



## Update from Matthew

Since our last newsletter in March, life has continued to be busy at RD:IR. Caroline left us in May to go on maternity leave, and I have taken up the reins as Acting Joint Head of Analytics in her absence.

### Our new office

As you know, we moved to our new offices after the Easter break and are happily installed in Holborn. With everyone under one roof, the analytics, CRM and administration teams can work much more cohesively to support our new product *IR InTouch*, coming soon.

Some of you will have already visited us at Marlborough Court. If you haven't had the opportunity to drop by, we are holding a couple of informal drinks gathering between 5pm and 7pm on Friday 8th August and Friday 12th September. If you are free, and would like to join us for a few beers or a glass of wine, drop us a line at [publications@rdir.com](mailto:publications@rdir.com).



### Out and about

RD:IR held a drinks reception for clients in Scotland on 15th May at the characterful and quirky venue, Robert Louis Stevenson House. The event proved a huge success as you will see from the photographs later in this newsletter.

In June, Richard and Isabel attended the International Corporate Governance Network (ICGN) Annual Conference in Korea. RD:IR undertakes the pre- and post-conference surveys on ICGN's behalf and conducts a number of membership surveys throughout the year. The conference created a fantastic opportunity for RD:IR to participate in the corporate governance and proxy arena.

### Regulation

Since our last newsletter, the Financial Services Authority (FSA) reported back to the market its intended course of action following its consultation on the disclosure of contracts for difference. The result is tremendous news for UK listed companies, who can now expect greater disclosure of economic positions. Unfortunately, the new rules may not be implemented until September 2009, but the outcome is a great step forward. We have explained the FSA's announcement in more detail in our regulatory update.



However, the surprise announcement for everyone must be the new rules on disclosure of short positions during rights issues. From a shareholder analysis view point, this will have little impact as short positions are only required to be disclosed at 0.25 per cent. There is no requirement to disclose any increase, decrease or closure of the position. Despite this fact, the regime will provide greater transparency to UK listed companies undergoing rights issues and, given the current market, this can only be good news.

We frequently get asked about shorting so we've had a bit of fun with the concept, as you will see at the end of the newsletter



**Matthew Duffy**

## Team developments

Having successfully got the move to Holborn completed, we've been concentrating on strengthening the analytics and analytics support teams. We have appointed new staff in both areas over the past few weeks and hope to introduce some new faces later in the year.

In the meantime, enjoy the summer.

Matthew Duffy  
Acting Joint Head of Analytics



## RD:IR Global Custody Awards

The results of the 2008 RD:IR Global Custody Awards, for best practice among global custodians and fund management compliance teams, were announced on Thursday 17th April at a social evening in London's West End.



### Richard Davies, Managing Director of RD:IR, said:

“We held the first RD:IR Global Custody Awards four years ago. The original intention was to host a fun evening to thank the friends and colleagues we speak to on daily basis to identify the beneficial owners on the share registers of issuer companies. However, the Awards also recognise the importance of transparent share registers in an ever more complex share ownership environment. The importance of this information to listed companies cannot be over-emphasised and is critical to their investor communications strategies”.



The winning companies in 2008 were:

CUSTODIANS

**Best use of technology**

Winner:

Highly commended:

Transact Nominees Limited

Goldman Sachs & Co

**Fastest turnaround of a s793 notice**

Winner:

Highly commended:

Roy Nominees Ltd

Credit Suisse Client Nominees Ltd

**Custodian of the year**

Winner:

Highly commended:

Nortrust Nominees Limited

State Street Nominees Ltd

**RD:IR Excellence Award**

Winner:

Highly commended:

Vidacos Nominees Limited

Bank of New York Nominees Limited

COMPLIANCE TEAMS

**Best use of technology**

Winner:

Highly commended:

Newton Investment Management Limited

New Star Asset Management Limited

**Fastest turnaround of a s793 notice**

Winner:

Highly commended:

Hermes Pensions Management Ltd

River & Mercantile

**Compliance team of the year**

Winner:

