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New EU legislation on shareholders rights: Many European shareholders will still not be able to vote whilst others will still have to pay to vote

Brussels, 29 October 2014 – The European Commission’s review of the shareholders rights directive is a good step forward, but, if not amended and improved upon by the European Parliament, will fail to fix the high barriers to shareholder engagement in EU listed companies.

Guillaume Prache, managing director of Better Finance, the European Federation of Financial Services Users, which represents European individual investors, spoke on 28 October 2014 at the 15th European Corporate Governance Conference held in Milan.

He stressed that many individual shareholders of EU companies will still have to pay high fees to exercise their voting rights across borders within the EU. If the internal market for capital is to carry any meaning at all, cross-border voting by EU citizens within the EU should be cost free, as is the case within Member States.

Many others, especially those whose shares are lodged by intermediaries into omnibus or nominee accounts, and those who are domiciled in a different EU Member State than the issuing company, will still not be able to vote at all, mainly due to the persistent failure of financial intermediaries to identify the beneficial owners of shares and to send them the voting material.

This is all the more unacceptable as these very same intermediaries are perfectly capable of identifying beneficial owners when it comes to paying them dividends on their shares. For voting rights to be genuine, all beneficial owners must be provided with adequate voting material in a timely manner.

Another barrier to individual shareholder engagement is the frequent lack of legal recognition and rights of shareholder associations in Member States, even though these associations are the best way for small and individual shareholders to engage effectively with the companies they co-own.

Lastly, the exclusion by the new European Commission of the Shareholders Rights Unit from the Financial Services Directorate and its incorporation into the Justice one raises serious concerns about the reality of its proclaimed focus on long term investment and the Capital Market Union. After all, how could such a Union come about without the establishment of a single market for EU-wide shareholder engagement that does not



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discriminate against cross-border shareholders or those shareholders whose shares are lodged in nominee accounts?

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