Company law: formation of public limited companies, maintenance and alteration of their capital (amend. Directive 77/91/EEC)

2004/0256(COD) - 14/03/2006 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Piia-Noora **KAUPPI** (EPP-ED, FI) making dome amendments which eased the regulatory burden on companies. (Please see the document of 23/02 /2006.) Parliament followed the rapporteur's opinion that red tape and some information requirements needed to be reduced. In particular, it eliminated the sell-out and squeeze-out rights from the scope of the directive. Those rights are designed to protect minority shareholders in case of a successful bid and the consequent change in the ownership of the company's capital. In fact, squeeze-out rights oblige the successful bidder to acquire the shares of minority shareholders who have not accepted the bid. Sell-out rights enable minority shareholders to force majority shareholder to purchase their shares, after such a successful bid. Nevertheless, Parliament thought that these rights did not reduce the regulatory burden, as the scope of the proposal requires. In addition:

- a new recital states that Member States are encouraged, in accordance with paragraph 34 of the Interinstitutional Agreement on better law-making, to draw up, for themselves and in the interest of the Community, their own tables illustrating, as far as possible, the correlation between the Directive and the transposition measures, and to make them public.

- Parliament deleted the requirement for the company to inform all shareholders of the reasons which lead it to restrict or withdraw the right of pre-exemption, as well as deleting the exemption for administrative or management body from having to present to the general meeting a written report when restricting or withdrawing the right of pre-emption.

- Member States must transpose the Directive within 18 months of its entry into force rather than by 31 December 2006 as the Commission proposed.