

MEMO# 14643

April 16, 2002

DRAFT INSTITUTE COMMENT LETTER TO EU ON SECURITIES OWNERSHIP REPORTING

ACTION REQUESTED [14643] April 16, 2002 TO: INTERNATIONAL COMMITTEE No. 30-02 RE: DRAFT INSTITUTE COMMENT LETTER TO EU ON SECURITIES OWNERSHIP REPORTING The Institute learned recently from our Brussels consultant that the European Commission received the suggestion, in its consultation process on the Regular Reporting Directive, to lower the threshold for reporting significant ownership of securities from the current level of ten percent to some lower amount. Attached for your review is a draft comment letter that the Institute would like to submit to the European Commission on this issue. The letter urges that the Commission weigh the benefits of any changes to the securities reporting rules against the burdens imposed on investors subject to the reporting obligations. The letter states that, if the Commission determines to lower the threshold from the current ten percent level, we would recommend a five percent threshold, the percentage used by a majority of jurisdictions, provided that the Commission also tailors the reporting rules for institutional investors. The letter makes the following suggestions on how to tailor the rules to avoid imposing unnecessary burdens on institutional investors. The Commission could lower the threshold but allow institutional investors to continue to file at the ten percent level. Alternatively, the Commission could provide a more streamlined filing process for institutional investors, that reduces the frequency with which they must report, similar to that provided in the United States for qualified institutional investors and passive investors under Regulation 13D-G under the Exchange Act. In addition, the letter urges the Commission to adopt an aggregation policy for the EU that would not require investment management affiliates to aggregate holdings if affiliates exercise voting rights and investment decisions independently. We understand the European Commission intends to publish a further consultation document soon and thus we would like to submit any Institute comments on this issue as soon as possible. Accordingly, please provide any comments you have on the draft letter to Mary. S. Podesta at 202-326-5826 or Podesta@ici.org by Wednesday, April 24. Mary S. Podesta Senior Counsel Attachment 2 Attachment (in .pdf format)