

# Securities: issuers trading on a regulated market, transparency requirements

2003/0045(COD) - 27/05/2010 - Follow-up document

In accordance with Article 33 of Directive 2004/109/EC, the Commission presents this report reviewing the operation of Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market ("the Transparency Directive"). The report describes the impact of the Transparency Directive and how it has been complied with; identifies the main issues emerging from the application of the Transparency Directive and draws a number of conclusions. It is completed by a Commission staff working paper which provides further detail on the issues described as well as on how information has been collected (see summary of SEC(2010)0611.).

**With regard to impact and compliance,** the External Study on the application of the Transparency Directive reflects that a strong majority of participants consider the Transparency Directive to be useful for the proper and efficient functioning of the market. Stakeholders generally consider that regulated information disclosed by issuers reaches investors, except perhaps for the case of information disclosed by smaller listed companies. In terms of economic impacts of the Transparency Directive on financial markets, research conducted so far is not conclusive. It seems rather that the Transparency Directive is neutral: while perceived as a simplifying factor for primary market issuance, there is a lack of empirical evidence to back up this perception. A review of issuers' practices shows that issuers generally comply with financial reporting obligations and that this is also the perception of stakeholders. Financial information disclosed is considered useful and sufficient for investment purposes. Also, the simplification of language requirements for disclosure of financial information introduced in 2004 has been particularly welcome.

The cost of compliance with the obligations of the Transparency Directive does not appear particularly high. This is also the perception of issuers, although small and medium sized listed companies are more concerned about the cost of compliance. The introduction of the "Home Member State rule" as well as the simplification of the language regime for financial disclosures in 2004 should, in principle, have contributed to reducing issuers' costs. However, there are increased costs for cross-border investors resulting from the insufficiently harmonised requirements of the Transparency Directive.

Having examined in detail the **emerging issues**, the report states that the review of the operation of the Transparency Directive shows that there are areas where the regime created by this Directive could be improved, notably in relation to the simplification of the rules applicable to smaller listed companies with a view to making capital markets more attractive to them. The cross-border visibility of smaller listed companies towards potential investors and analysts also needs to be improved with a view to ultimately achieve higher levels of trading on the securities of these smaller issuers. There are possible measures in the framework of the Transparency Directive which could contribute to this goal: e.g. providing for more flexible deadlines to the disclosure of financial reports by small issuers would enhance their visibility since they would no longer inform about their performance at the same time as large issuers; harmonising the maximum content and presentation of reports would facilitate reading and comparability by investors and analysts. In this context, the review of the operation of the Transparency Directive also shows that it would be desirable, in order to increase the visibility and attractiveness of smaller listed companies, to facilitate access by potential investors and information intermediaries at a pan-European level to financial information disclosed by small issuers and stored in the officially appointed mechanisms for the storage of regulated information.

Additionally, the review of the operation of the Transparency Directive shows the need for greater convergence of the rules on the disclosure of major holdings of voting rights and of financial instruments giving access to voting rights (including cash-settled derivatives) as well as the opportunity to simplify the reporting requirements for issuers in the broader corporate governance context. In this connection, this report also identified the concerns of some stakeholders regarding the disclosure of environmental and social information. Some stakeholders (non-governmental organisations, some investor organisations) regularly request improvements to European legislation regarding ESG disclosure. In their view, the Transparency Directive could be an appropriate vehicle to integrate such disclosures alongside financial reporting obligations of listed companies, and to address some of the perceived short-comings of current ESG disclosure rules and practice.