

March 2006

06 / 4 *newsletter* ★ ★



This newsletter provides a summary of CP06/4. Please see 'Who should read this paper?' below to see if CP06/4 is relevant to you.

Financial Services Authority

Implementation of the Transparency Directive Investment Entities Listing Review

Why are we issuing this Consultation Paper?

This Consultation Paper (CP) seeks respondents' views on proposals to change our rules in two distinct areas of the UK Listing Authority (UKLA) Source Book.

The first area covers the implementation of the Transparency Directive (TD) which will affect the Disclosure and Listing Rules. These rule changes need to be in place by 20 January 2007. The second area concerns our review of the new rules relating to investment entities and proposes various changes. The review of these rules was separated from the wider review of the Listing Rules completed on 1 July 2005.

Who should read this paper?

Part 1 of the paper – Transparency Directive – will be of interest to:

- all issuers of securities issued on regulated markets and exchange regulated markets, including their advisers;
- investors (both institutional and retail); and
- firms involved in disseminating and storing regulated information.

Part 2 of the paper – Investment Entities Listing Review – will be of interest to:

- all those who participate in the capital raising process, including issuers seeking access to capital markets and their advisers; and
- investors (both institutional and retail).

Is the paper relevant to consumers?

The TD will have the effect of imposing obligations on issuers whose securities are admitted to trading on a regulated market. So the proposals in Part 1 of this paper impact on consumers by directly affecting the information available to investors in such securities.

Retail investment in listed investment entities totals many billions of pounds. The changes proposed are designed to create a new listing regime that can accommodate investment entities with more modern investment techniques. So, Part 2 of this CP will be of interest to retail investors. Other interested parties will include listed companies, their directors, investment managers and other advisers.

How is Part 1 set out?

The section of the CP relating to the TD is in seven parts:

- a) an introduction to the approach that we have taken to the implementation and the reasons for adopting it;
- b) proposals for implementing the periodic financial reporting requirements of the TD;
- c) proposals for implementing the major shareholder notification requirements of the TD;
- d) proposals for implementing the dissemination of regulated information requirements of the TD;
- e) proposals for implementing the central storage of regulated information requirements of the TD;
- f) a review of an invitation to comment on the issues associated with extending the shareholder disclosure regime to cover economic interests in shares more broadly, such as Contracts for Difference; and
- g) a cost-benefit analysis of proposed rule changes, in accordance with Section 155 of the Financial Services and Markets Act (FSMA).

How is Part 2 set out?

This section of the CP, relating to investment entities, is in five parts. These are:

- a) a description of the approach we have taken in this review and the reasons for it;
- b) proposed changes to eligibility rules for new investment entities;
- c) proposed changes to continuing obligations for investment entities once listed, including ongoing disclosure requirements;
- d) a discussion of the likely impact of proposals by class of investment entity; and
- e) a cost-benefit analysis of proposed rule changes, in accordance with Section 155 of FSMA.

What are the next steps?

To implement the TD, we need the rule changes to be in place by 20 January 2007. So the consultation on Part 1 of the paper closes on 30 June 2006 and we will issue a Policy Statement with the final rules after that.

The Commission has yet to finalise its implementing measures on the TD and so this CP is based on the assumption that the Commission's measures will remain substantially unchanged from those in the Working Document. If there are substantial changes, we may need to consult again on the affected implementation proposals and draft rules.

The consultation on Part 2 of the paper (Investment Entities Listing Review) will close on 30 June 2006.

This newsletter summarises Consultation Paper 06/4. The Financial Services Authority invites comments on this CP. Comments should reach us by 30 June 2006.

Comments may be sent by electronic submission using the form on the FSA's website at (www.fsa.gov.uk/pages/library/policy/cp/2006/cp06_04_response.shtml).

Alternatively, please send comments in writing to:

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It is the FSA's policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure.

How can I get the full paper?

You can download the full Consultation Paper from:

www.fsa.gov.uk/pages/Library/Policy/CP/2006/06_04.shtml

Or you can order hard copies of the paper:

Phone our helpline on 0845 608 2372, quoting reference CP06/4

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