

**MEMO# 13009**

January 9, 2001

## **FRENCH PARLIAMENT DEBATES BILL PERMITTING GLOBAL CUSTODIANS TO VOTE IN FRANCE ON BEHALF OF FUNDS**

[13009] January 9, 2001 TO: INTERNATIONAL COMMITTEE No. 2-01 RE: FRENCH PARLIAMENT DEBATES BILL PERMITTING GLOBAL CUSTODIANS TO VOTE IN FRANCE ON BEHALF OF FUNDS In France, certain custodians holding assets for Institute members have been refusing to sign proxy statements and vote on behalf of members. The custodians are concerned that, if they are considered beneficial owners, they would risk sanctions provided in French law for misrepresentation or may need to make disclosures of significant shareholdings. The Institute noted this problem in the International Corporate Governance Survey<sup>1</sup> published this fall and has raised the issue with the staff of French associations representing asset managers and issuing companies. Recently, the French Parliament has begun debating a bill that would remedy this problem by allowing custodians to vote on behalf of beneficial shareholders. For French public companies that have owners that are not domiciled in France, an “intermediary” meeting certain requirements would be able to register to vote on behalf of these owners, subject to specific conditions. Under the bill, the registered intermediary would be required at the request of the issuing company to provide a list of non-resident owners of the shares. A failure to comply with the conditions, however, may result in a loss of voting rights and/or dividends for up to five years. A section of the bill discussing these provisions, which the Institute had translated from French, is attached. Jennifer S. Choi Assistant Counsel Attachment Attachment (in .pdf format) 1 See Memorandum to International Committee No. 36-00 (October 12, 2000). 2