

**MEMO# 16664**

October 15, 2003

## **ICI SUBMISSION TO EU PARLIAMENT ON AGGREGATION POLICY UNDER THE TRANSPARENCY DIRECTIVE**

[16664] October 15, 2003 TO: INTERNATIONAL COMMITTEE No. 69-03 RE: ICI SUBMISSION TO EU PARLIAMENT ON AGGREGATION POLICY UNDER THE TRANSPARENCY DIRECTIVE

Attached is a letter sent to various members of the Economic and Monetary Affairs Committee (EMAC) of the European Parliament expressing our concerns about the rules in the Transparency Directive under which investors must inform issuers of the acquisition or disposition of major holdings in issuers.<sup>1</sup> In the letter, the Institute urges members of Parliament to include provisions in the Transparency Directive that (1) would permit periodic reporting of beneficial ownership by investment managers and (2) would not require aggregation of affiliate holdings in circumstances in which affiliates exercise investment and voting decisions independently. With respect to periodic reporting, the Institute argues that this tailored reporting rule for investment managers would not compromise the important policy goals of disclosing major shareholdings. The letter states that a tailored rule for investment managers would improve, rather than detract from, the quality of information about the ownership of securities available to the public by eliminating a large volume of filings that are uninformative or potentially misleading. On aggregation of affiliate holdings, the letter states that the compliance burden imposed on asset managers is exacerbated by the provision in the Transparency Directive that would appear to require aggregation of holdings of affiliates. This aggregation policy would apply even if the affiliates exercise investment and voting powers independently and do not communicate with each other regarding their portfolio securities. The letter argues that, in situations where voting and investment decisions about particular securities are not made pursuant to any explicit or implicit agreement, but rather are made independently, there appears to be no reason why the holdings of affiliated asset managers should be aggregated for purposes of reporting. EMAC is expected to vote on a report on the Directive in January 2004. Jennifer S. Choi Associate Counsel <sup>1</sup> See Memorandum to International Committee No. 44-03 (16297) (July 16, 2003) (letter to the rapporteur of EMAC expressing industry concerns). <sup>2</sup> Attachment (in .pdf format)