

Securities: issuers trading on a regulated market, transparency requirements

2003/0045(COD) - 26/03/2003 - Legislative proposal

PURPOSE : to harmonise the transparency requirements with regard to information about issuers whose securities are admitted to trading on a regulated market. **CONTENT** : transparency about publicly traded companies is essential for the functioning of capital markets, enhancing their overall efficiency and liquidity. This proposal for a directive should markedly improve the information made available to all investors about publicly traded companies on regulated securities markets within the European Union. The current initiative is one of the priority actions in the Financial Services Action Plan (FSAP), endorsed by Heads of State and Government at the Lisbon European Council in March 2000. In addition, the proposal is part of a strategy for overhauling securities markets legislation, in particular for achieving a greater level of transparency and information in respect of issuers whose securities are traded on regulated markets. The proposal belongs to a "disclosure and transparency agenda" on which the European Institutions are currently moving forward. The proposed directive envisages to impose a level of transparency and information commensurate with the aims of sound investor protection and market efficiency. In order to achieve these aims, the current initiative should be consistent with all the legislative initiatives mentioned above: its scope should be extended from official to regulated markets, thus bringing second tier markets within its scope, it should ensure greater openness to the world of international finance in terms of use of languages; and also in the use of modern information technologies. Finally, the proposal should constitute an appropriate response to developments in the US, including the Sarbanes-Oxley Act, for promoting European capital markets. The initiative reforms requirements in the form of standardised information at a certain point (periodic information) or information on an ongoing basis. Its objectives are: - to improve annual financial reporting by security issuers through disclosure of an annual financial report within three months; - to improve periodic disclosure of share issuers over a financial year, by introducing a pragmatic policy mix of more detailed half-yearly financial report and less demanding quarterly financial information for the first and third quarter of a financial year. This solution is in the middle of two extreme positions: one extreme position would be to require three fully-fledged quarterly financial reports based on highest international standards, similar to the requirements in the US. The other extreme would be to stay at a level of corporate transparency where the European Union has been for twenty years (prior to the Internal Market). Such an extreme position would ignore that capital markets now act and react much faster, that the allocation of capital amongst publicly traded companies is subject to more competition. Finally, investors investing in several Member States should benefit from more reliable and standardised financial information cycles instead of solely relying on ad-hoc disclosure issued by companies. This does not mean that the new rules on interim financial information should replace continuous disclosure obligations; - to introduce half-yearly financial reporting to issuers of only debt securities who are currently not subject to any interim reporting requirement at all. Again, the Commission pursues a very pragmatic approach; - to base on-going disclosure of changes to important share holdings in issuers on proper capital market directed thinking. This should lead to more frequent information within stricter disclosure deadlines; - to update existing Community law on the information provided to security holders (holders of shares or debt securities) in general meetings through proxies and electronic means. This aspect is particularly important for investors resident abroad. The current initiative will ensure sound investor protection and the properly functioning of financial markets. As a consequence, it should lead to the effective removal of national barriers for issuers seeking access to regulated markets not only in their home Member State, but also in other Member States.