

**MEMO# 16110**

May 27, 2003

# **DRAFT COMMENT LETTER TO EU PARLIAMENT ON PROPOSED CHANGES TO REQUIREMENTS FOR REPORTING BENEFICIAL OWNERSHIP OF SECURITIES**

ACTION REQUESTED [16110] May 27, 2003 TO: INTERNATIONAL COMMITTEE No. 33-03 RE: DRAFT COMMENT LETTER TO EU PARLIAMENT ON PROPOSED CHANGES TO REQUIREMENTS FOR REPORTING BENEFICIAL OWNERSHIP OF SECURITIES Attached for your review is a draft Institute comment letter to the Parliament of the European Union expressing concerns about the proposed changes to the rules under which investors must inform issuers of the acquisition or disposition of major holdings in companies. As reported earlier, the EU Commission has proposed a new directive (Transparency Directive) to ensure the transparency of information about issuers whose securities are admitted to trading on a regulated market, which would, among other things, lower the threshold level (from 10% to 5%) at which investors must report beneficial ownership of securities.<sup>1</sup> The Transparency Directive does not tailor the rules for investment companies or asset managers. In the attached letter, the Institute requests that the proposed changes be tailored to avoid imposing unnecessary compliance burdens on institutional investors that do not invest for a change of control purpose or, alternatively, provide Member States with discretion to tailor the reporting rules. The letter argues that the portion of the Transparency Directive dealing with beneficial ownership of investors does not take a pragmatic approach as the Directive does with respect to setting minimum transparency requirements for securities traded on regulated markets in the European Union. The letter describes how the lack of tailored rules available to US asset managers in the European Union has resulted in significant compliance burdens for our members in filing ownership reports. Moreover, the letter describes various options for the European Union in tailoring rules for institutional investors that would not compromise the important policy goals of disclosing major shareholdings. Please provide any comments you may have on the draft letter by Thursday, June 5, at [jchoi@ici.org](mailto:jchoi@ici.org) or at (202) 326-5810. Jennifer S. Choi Associate Counsel Attachment (in .pdf format) 1 See Memorandum to International Members No. 12-03 (Apr. 8, 2003).