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PRESS RELEASE

CESR sets out consultation on better transparency of voting rights and financial information from foreign issuers

CESR published today for consultation, its second set of advice on possible implementing measures covering different aspects of the Transparency Directive (Ref. CESR/04-512c), in particular:

- notification of major holding of voting rights;
- half yearly financial reports;
- equivalence of transparency requirements for third countries issuers;
- the procedural arrangements whereby an issuer may elect its 'home Member State' competent authority for the purposes of the Directive.

This second consultation paper complements CESR first consultation paper which was released on 27 October 2004 and which focused on the issue of dissemination of regulated information which will form part of the technical implementing measures of the Transparency Directive. In addition, the first consultation paper set out CESR's thoughts on how one might develop a single access point for EU investors to obtain financial information on EU issuers (ref CESR/04-511). The consultation on this first paper will close on 28 January 2005.

Through the publication of this second consultation paper, CESR completes the first step in the finalisation of the technical advice that CESR is mandated to deliver by June 2005 to the European Commission so that level 2 implementing measures of the Directive can be completed. The consultation on this second paper will close on 4th March 2005.

The **first part of the second consultation paper** is dedicated to eight issues which, in the mandate from the European Commission, relate to **notifications duties of major holding of voting rights** in companies whose securities are admitted to trading on regulated markets (Chapter 1).

The draft advice notably clarifies the conditions and requirements that management companies and investment firms and their parent undertakings should comply with in order to benefit from the exemptions provided by the Transparency Directive. These exemptions allow a parent undertaking to avoid aggregating their own holdings, with the holdings of their management companies and investment firms for notification purposes. Further important issues covered include, the clarification of which person should make the notification when the shareholder and the holder of the corresponding voting rights is not the same person. In addition, the advice addresses various questions in relation to notifications of holdings of financial instruments. Finally, the advice also touches on some of the more practical issues such as, the standard form to be used throughout the Community by investors (with major holdings) which are required to make notifications and the determination of a calendar of "trading days" for all Member States for notification purposes.

The **second part of the paper** (Chapter 2) covers three specific issues raised in relation to **half yearly reporting**. Namely, the minimum content of half-yearly financial statements not prepared under IAS/IFRS; the meaning and scope of "major" related parties transactions



which must be reported on within the half-yearly reports of issuers of shares; and, the auditor's review of half-yearly report (where such a review has been conducted).

A **third chapter of the consultation paper** covers the issue of **equivalence** of third countries' requirements with the disclosure requirements of the Transparency Directive. In this respect, CESR was requested to provide advice on the possible principles that competent authorities should apply in order to, at a later stage, establish a list of third countries which can be considered as equivalent. Briefly, CESR's proposed approach is to test equivalence by looking first at the key principles and objectives of the different disclosure requirements of the Directive and then to establish what a third countries' framework has to include in order to be deemed to be equivalent. It is worth noting that the advice proposed by CESR in this paper should be seen as separate, although consistent, with the advice that CESR will in parallel develop on GAAP equivalence.

