

PRINCIPLES FOR PERIODIC DISCLOSURE BY LISTED ENTITIES

Final Report



OICU-IOSCO

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Chapter 1. Introduction

In the increasingly globalized securities markets, widely accepted international disclosure standards play an important role in facilitating cross-border capital raising. International agreement on disclosure standards enables issuers to tap the global markets more quickly, while assuring a high level of investor protection internationally. The International Organization of Securities Commissions (IOSCO) has recognized that disclosure of reliable, timely information that is readily accessible contributes to liquid and efficient markets by enabling investors to make investment decisions based on all the information that would be material to their decisions.

To make it easier for multinational issuers to make cross-border public offerings and initial listings of securities, IOSCO developed and endorsed the *International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers*¹ for equity securities in 1998 (*International Equity Disclosure Standards*) and the *International Debt Disclosure Principles for Cross-Border Offerings and Listings by Foreign Issuers*² for debt securities in 2007. At the time that it endorsed the *International Equity Disclosure Standards*, IOSCO encouraged its members to accept in their respective home jurisdictions a disclosure document that contains the information set forth in the *International Equity Disclosure Standards*. These standards represent an important step forward in developing an international consensus on disclosure standards for public offerings and initial listings of securities.

Equally significant is the disclosure that is provided to the secondary markets after an issuer has made an initial listing of securities and, in some jurisdictions, after an issuer has made a public offering of securities. Although in many jurisdictions retail investors may participate in primary offerings by issuers, as a practical matter retail investors in most of these jurisdictions tend to participate in the market primarily through secondary market trading rather than initial public offerings. Disclosure of high quality information to the markets on an ongoing basis is crucial after a security has been listed. In recognition of the importance of ongoing disclosure, IOSCO published *Principles for Ongoing Disclosure and Material Development Reporting by Listed Entities*³ (*Principles for Ongoing Disclosure*) in 2002. This guidance established a set of common, high-level principles for jurisdictions reviewing and/or developing an ongoing disclosure and material development reporting regime for listed entities.⁴

¹ *International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers*, Report of IOSCO, September 1998, available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD81.pdf>.

² *International Disclosure Principles for Cross-Border Offerings and Listings of Debt Securities by Foreign Issuers*, Final Report, Report of the Technical Committee of IOSCO, March 2007, available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD242.pdf>.

³ *Principles for Ongoing Disclosure and Material Development Reporting by Listed Entities*, Statement of the Technical Committee of IOSCO, October 2002, available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD132.pdf>.

⁴ Consistent with the use of the term in the *Principles for Ongoing Disclosure*, ongoing disclosure includes current disclosure that must be provided on an as needs and immediate basis, as well as periodic reports that are provided according to set timeframes.

Disclosure of material events on an ad hoc basis alone is not sufficient for investors to be able to make investment decisions. Even though issuers may be required to disclose material events to the public shortly after they occur, these disclosures are ad hoc and investors are not able to make investment decisions on these types of disclosures alone. For this reason, issuers should be required to make certain periodic reports, such as annual reports and other interim reports, in which certain prescribed disclosures must be provided at regular intervals to the public. These periodic reports facilitate investor decision making and monitoring of the markets by making it possible for investors to compare the performance of the same company over regular intervals, and by enabling investors to make useful comparisons among different companies. Although the *Principles for Ongoing Disclosure* set forth general guidelines for ongoing disclosure, specific guidance on periodic disclosure is also important to help promote consistently high quality disclosure provided in the periodic reports of issuers whose securities are traded in the international, as well as domestic, markets.

Uses of Annual Reports

In particular, periodic reports, such as annual reports, provide prospective investors and current security holders of a company with important information, including financial information such as audited financial statements. Financial information is the most elemental disclosure that is contained in an annual report, and provides the basis of other related information that may be disclosed in the report, such as the management's assessment and analysis of the company's past performance and prospects.

