

MEMO# 19584

January 9, 2006

EUROPEAN COMMISSION PROPOSES DIRECTIVE ON SHAREHOLDER RIGHTS

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [19584] January 9, 2006 TO: INTERNATIONAL INVESTING SUBCOMMITTEE No. 2-06 INTERNATIONAL MEMBERS No. 3-06 RE: EUROPEAN COMMISSION PROPOSES DIRECTIVE ON SHAREHOLDER RIGHTS The European Commission has officially proposed a Directive on shareholder rights to the European Council and the European Parliament. The new Directive would compliment and expand upon the Transparency Directive by setting forth minimum common standards for the exercise of voting rights by shareholders of publicly traded European companies.¹ We are very pleased to report that the proposal favorably reflects many of the positions taken by the Institute on the Transparency Directive over the past few years. Importantly, the Commission proposes to:

- Abolish all forms of share blocking;
- Allow member states to introduce a record date system, leaving it to national law any such date within a maximum of 30 calendar days preceding the general meeting;
- Remove all obstacles to electronic participation in shareholder meetings;
- Remove all existing limitations on the persons that may be granted a proxy, other than the requirement that the person holding the proxy have legal capacity;
- Allow a proxy to act on behalf of multiple shareholders;
- Eliminate so-called “re-registration” requirements² for shares held in omnibus accounts; and

1 Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market. 2 “Re-registration requirements” refer to requirements that intermediaries temporarily segregate the shares of each of their investors ahead of a general meeting in order to exercise voting rights at that meeting. 2 • Require voting results to be published on issuer websites following meetings. The Commission’s announcement begins the legislative process with the European Council and European Parliament that ultimately may result in the adoption of a Directive. The European Council and European Parliament will take up the proposal over the next four to six weeks. Robert C. Grohowski Senior Counsel - International Affairs