Highly commended:

Blackrock Investment Management (UK) Ltd

Fidelity Investment Services Limited

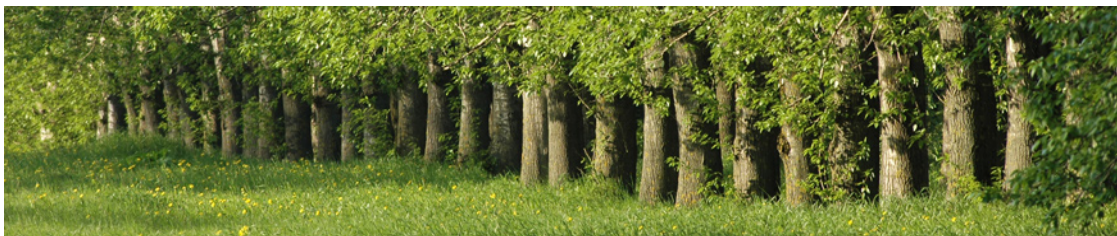
**RD:IR Excellence Award**

Winner:

Highly commended:

Schroder Investment Management Ltd

Henderson Global Investors Limited



## Global custody roundtable

RD:IR's Global Custody Awards took place on Thursday 17th April. Before the evening celebrations, a group of nominee company representatives met for a roundtable discussion on industry trends and developments.

Lyndsey Cook, Morstan Nominees Limited; Stuart Eeles, Nortrust Nominees Limited; Peter Highton, Goldman Sachs Securities Limited; and John Marshall, Vidacos Nominees Limited met the RD:IR team to exchange thoughts and opinions.

## Exponential growth

One of the main themes of discussion was the continued growth in demand for disclosure of share holdings. In previous years, this growth was attributed to the realisation of UK companies that they could legally request this information, and that they could employ the services of a share register analysis consultant to source this data on their behalf. Other driving forces have included M&A activity and market rumour.

There was consensus in the room that recent growth is predominantly down to banks extending their reach into new markets. "Our legal team is looking at disclosure requirements covering 30-40 countries" noted Stuart Eeles of Nortrust. Stuart's team received 3,800 shareholding requests in 2005. By 17th April 2008, 5,800 such requests had already been received, around 50 per cent of which received a same-day turnaround.

The difference in disclosure rules across different markets is a complicating factor, as the majority of nominee companies will only disclose information to third parties when legally obliged to do so.

## The challenge

In response to the growing demand for information, most banks had opted to improve technology and systems, as opposed to increasing headcount. Peter Highton commented that Goldman Sachs had outsourced part of the team to India, noting "you have to trust the systems in place, a large proportion of requests are straight-through."

As discussed in 2007, the arrival of the 2006 Companies Act, allowing e-communications, has not created the streamlined system it was designed to do. Most responses remain quite formal and email is not always deemed to be a secure system and, therefore, not a suitable communications channel. Faxed responses, which carry legal indemnities, are often used in preference. That being said, improved technology is considered to be key to improving efficiency and response times.

## Way forward

Ian Smith, Client Manager (Analytics) & Head of Analytics Support, noted that RD:IR was keen to encourage discussions across all parties to promote best practice. If you have any thoughts or ideas in this area, or would like to participate in next year's round table, please contact Ian or Anais Rodriguez at [ian.smith@rdir.com](mailto:ian.smith@rdir.com) or [anais.rodriguez@rdir.com](mailto:anais.rodriguez@rdir.com).



## RD:IR Spring Drinks Party

On 15th May, RD:IR held a Spring Drinks Party at Robert Louis Stevenson House in Edinburgh.