Additionally, in some jurisdictions, the annual report may form the foundation of a fast track system for making offerings of securities to the public. IOSCO published a report in March 2001, entitled *Adapting IOSCO International Disclosure Standards for Shelf Registration Systems*⁵, which describes ways in which the *International Equity Disclosure Standards* could be adapted to a fast track offering structure. Since the publication of that report, one IOSCO member has expanded the use of short form prospectuses, which in turn permits more issuers to use the shelf registration system. Another IOSCO member has expanded the use of shelf registration statements to permit the largest, most widely followed public companies to make public offerings through use of an automatic shelf registration statement that becomes effective immediately upon filing with the relevant securities regulator. These automatic shelf registration statements provide issuers with the flexibility to take advantage of market windows and raise capital more quickly by preparing a registration statement that incorporates by reference information contained in the issuer's most recent annual report and any subsequent interim reports. When the issuer is ready to issue additional securities, it publishes a shorter, supplemental document that contains

⁵ *Adapting IOSCO International Disclosure Standards for Shelf Registration Systems*, Report of the Technical Committee, March 2001, available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD118.pdf>.

information required to complete the prospectus with respect to the securities being offered and to update the information provided in the registration statement.

IOSCO members differ in the amount and type of disclosure that they require in annual reports. Some jurisdictions require a very extensive and detailed annual report. In other jurisdictions, the same type of information related to the issuer that is provided in a prospectus for a public offering may be provided by issuers in their annual reports on a voluntary basis, including disclosure of management's discussion and analysis of the company's financial condition and results of operations and a description of the issuer's business, among other things. This permits issuers to tap the capital markets more quickly. Issuers' reports of material events that occur between periodic reports supplement the extensive disclosure that is provided on an annual and quarterly basis. The regulatory regime in those countries typically emphasizes continuous disclosure reporting. Under both regimes, investors get the material information necessary to make investment decisions.

Because of the importance of periodic reports to a well-functioning disclosure system, the Technical Committee has developed the *Principles for Periodic Disclosure by Listed Entities* that apply regardless of the specific regulatory approach taken.

These high level *Principles* are aimed at facilitating agreement on common high level principles to provide guidance to jurisdictions that are developing or reviewing their periodic disclosure requirements for listed entities.

Scope

These *Principles* are primarily concerned with setting guidance for the periodic reports of companies that have securities listed or admitted to trading on a regulated market in which retail investors participate. Throughout the *Principles*, the terms *issuer* and *listed entity* refer to entities organized in corporate form.

Although individual jurisdictions may conclude that other disclosures are needed to address the specific concerns of their markets, these *Principles* should provide a useful framework for any jurisdiction seeking to establish or review its periodic disclosure regime. The principles-based format of the *Principles* allows for a wide range of application and adaptation by securities regulators. In some jurisdictions, all of the principles would apply regardless of the type of securities issued by a company, or characteristics of the company, such as its size and whether or not it is domestic or foreign. In other jurisdictions, regulators may wish to adapt the *Principles* according to the characteristics of the issuer or the securities involved. Many of the principles contain examples to illustrate how different approaches may be used to reach the same disclosure objective.

Presentation

The information covered by these *Principles* may be included in the financial statements or elsewhere in the filing(s) that constitute the annual report, as appropriate.

Chapter 2 Glossary of Defined Terms

Unless the context indicates otherwise, the following definitions apply to certain terms used hereinafter in these *Principles*:

Affiliate: A person or entity who, directly or indirectly, either controls, is controlled by or is under common control with, a specified person or entity.

Annual Report: As used in the *Principles*, the term Annual Report refers to information about an issuer that covers a full financial year, including the annual financial statements, that is included in a single document or a set of documents. The content requirements for an Annual Report are set forth in a jurisdiction's accounting regulations, securities regulations or company law.

Directors and Senior Management: This term includes (a) the issuer's directors, (b) its executive officers, and (c) members of its administrative, supervisory or management bodies.

Interim Report: A report for a period shorter than an issuer's full financial year, as required by a jurisdiction's securities regulations or company law. For example, this would include quarterly or half yearly reports.

Chapter 3 Principles for Periodic Disclosure by Listed Entities

The Technical Committee has identified the following principles as essential for any periodic disclosure regime.

A. Periodic reports should contain relevant information.

1. Annual reports

The information provided in the annual report should be provided as of the latest practicable date, except where the applicable law or regulation requires the information to be provided for the financial year covered by the report or as of a specified date.

(a). Annual reports should contain audited financial statements.

