

## **REGULATORY UPDATE – APRIL 2007**

Mutual fund investors could receive better, more useful disclosure of the key information they need if regulators adopted something like the "quick-start guide" used by high-tech companies, Paul Schott Stevens, President and CEO of the Investment Company Institute, said today.

[http://www.ici.org/statements/nr/07\\_news\\_mfimc\\_stevens.html#TopOfPage](http://www.ici.org/statements/nr/07_news_mfimc_stevens.html#TopOfPage)

Hong Kong's stock exchange plans to get listed firms to switch to real-time online disclosure, hoping the move will reduce the number of trading suspensions. "Changing the dissemination model will align our approach with international norms and the needs and expectations of the overwhelming majority of investors in our market," the HKEx said in a statement.

<http://www.hkex.com.hk/news/hkexnews/070323news.htm>

In the EU, the Commission (finally!) published the rules on the Transparency Directive. In mid March – nearly 2 months after the live date of January 20th - the Commission posted the final rules on its website. Extracting sections of relevance to the means of meeting disclosure.

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

The SEC today published its new rules for deregistration by foreign companies as adopted by the Commission March 21, 2007. By eliminating conditions that had been considered a barrier to entry, the amended rules will encourage participation in U.S. markets and increase investor choice. The text can be found at <http://www.sec.gov/rules/final/2007/34-55540.pdf>.

SEC Chairman Christopher Cox said statements companies have filed so far disclosing their pay policies aren't "anywhere close to plain English." "Retail investors deserve better," Mr. Cox said in a speech at the University of Southern California's business school this month.

<http://www.sec.gov/news/speech/2007/spch032307cc.htm>

FESE has published its survey on European Share Ownership structure. The share ownership structure of European listed companies at the end of 2005 reveals that

Foreign investors are the main shareholders, owning one third of the total market capitalisation (it is still difficult to identify how many of these investors are European). Domestic financial sectors are also important and account for 31%, split into Collective investment with 24% and Banks and other with 7%.

<http://www.fese.be/en/?inc=news&id=35>

Deutsches Aktieninstitut has released a study, in which issuers in Germany gave their view on the latest capital market regulations that mostly came into German law due to EU regulation, like the Market Abuse Directive and provisions like the annual document (Study 35 of Deutsches Aktieninstitut e.V., „Kosten und Nutzen der Regulierung börsennotierter Unternehmen“, [http://www.dai.de/internet/dai/dai-2-0.nsf/dai\\_publikationen.htm](http://www.dai.de/internet/dai/dai-2-0.nsf/dai_publikationen.htm), available only in German). Issuers perceive the benefit of most of the new regulations as very low while very demanding for them. Only the increasing awareness and sensitisation of their employees for capital market crimes had a positive connotation.

SEC discusses accounting convergence between IFRS and US GAAP; recognises reconciliation costs money, slows down disclosure, is not particularly used as analysts can already read IFRS.

<http://www.sec.gov/news/speech/2007/spch030607cc.htm>

European Confederation of Directors' Associations. ONE SHARE ONE VOTE (1S1V): Transparency and shareholders' participation are better solutions than imposing the one share one vote principle without accepting justifiable grounds for divergence.

<http://www.ecoda.org/docs/One%20share%20one%20vote%20-%20latest%20version.pdf>

The DTI is consulting on proposals to implement amendments to the Fourth and Seventh Accounting Directives and to the Bank Accounts and Insurance Accounts Directives and invites comments on the issues set out in this consultative document by 1 June 2007. The overall objective behind the Directive is to further enhance confidence in the financial statements and annual reports published by European companies. The Directive seeks to achieve this objective by making more transparent financial arrangements and requiring companies to give information relevant to good corporate governance whilst seeking to avoid placing unnecessary burdens on business. <http://www.dti.gov.uk/consultations/page38068.html>