

# Conclusions of the Conference on the Transparency Directive – 11 June 2010

## **Introduction**

Dear participants,

It is, I am afraid, time to conclude this Conference.

It has been very a productive and very useful meeting today for the Commission services.

We are very grateful to all of you for your presence here today and your active participation.

We are particularly grateful to the speakers [Fabrice Demaringy & Luca Enriques], the moderators [Deirdre Somers & Guy Sears] and all the panellists [Ester Martínez, Pierre-Yves Gauthier, Peter Staab, Toby Wallis, Pierre-Henri Conac, Guus Warringa] for accepting to take part in the Conference, for their preparation and for their great job today.

I hope you all enjoyed the day.

## **General on TD**

Let me come to substance.

We have heard that transparency is useful for market efficiency, for corporate governance and for investor protection.

No one has challenged these principles. Those principles are already at the basis of the Transparency Directive. But the challenge is how to put those principles into practice in the current market situation, which very challenging because of the economic situation and also because markets are very complex and sophisticated.

Three main issues have been discussed today in this regard.

## **(1) SMIs**

First, we have heard today that regulated financial markets should be attractive to small listed companies. These markets are an essential financing alternative for those companies in times when banking lending is diminishing.

Small stocks are not visible enough leading to low liquidity. Trading concentrates in the top companies. It is not just tinkering with the TD, that is going to solve this more fundamental problem.

There were mixed views on how to address the liquidity problem and whether anything could be done at all about it. Therefore, the European Commission will have to see further if anything could be done beside the TD.

The visibility gap towards investors needs to be bridged: we need intermediaries telling investors that also SMILES have a good story to tell. And small can be beautiful.

Pierre-Ives Gauthier was telling us that there are fewer and fewer analysts. But even if a few remain, we need to find ways to get them (or other trusted third parties) more interested into small listed companies.

As regards the transparency directive we have heard that there is too much information going out and that disclosure obligations for small listed companies could be streamlined and their costs reduced. Information reaching investors, analysts and other intermediaries needs to be short, sharp and meaningful. But other views expressed that we need to be careful to avoid giving a wrong impression to investors as to the level of transparency.

The disclosed information should be easily accessible through a central database (to take the expression of Mr Gauthier) to anyone and for free.

The Commission services are very much in favour of a centralised database (or a network of national databases) providing access to this kind of information. We will be launching a study on this issue in a few weeks.

As a final point on small listed companies, regulators are warning us that investor protection should remain close to our heart.

Therefore, a right balance needs to be found between the minimum level of comprehensive information to be required from small listed companies and its proportional cost. The minimum quality of regulated markets needs to be maintained.

## **(2) Ownership disclosure**

Second, on the ownership disclosure. As Luca explained, there is a need to provide the market with really useful information without at the same time drowning it under information overflow. The balance is not easy to strike but we should strive to find such a balance.

There is a scope for modernisation of the Transparency Directive in this field. Market innovation should be addressed. In the area of cash settled derivatives the UK and FR experience with equity linked financial instruments shows that disclosure of hidden ownership is achievable, though views may vary on what should be put in the basket. The European Commission will look at all the models and see what is the most sensible to do in that area.

As far as empty voting is concerned a clear distinction should be made between empty voting and stock lending, which has a purpose to help ensuring market liquidity. However, empty voting as such needs to be tackled. This is essential for corporate governance. The Forum and the academic world agree on this. However, the views on how to address this vary. A ban is not necessarily the right solution. But the market should be adequately informed.

### (3) Harmonisation

Lastly, Luca and Guus argued for full harmonisation of the ownership disclosure on the EU level. Although some scope for national policy solutions might be necessary to address local markets specificities: the initial threshold for disclosure is an example.

However, based on what was said in the panel I think clarification and simplification are better needed at this stage.

What we have today is not good enough.

As Guus explained, companies and cross-border investors suffer from divergent national rules which make compliance difficult and costly. We need to simplify their life. Encouraging cross-border investment is a real need in the context of the current economic downturn.

However, the issue is highly political. National protectionism enters into play. We at the Commission think that hopefully, the barriers are not insurmountable and an acceptable solution (a common denominator with regard to notification rules) for the interest of the overall EU competitiveness could be found.

## **Closing**

To conclude,

We have carefully listened to the many ideas and challenging views you have put forward today.

You have the opportunity to, if you so wish, send us written contributions in reply to the Consultation Paper. This consultation is open until 23 August. We will be very grateful to you for this.

And yes, there is scope for modernising the Transparency Directive.

Let me thank my team and the hostesses, for the work carried out to organise this conference.

And have a safe trip back home for the many of you who are not based in Brussels.