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Financial services: final adoption of Transparency Directive will help investors and boost trust in markets

The European Commission has welcomed the definitive adoption of the Directive on minimum transparency requirements for listed companies. The Directive will raise the quality of information available to investors on companies' performance and financial position as well as on changes in major shareholdings. This should contribute to better investor protection, enhanced investor confidence and a better functioning of European capital markets. This adoption is a major step towards integrated European financial markets that investors and the public can trust. The Directive must be implemented by Member States within two years of its publication in the EU's Official Journal, which should take place in the next few weeks.

Internal Market Commissioner Charles McCreevy said "This is another important milestone towards the completion of the Financial Services Action Plan. The Directive is balanced: good for issuers and for investors. It is in companies' own interest to invest in transparency to build loyalty and trust among present and future shareholders. More disclosure will also, over time, lower companies' capital costs and provide important discipline for management. More frequent, timely and reliable information from issuers will help re-instil confidence in European financial markets – confidence which is needed to ratchet up growth and give more impetus to the EU's Lisbon strategy for making Europe more competitive."

The Directive completes a package of Financial Services Action Plan measures adopted over the last two years (the IAS Regulation, the Market Abuse Directive, the Prospectus Directive) to establish a common financial disclosure regime across the EU for issuers of listed securities. Other related Commission initiatives cover company law and corporate governance.

Under the Directive, all securities issuers will have to provide annual financial reports within four months after the end of the financial year. Investors in shares will receive more complete half-yearly financial reports. Those issuers who do not publish quarterly reports will need to provide quarterly management statements. Bond issuers will also be required to publish half-yearly reports. The Directive is also expected to improve the European dissemination of information on issuers, removing a barrier to cross-border investment.

The Directive updates existing EU law on the information provided to shareholders and bondholders in general meetings through proxies and electronic means. Further work on these issues has recently been undertaken by the Commission, to improve shareholders' rights. A public consultation on this was launched in September (see IP/04/1107).

The Directive on transparency requirements revises and replaces provisions of Directive 2001/34/EC on the admission of securities to official stock exchange listing.

The Commission made its original proposal in March 2003 (see IP/03/436). The Council and the Parliament informally reached a "fast-track" agreement on it in May 2004, without the need for a second reading (see IP/04/398 and MEMO/04/110). The President of the Council and the President of the European Parliament have now signed it, marking its formal adoption.

The text of the Directive is at:

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