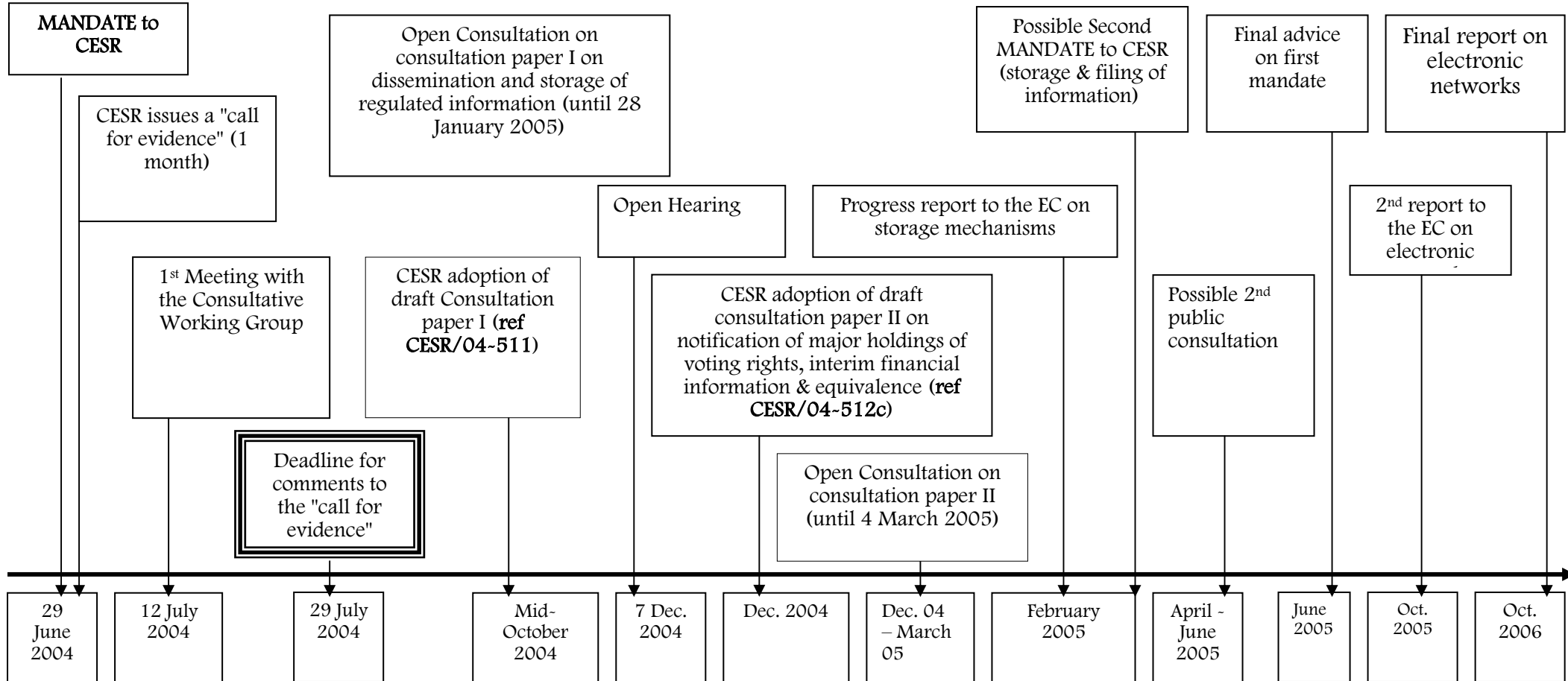
A second aspect of the EC mandate on equivalence relates to the issue of independence requirements for third countries' management companies and investment firms. CESR proposes at this stage to approach the equivalence issue by putting the onus on the parent undertaking of the third countries companies and firms themselves, i.e. by requiring them to comply with the same conditions as those stated for EU entities (see above), instead of uniquely looking at third countries specific requirements.

Finally, the consultation paper also deals with some aspects of the procedural **arrangements whereby issuers may elect their home Member State**. The draft advice addresses firstly, situations where the competent authority under the Prospectus Directive is not the same as the competent authority for the Transparency Directive and, secondly, those situations where the issuer is listed on different markets and is de-listed from one of them

Responses to the proposed advice are welcomed by 4th March 2005 and can be submitted online via CESR's website under the heading "consultations".

CESR will also be hosting a public hearing on 17 February 2005 at 2:30pm at CESR's premises in Paris. All those wishing to attend the open hearing can register via the CESR website (www.cesr-eu.org) under the heading "hearings".

Indicative CESR Work Plan for the mandate and progress report under the Transparency Directive





Notes to Editors

1. CESR received on 29 June 2004 the official request from the European Commission for technical advice on implementing Level 2 measures of the Transparency Directive. The purpose of this consultation document from CESR is to seek comments on the draft technical advice that CESR proposes to submit to the European Commission.
2. There were two elements in the request of the European Commission.

This first element was a mandate given to CESR for technical advice on priority measures that are needed to complete the Directive. This advice must be delivered by June 2005. This mandate covered a number of different technical issues which can be grouped as follows:

- a. Different technical issues related to **notifications of major holdings of voting rights** in companies whose shares are admitted to trading on regulated markets.
- b. The minimum standards for the **dissemination of regulated information** and implementing measures on the conditions under which periodic financial reports of issuers must be kept available.
- c. Different technical questions related to **half-yearly financial reports** and to **equivalence of transparency requirements** for third countries issuers.

The second element of the Commission's request was presented through letter of the Commission to CESR, inviting CESR to present a progress report on the conditions for officially appointed mechanisms for storage of information and on possible electronic networks of information about issuers. A first progress report is expected from CESR in February 2005. Based on this progress report, the Commission will consider whether a second mandate should be sent to CESR requesting technical advice on these issues.



3. CESR's work on Transparency is taken forward by an expert group chaired by Andres Trink, Chairman of the Estonian Financial Supervision Authority.
4. CESR is an independent Committee of European Securities Regulators. The role of the Committee is to:
 - Improve co-ordination among securities regulators;
 - Act as an advisory group to assist the EU Commission, in particular in its preparation of draft implementing measures in the field of securities;
 - Work to ensure more consistent and timely day to day implementation of community legislation in the member states.

The Committee was established under the terms of the European Commission's decision of 6 June 2001 (2001/1501/EC). It is one of the two committees envisaged in the Final Report of the group of Wise Men on the regulation of European securities markets. Baron Alexandre Lamfalussy chaired this group. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on the CESR website.

5. Each Member State of the European Union has one member on the Committee. The members are nominated by the Member States and are the Heads of the national public authorities competent in the field of securities. The European Commission has nominated the Director General of the DG Market, as its representative. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level.
6. For further information please contact:

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