

Contents

Foreword	xi
1 Corporate Finance in a European Environment	1
1.1 The European Perspective in Finance	1
1.2 Ownership, Residence and Corporate Goals	2
1.3 The Currency Environment	5
1.4 The Legal Environment	6
1.5 The European and Other Environments	7
1.6 The Financial Manager's Working Situation	9
1.7 Information Costs	10
1.8 Be Prepared for Change	10
2 Survey of EC Measures Concerning Corporate Finance	12
2.1 Coping with Big Quantities of Material	12
2.2 The Tree Structure of the EC Treaty of Union	13
2.3 Right of Establishment	15
2.4 Free Exchange of Services	16
2.5 Rules on Capital Movements	16
2.6 Rules of Competition	18
2.7 Tax Provisions	20
2.8 Approximation of Laws	22
2.9 Company Law Harmonization	23
2.10 EC Measures Concerning Stock Exchanges and Markets	32

2.11	Statute for a European Company?	33
2.12	Common Commercial Policy	34
2.13	Other EC Measures	34
3	From EMS to EMU?	36
3.1	A Twenty-Year Perspective	36
3.2	The History, Purpose and Principles of the EMS	38
3.3	The Effects of the EMS	41
3.4	Actual and Potential ECU Applications	44
3.5	The First Stage of EMU	53
3.6	Convergence Criteria and EMU Timetable	55
3.7	Macroeconomic Benefits and Costs of EMU	59
4	Investment Patterns and Decisions in a Single European Market	67
4.1	European Trade and Investment Patterns	67
4.2	Domestic or Foreign Production?	76
4.3	Eurocomp and the Internal Market	78
4.4	Investment Incentives	82
4.5	Concluding Remarks	83
5	European Financial Institutions and Markets	85
5.1	Classification of Institutions and Markets	85
5.2	Markets for Banking Services	90
5.3	Bond Markets	98
5.4	Stock Markets	103
5.5	Insurance and Pension Markets	104
5.6	Derivative Markets	107
5.7	Investment Management and Information Services	111

6	Capital Structure Decisions in a Single European Market	116
6.1	The Relevance of Capital Structure	116
6.2	European Capital Structure Patterns	120
6.3	Basis for Debt Financing Decisions	123
7	Stockholder Relations, Investor Information and Dividend Policy	127
7.1	Information Flows and Stockholder Relations	127
7.2	Required Investor Information	129
7.3	Inside Information	132
7.4	Dividend Policy	135
8	Volatilities and Exposures in Markets for Stocks, Bonds and Foreign Exchange	140
8.1	The Many Market Participants	140
8.2	Volatility and European Monetary Cooperation and Integration	141
8.3	Parity Conditions as Road Signs	144
8.4	Some Important Financial Models	149
8.5	Exposure Measurement and Management	155
8.6	An Illustrative International Portfolio of Shares	164
9	Mergers and Acquisitions in a Single European Market	169
9.1	Takeover Types and Motives	169
9.2	An Illustrative Merger Analysis	171
9.3	European Takeover Trends	174
9.4	Barriers to Takeovers in Europe	177
9.5	Valuation Problems and Market Efficiency	185
9.6	Trends in Takeover and Merger Regulation	185

10 Tax Laws, Tax Treaties and Tax Management	189
10.1 Neutrality and Principles in European Taxation	189
10.2 Tax Structure Differences	192
10.3 Tax Rate Differences	194
10.4 Tax Base Differences	196
10.5 Income Flows, Tax Systems and Tax Management Recommendations	199
10.6 Cross-Border Dividends and Taxes	203
10.7 Cross-Border Mergers and Taxes	204
10.8 Transfer Pricing Adjustments	205
10.9 Value-Added Tax	205
10.10 Tax Harmonization Perspectives	206
Postscript	208
Appendix A: ISO Currency Codes	213
Appendix B: Central, Bilateral Parity and Intervention Rates for EMS Participants at 17 September 1992	215
Appendix C: Statistical Offices in the EC	217
References	219
Index of Subjects	237
Index of Authors	245