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Registrars

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Transparency Directive: Major Shareholdings Notification Consultation
Capital Markets and Governance Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

By e-mail to : eve.engledow@hm-treasury.x.gsi.gov.uk

10th June 2005

Dear Ms Engledow,

**LLOYDS TSB REGISTRARS RESPONSE TO THE TRANSPARENCY DIRECTIVE
CONSULTATIVE DOCUMENT ISSUED BY HM TREASURY IN MARCH 2005**

Lloyds TSB Registrars, an operating division of Lloyds TSB Bank plc, is the UK's leading provider of share registration, employee benefits and associated services. It has unrivalled expertise in these areas and has restricted its response to the consultative document to those aspects directly relevant to that business. Lloyds TSB Registrars provides share registration services to over 700 UK plc's including 60 of the FTSE100. It has not directly canvassed views on the consultative document from these customers but has had a number of discussions with some of those to explore issues raised by the White Paper and, to that extent, those views are reflected in this response.

The consultation document asks a number of specific questions about the way in which the new Companies Bill addresses TD issues. Our views are as follows:

1. Do you agree with the proposal that the principal obligation of disclosure should be changed from the current 'interest in shares' under the Companies Act 1985 to control of exercisable voting rights under the Directive?

Yes – given that this is the Directive definition, any other definition would create duplicate obligations.

2. Do you agree with the proposal to remove non-traded public limited companies from the scope of the disclosure regime?

Yes.

3. Do you agree with the proposal to give the FSA powers to make issuers admitted to trading on non-regulated markets in the UK (and those with qualifying holdings in those issuers), subject to the regime where appropriate for market transparency reasons?

Yes.

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4. Do you agree with the proposal to repeal the current criminal sanctions for breach of notification obligations and give the FSA powers to deal with breaches of notification obligations equivalent to those it has to deal with breaches of rules under FSMA?

No. Whilst the FSA could be given such powers, the real teeth of these provisions are the existence of criminal sanctions which compel compliance. As a practical example, the position in the United States could be considered, where although there are significant notification obligations, there is anecdotal evidence to the effect that notification is frequently made late if at all. The absence of criminal sanctions is likely to be a key contributor to this situation.

Similar considerations apply to the legal position of the current s212 CA1985, which gives issuers the right to require information about the interests in shares held. This right is supported with criminal sanctions (s216) and consequently UK issuers are in a better position to engage in meaningful dialogue with shareholders than issuers in most other jurisdictions worldwide. This gives important benefits in terms of transparency of ownership, as well as facilitating communication between companies and their owners.

5. Do you agree with the proposal to maintain the scope of the current Companies Act regime and give the FSA equivalent powers to require disclosures in respect of holdings of financial instruments?

Yes – this has become increasingly important in the light of the increase in securities lending activity, and should therefore not be limited to takeover-related activity.

6. Do you have any comments on the likely costs of implementation of the major shareholdings notification provisions of the Directive?

We do not believe that these are significantly greater than under the existing regime. We do believe that the provisions of the Directive should not adversely affect the right of individual member states to set a threshold for notification that is below the 5% suggested in the directive – for example where the threshold is set at 3% as in the UK. Where disclosure is due that a holding has fallen below the set level, then this should be in full - ie the resulting percentage of shares held. There is an enormous difference between an interest which falls from 5.1% to 4.9% and one which falls from 5.1% to 1.5%. This is a fundamental issue of market transparency.

7. Do you have any comments on the impact on competition of implementation of the major shareholdings notification provisions of the Directive?

We do not believe that this is significantly different from the existing regime.

8. Do you have any comments on the impact on small business of implementation of the major shareholdings notification provisions of the Directive?

We do not believe that this is significantly greater than under the existing regime.

Yours sincerely,

PETER SWABEY

Senior Manager, Industry Relations

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