

NEWS FROM ECODA...

➤ EcoDa has responded to the EU consultation on shareholders' rights (see : http://www.ecoda.org/docs/EcoDa%27s_final_response_2ndconsultation_shareholders_rights.pdf)

NEWS FROM EU...

➤ The European Commission has decided, in July, to refer Spain to the European Court of Justice over its national legislation which enables **discrimination against shareholders by listed companies** when they issue new shares and convertible bonds. The Commission believes this discriminatory treatment is an infringement of the principle of equal treatment of shareholders and of the "pre-emption" rights accorded to shareholders under the Second Company Law Directive (Article 42 and Article 29 respectively). Pre-emption rights aim to encourage investment by providing a guarantee that existing shareholders will have the first opportunity to buy newly issued shares.

➤ Parliament's legal affairs committee has voted against a controversial proposal requiring special audit committees to oversee company accounts. The committee accepted amendments by rapporteur Lambert Doorn (EPP, Netherlands) that a more flexible approach should be taken allowing member states to design rules in line with their own corporate governance structures. Charlie McCreevy, European Union internal market Commissioner, signalled in July that he was confident a compromise solution would soon be secured over proposals on the **introduction of audit committees**. Many European

countries do not have a culture of company audit committees, while others, such as the UK, eschew a mandatory approach in favour of a "comply or explain" regime. A part-session is scheduled on this subject at the EP in September.

➤ At the Second European Corporate Governance Conference, Commissioner McCreedy said that **shareholders** must be given the means to hold management to account and to ensure this principle is effectively enforced. His services are working on a comprehensive impact assessment examining the economic impact of the currently existing obstacles to cross-border voting as well as the impact which any action might take measure is likely to have.

➤ The **European Corporate Governance Forum**, which examines best practices in Member States in the field of corporate governance, held its second meeting in Brussels in late June 2005. The aim of the meeting was to discuss a number of current issues in the field, in particular shareholders' rights and internal control.

➤ A report drawn up by Commission staff has highlighted considerable progress made in the EU in eliminating special rights, often referred to as **golden shares**, in privatised companies. Such rights often claim to protect the general interest by giving governments veto rights on takeovers or management decisions of such companies. In the framework of the internal market they are however in most cases a restriction on capital movements (http://europa.eu.int/comm/internal_framework/reports_en.htm)

➤ A new Green Paper has launched a debate on the future design of the EU framework for **investment funds** which represent more than 5 trillion euros of

assets. It invites consideration and comment on a range of proposals aimed at boosting the efficiency of the single market for investment funds and maintaining high levels of investor protection. The Paper is not a blue-print for sweeping legislative reform but does not close the door to more far-reaching adjustments in the longer-term. The deadline for comments is 15 November.

http://europa.eu.int/comm/internal_market/securities/ucits/index_en.htm

➤ The final **financial services** policy programme will be published in the form of a White Paper in November this year. The Commission's second annual report - Financial Integration Monitor 2005 - on the state of integration in EU financial markets shows the potential economic benefits which can accrue from further integration in the new Member States and in the sector of retail financial services.

ARTICLES:

See:

▶ "Judge attacks Sarbanes-Oxley legislation", Financial Times, 5 July 2005, <http://news.ft.com/cms/s/579437e2-ed8b-11d9-9ff5-00000e2511c8.html>

CALENDAR

▶ Transatlantic Corporate Governance Dialogue scheduled on Tuesday, **27 September** at the Federal Reserve Bank of New York, New York City. The Conference will focus on the twin themes of corporate board elections and internal controls.

▶ DTI Corporate Governance Research Conference to be held on Friday **30 September**, in London.

▶ Following the launch of the Commission's Green Paper on the enhancement of the EU framework for investment funds in July 2005, (COM (2005) 314), DG MARKT is hosting an Open Hearing in Brussels on **13 October 2005**. This Open Hearing is organised to stimulate a debate between investors, industry players, consumer representatives and policy makers on whether the Commission has set the right priorities in the Green Paper. The Open Hearing, together with the results of the consultation on the Green Paper (until 15 November 2005) will help to shape the direction of future EU level work in this field.

▶ The British Presidency is organising a conference on corporate governance scheduled on **14 November 2005**. The 'comply-or-explain' principle, which obliges companies to justify deviations from corporate governance codes they apply, will be discussed and the exchange of views on shareholders' rights and internal control will be continued.

▶ ISAR (International Standards of Accounting and Reporting) will be holding its 22nd session during **21-23 November 2005**, at the Palais des Nations in Geneva. One of the topics that ISAR will be dealing with under its "other business items" of its agenda is on corporate governance disclosures.