contains high level principles for the effective regulation of short selling.

<http://www.iosco.org/news/pdf/IOSCONEWS147.pdf>