### Welcome drinks

Mr Kenneth Harper, Aberdeen Asset Management PLC (left) and Mr Hamish Buchan, The AIC (right)



Ms Amanda Hunter, Aberdeen Asset Management PLC (left) and Mr Thomas Churchill, RD:IR (right)



Ms Nadja Schäufele, Scottish & Newcastle Plc (left) and Ms Kerry Crawford, BowLeven PLC (right)



Ms Jacqui McIntosh (left) and Ms Tamsin Hooton (centre) of Martin Currie Investment Management with Mr Ian Smith, RD:IR (right)

Ms Jennifer Port, Scottish Harpist & Singer



Mr Martin Cassels, F&C Asset Management (left) and Mr Robert O'Riordan, Baillie Gifford (right)

Ms Emma Clifford, BowLeven PLC (left) and Mr Piers Currie, Aberdeen Asset Management PLC (right)



## Regulatory update

### Contracts for difference

On 2nd July 2008, the Financial Services Authority (FSA) reported back to the market its intended course of action following its consultation on the disclosure of Contracts for Difference (CfDs).

### Summary

The consultation received little support for Option 2, which proposed that CfDs carrying a safe harbour, stating the holder had taken specific steps to preclude it from exercising influence over the underlying shares, need not be disclosed. Respondents were dubious that the proposal could be enforced successfully, and the FSA concluded that Option 2 wouldn't be as effective as the consultation paper suggested in bringing about behavioural changes.

The FSA is, therefore, proposing a disclosure regime based on Option 3, but with two important modifications. In the consultation paper the FSA had suggested a parallel reporting regime for CfD positions that had no requirement for aggregation with direct holdings. Under DTR 5, major shareholdings must be disclosed at three per cent and at every one per cent thereafter. Option 3, as it originally stood, required disclosure of a CfD position on a non-aggregated basis at five per cent, allowing a stake of almost eight per cent to be built without disclosure. The FSA now propose that CfDs should be aggregated with direct holdings, and the combined interest be disclosed at three per cent.

The second modification is to exempt intermediaries, writers of CfDs, from disclosure. The onus will fall to the holder to disclose its position to the market. Obscurity remains in identifying which accounts are writing the CfD positions.

### Timetable

The FSA plans to publish a Policy Statement in September with feedback from the consultation responses. Draft rules for implementing the new position will be published at the same time and technical comments will be considered, although the FSA is firm its position is now final. Final rules will be published in February 2009, to be implemented in September 2009 at the latest.

### The outcome

RD:IR believes this is a great outcome and has long been lobbying for a disclosure regime which includes economic interests. Clearly, we would have preferred earlier implementation and will support the FSA in bringing that date forward if we can.

### Useful links

A link to the FSA's Contracts for Difference Policy Update can be found below

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2008/064.shtml>



Louise Clamp  
Head of Policy & Publications



## Employee matters

### New faces at RD:IR

We would like to welcome Selina Ravagni-Wishart as a Senior Researcher on our research team. Selina has worked as a temporary researcher on many of our financial market research and contact relationship management projects over the past year. We would also like to welcome Norazlina Nasiruddin who joined us at the end of last year as a Section 793 Administrator. Norazlina has a BA (Hons) in Accounting and Finance from the University of Greenwich and this is her first position in investor relations.



Norazlina



Selina

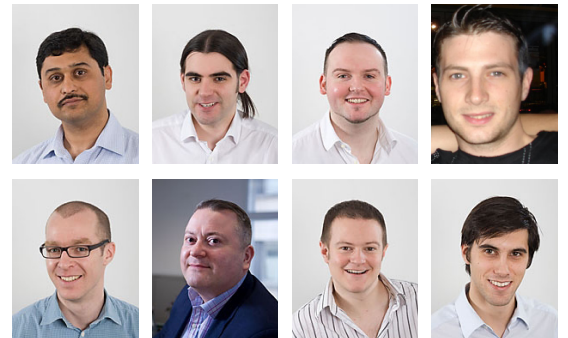
Congratulations go to Madeline Warren on her promotion to Client Manager, and Lucia Bayon who has been promoted to Analytics Support Team Researcher. Rob Still has moved from Trainee Analyst to Analyst having completed his training period with the company.

