

## REGULATORY UPDATE – MARCH 2007

Institutional investors continue to significantly boost their equity ownership of U.S. markets as well as their ownership of the largest 1,000 U.S. corporations, The Conference Board reports in the latest edition of its Institutional Investment Report.

Institutional investor ownership of U.S. corporations also rebounded during the post-2002 market break period and, in 2005 institutional investors held a record 61.2% of total 2005 U.S. equities, up from 51.4% in 2000. Institutional ownership of the largest 1,000 U.S. corporations has increased from 61.4% in 2000 to a peak of 69.4% in 2004, and dropped just slightly to 67.9% in 2005, but still in record historic territory. Within the categories of institutional investors, the "activist" state and local pension funds have increased their percentage share of U.S. equity markets (from 2.9% in 1980 to 9.8% in 2005).

[http://www.conference-board.org/utilities/pressDetail.cfm?press\\_ID=3046](http://www.conference-board.org/utilities/pressDetail.cfm?press_ID=3046)

The ABI published its Responsible Investment Disclosure Guidelines. These update and replace the Socially Responsible Investment (SRI) guidelines, launched by the ABI in 2001, which call on Boards of companies to confirm that they have assessed and are managing environmental, social and governance risks.

<http://www.abi.org.uk/Newsreleases/viewNewsRelease.asp?nrid=14121>

Frequent Red Top Companies under-perform their sector - ABI research shows link between Board Composition and Share Price Performance – A study of FTSE All Share companies by the ABI's Institutional Voting Information Service (IVIS) has found that companies receiving two or more red tops from the ABI for breaches of the Combined Code over the last three years have tended to under-perform their sector in share price. Eleven out of the fourteen (nearly 80%) companies who received two or more red-tops underperformed their sector.

<http://www.abi.org.uk/Newsreleases/viewNewsRelease.asp?nrid=14195>

SEC'S CAMPOS CHALLENGES EUROPE OVER SHAREHOLDER RIGHTS. The theme of the address is the protection of minority and individual shareholder interests in the U.S. as compared to Europe and other jurisdictions.

<http://www.sec.gov/news/speech/2007/spch020807rcc.htm>

SEC STAFF ROUNDTABLE ON INTERNATIONAL FINANCIAL REPORTING STANDARDS CONVERGENCE. "ROADMAP" TO BE DISCUSSED ON MARCH 6TH

On February 13, SEC Chairman Christopher Cox announced that on March 6, 2007, senior SEC staff members from the Office of the Chief Accountant, the Division of Corporation Finance and the Office of International Affairs will hold a roundtable discussion on the "roadmap" regarding International Financial Reporting Standards (IFRS).

<http://www.sec.gov/news/digest/2007/dig021407.txt>

#### SEC PUSHES ELECTRONIC FILING ANOTHER TWO STEPS FORWARD

The Securities and Exchange Commission ("Commission") is proposing to require Self-Regulatory Organizations ("SROs") that submit proposed rule changes electronically and to post all such proposed rule changes on their Web sites.

<http://www.sec.gov/rules/proposed/2007/34-55341.pdf>

Senator Joe Biden counterargument to US "de-regulation". Critics have complained that the cost of compliance has caused some companies to go private, abandon plans to go public, or list overseas rather than on an American exchange.

A company that cannot or will not institute and maintain the internal controls necessary to meet high standards of financial integrity and corporate accountability should not go public in the United States.

<http://biden.senate.gov/newsroom/details.cfm?id=269403&&>

#### ELECTRONIC COMMUNICATION WITH SHAREHOLDERS – ICSA GUIDE FOR THE UK

New provisions on UK company communications to shareholders and others came into force in the Companies Act 2006, including provisions to make it easier to use electronic communications and corporate websites.

[http://www.icsa.org.uk/index.php?option=com\\_content&task=view&id=526&Itemid=3](http://www.icsa.org.uk/index.php?option=com_content&task=view&id=526&Itemid=3)


G7 finance ministers called for vigilance on 10 February 2007 and pointed out the potential risks posed by the fast-growing hedge-fund industry to the stability of international financial markets (see [EurActiv 12/02/07](#)).

The hedge-fund industry comprised €942 billion (\$1.225 trillion) of assets under management in 2006, according to [Hedge-Fund Research](#). However, hedge funds are not subject to any specific EU regulation.

Speaking at a conference in London on 20 February 2007, McCreevy underlined that the decision not to regulate hedge funds on an EU level should be "recognised as swallows of a new European regulatory spring. We are reducing the regulatory pressure post-FSAP and intend to stay there". <http://www.euractiv.com/en/financial-services/mccreevy-defends-decision-regulate-hedge-funds/article-161896>

The Accounting Standards Board (ASB) has today issued an Exposure Draft of a Statement 'Half Yearly Financial Reports', which is designed to provide guidance for any UK or Irish entities that are required or voluntarily choose to prepare half-yearly financial reports. <http://www.frc.org.uk/asb/press/pub1262.html>

Making a bet on the growing appetite of U.S. investors for foreign stocks, E\*Trade Financial Corp. is unveiling an upgrade to its trading Web site that will make it easier for Americans to buy and sell non-U.S. shares online.



<http://www.transparencymatters.blogspot.com/> AND  
[https://us.etrade.com/e/t/home/PressStory?ID=STORYID%3Detrade\\_pr\\_2007\\_02\\_16\\_eng-etrade\\_14\\_47\\_05\\_or&year=2007&month=03](https://us.etrade.com/e/t/home/PressStory?ID=STORYID%3Detrade_pr_2007_02_16_eng-etrade_14_47_05_or&year=2007&month=03)

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New minimum threshold for Germany major shareholdings. A shareholder acquiring more than 3% of the voting rights of an issuer publicly traded in Germany must publicly disclose if it exceeds or falls below this threshold. The 3% threshold follows the applicable minimum threshold in the United Kingdom whereas the current minimum disclosure threshold in Germany is 5%. Inclusion of stock options. For purposes of calculating such percentage, also stock options which can be exercised and transferred into voting stock unilaterally by the holder of such option (dinglich ausgestaltete Optionen) count as voting rights.

<http://www.mondaq.com/article.asp?articleid=46402&searchresults=1>

Hong Kong regulator plans to toughen rules for price sensitive information. Hong Kong's Securities and Futures Commission published its consultation conclusions on proposals to firm up the legal status of listing requirements relating to periodic financial reporting, disclosure of price sensitive information and notifiable transactions requiring shareholder approval . Listed companies would have to ensure they disseminated price sensitive information in a way that "can be reasonably expected to provide for equal, timely and effective access to such information by the holders of the securities of the issuer and the investing public."

[http://www.sfc.hk/sfc/doc/EN/speeches/public/consult/07/conclusions\\_stock\\_mkt\\_listing\\_20070228.pdf](http://www.sfc.hk/sfc/doc/EN/speeches/public/consult/07/conclusions_stock_mkt_listing_20070228.pdf)