

**PRESS RELEASE**

**SHAREHOLDERS RIGHTS DIRECTIVE IMPLEMENTING ACTS LAST CHANCE TO ENSURE RIGHTS OF INDIVIDUAL SHAREHOLDERS TAKEN INTO ACCOUNT**

**18 April 2018** – Over the last few years, the European Union (EU) has been trying to facilitate the exercise of shareholders’ rights by updating the Shareholder Rights Directive (SRD II). The revised Directive itself unfortunately only provided limited improvements to shareholders rights as important barriers to cross-border shareholder engagement within the EU remain in place.

With the SRD II implementation deadline of June 2019 looming, the EC put together an expert group to produce the technical standards to guide national regulators in the implementation of the directive. Now the European Commission has made the draft Implementing Regulation (IR) available for consultation.

BETTER FINANCE is pleased to note that the IR takes important steps towards facilitating cross-border voting. By requiring intermediaries to process information between issuers and shareholders on a same-day basis, it ensures a much faster information flow and increased efficiency in the voting chain. The regulation also allows for new competitors to enter the hitherto closed intermediary market which will enhance competition and, as a result, hopefully reduce costs for investors. Keeping up with FinTech developments, the IR also clears the way for the use of new technologies such as blockchain.

Unfortunately, it was not within the remit of the IR to tackle the shortcomings of SRD II itself, although it seeks to address some of the issues at hand.

The definition of “intermediaries”, for instance, does not include other service providers that are involved in the voting process and that are an integral part of the information flow between issuers and investors. Excluding such service providers from the scope could lead to an interruption of the information flow, especially given the market dominance of certain service providers. For this reason BETTER FINANCE calls on Member States to include these service providers in their respective definitions of “intermediaries” when implementing SRD II into national law.

Another issue is that the definition of “shareholder” remains up to Member States. BETTER FINANCE therefore further calls on Member States that are still operating a “nominee” concept to ensure that the necessary information reaches the ‘end investor’, as intended by SRD II and the IR.

Nor does SRD II provide for a harmonized record date, with these varying greatly between Member States. In cases where the record date is close to the general meeting, investors (especially private non-institutional ones) often do not receive the documents necessary to carry out their vote or announce their intention to attend the general meeting in due time given the long chain of intermediaries. To address this issue, BETTER FINANCE calls on the Commission to introduce a uniform record date throughout Europe which should be set at

least 5 calendar days before the general meeting. To this end, a harmonisation of issuers' deadlines for attending general meetings, at least at the national level, would also be very helpful.

Unfortunately the IR will not change anything to the fact that intermediaries will still, by and large, be able to charge higher fees to shareholders wanting to exercise their cross-border voting rights.

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