### Movember

Some of the male team at RD:IR will be taking part in Movember. Movember's activities aim to raise awareness of men's health issues and, this year, Movember is working in partnership with The Prostate Cancer Charity.

The challenge is to start November clean shaven and finish the month with a moustache. Aamir, Ian, James, Jay, Matt, Richard, Rob and Tom have all volunteered to take part. It may not have escaped your notice that Aamir is in proud possession of a moustache already, but he has gallantly agreed to shave it off and start anew.

If you would like to sponsor the team in their fund raising activities, please drop an email to [publications@rdir.com](mailto:publications@rdir.com) to pledge your donation. We will send you the after photos at the end of November and request your cheques. All proceeds go to The Prostate Cancer Charity.



Find out more about Movember from their website

<http://www.movember.com/uk/home/>

Find out more about The Prostate Cancer Charity from their website

<http://www.prostate-cancer.org.uk/>

### Caroline's baby

As you all know, Caroline Henry took maternity leave at the end of May. We are very pleased to report that she gave birth to Jake on 14th June. Mother and baby are doing well and Jake has already made his first trip to the office to meet the team.





## Shorts in the City

Given all the debate around disclosure of shorting during rights issues, we had a little fun with the shorting concept, going shoe shopping instead – this is what we came up with.

### Ever been confused about shorting and how it works?

Carrie buys a nice pair of pink Jimmie Fool shoes for £500. Mr Big doesn't like them though, thinking they are likely to wear out quickly and lose value, and suspects the shop will put them on sale quite soon. He knows that Miranda wants these shoes too (because she knows Carrie has a pair). Cheekily he borrows Carrie's shoes (buying her a £10 bottle of Pinot Grigio for the favour) and sells them to Miranda for £500, telling her that the Jimmie Fool shoe shop no longer has her size.

A week later, sure enough, the shoes go on sale in the shop – perhaps some insider knowledge was at work here - and are now selling for just £400. So Big buys the shoes from the shop and gives them back to Carrie, thus making himself a tidy £90.

### So why is it more risky to short than to buy shares?

The risks of shorting Carrie's shoes are limitless. Apart from the obvious argument that would happen if Carrie realises what's happened and demands her shoes back, there is also the risk that a Posh UK fashion icon will be seen wearing the same Jimmie Fools as Carrie's, and the shop will sell so many that they run out. Then, the shoes can only be found on EBay for £1500! Oh dear, in this case, Big's in a squeeze and will have to splash the cash in order to give Carrie her shoes back, making a loss of £1010 on a bet that could only have made him a maximum of £490 (the shoes' value will never go below zero). Some might say it would serve him right, the sly dog!

However, Big is feeling lucky and thinking he can avoid the risk, has a hedged long/short strategy on Carrie's shoes. He has bought a pair of John Paul Gaultier stilettos that he thinks are really stylish and is keeping them to sell when the price goes up, which he's pretty confident will happen. Clever thinking Mr Big, who is now hoping to cut the risk of designer shoe prices going through the roof – which might happen for a macro reason, such as a shortage of Italian leather - and cause his short position on the Fools to go wrong. Big is now feeling pretty sure he can make money on both bets.

### So why does heavy shorting often contribute to a falling share price?

Imagine that Big decided to borrow lots of the same shoes from different people (he gets around as we know) and then sell them to others. This would flood the market with lots of the same shoes with less potential new people to buy them. Charlotte might want to buy the shoes, although she doesn't really like the colour that much, and doesn't think they're worth more than £300. The shop slowly puts the price down to tempt her.

What's more, Big is an influential guy, so he gets Samantha to say she wouldn't be seen dead in them. Women all over New York now decide the pink Jimmie Fools are yesterday's news and won't pay more than £200 a pair.

Meanwhile, Steve thinks Big might be onto a good thing, and borrows Miranda's shoes (which were Carrie's) to sell to Charlotte. And, yes, this forces the price even lower, and the pink Jimmie Fools are now only worth £150.

*Dedicated to Lisa Williams at Debenhams, premier fan of lovely shoes!*