At a minimum, listed companies should be required to provide audited financial statements that cover the entire prior financial year in their annual reports. The audit report must be given by an independent audit firm that is subject to oversight by a body that acts and is seen to act in the public interest. The *IOSCO Principles for Auditor Oversight*⁶ set forth general principles for the oversight of audit firms and auditors that audit financial statements of companies whose securities are publicly traded in the capital markets. Current security holders, as well as potential investors, need information about the issuer's financial position, performance and cash flows in order to assess its liquidity and solvency and in order to make informed decisions about their investment strategy with respect to the issuer's securities. The issuer's financial statements are an important source of this information. Accurate and reliable publicly available financial information enhances investors' confidence in the public markets. The principles discussed in this section assume that the issuer will be required under relevant laws and regulations to provide consolidated financial statements according to high quality internationally accepted accounting standards.

The disclosure of fees paid to the auditor for audit and non-audit services rendered to the audit company and its subsidiaries could be useful to investors.

(i) Consolidated Statements and Other Financial Information

Consolidated financial statements, audited by an independent auditor and accompanied by an audit report, should be provided to enable investors to make accurate assessments about the issuer's financial position, and assist investors in making meaningful comparisons of an issuer's current financial position to prior periods, as well as to other

⁶ *Principles for Auditor Oversight*, Statement of the Technical Committee of IOSCO, October 2002, available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD134.pdf>.

companies. A complete set of consolidated financial statements should at least include: a balance sheet; income statement; statement showing either (i) changes in equity other than those arising from capital transactions with owners and distributions to owners, or (ii) all changes in equity (including a subtotal of all non-owner movements in equity); cash flow statement; related notes and schedules required by the comprehensive body of accounting standards pursuant to which the financial statements are prepared; and, if not included in the financial statements, a note analyzing the changes in each caption of shareholders' equity presented in the balance sheet. Distributions to equity holders, such as dividends, are also typically included in the financial statements. Comparative financial statements that cover the issuer's most recent financial years and that are audited in accordance with a comprehensive body of auditing standards provide investors with material information about trends in the issuer's performance and financial condition.

Annual reports should contain an audit report that covers each of the periods for which audited financial statements are required to be provided by the relevant securities regulator or applicable law. Audits that are conducted on the issuer's financial statements by independent auditors play a crucial role in fostering investor confidence in the reliability of the financial statements. Audit reports provide investors with assurance that the financial statements have been properly prepared in accordance with the applicable financial reporting framework. If the auditors have refused to provide a report on the financial statements or if the report contains qualifications, modifications or disclaimers, this information would be highly relevant to investors and should be reproduced completely, as well as the reasons given for them.

(ii) Significant Changes

An indication in the annual report of whether any significant change has occurred since the date of the financial year covered by the annual report helps ensure that it reflects all material events that could have an impact on an investor's decision making. Useful information includes changes that have a significant impact on the issuer's financial condition, performance or its ability to fulfil its obligations on the securities it has issued.

(b) Annual reports should also contain a Management's Discussion and Analysis (MD&A), also referred to as Operating and Financial Review (OFR).⁷

In addition to their audited financial statements, listed companies should provide in their annual reports an OFR/MD&A discussion. Through this

⁷ In some jurisdictions, this discussion is referred to as the Management's Report.

discussion, management explains the factors that have affected the company's financial condition and results of operations for the historical periods covered by the financial statements, as well as management's assessment of the factors and trends that are anticipated to have a material effect on the company's financial condition and results of operations in the future. As noted in IOSCO's February 2003 report, *General Principles Regarding Disclosure of Management's Discussion and Analysis of Financial Condition and Results of Operations*⁸, the OFR/MD&A enables investors to see the company *through the eyes of management* and improves the financial disclosure by providing the context within which financial statements should be analyzed.

OFR/MD&A provides a balanced explanation by management of factors that have affected the issuer's financial condition and results of operations for the periods covered by the financial statements included in the annual report. This disclosure provides a context within which the financial results and financial position portrayed in the financial statements can be interpreted, and enables investors to see the issuer through the eyes of management. It may provide information about the quality and potential variability of the issuer's earnings and cash flow. As a result, investors are in a position to have a better understanding of the issuer's financial position.

Disclosure about the causes of material changes from year to year in financial statement line items, to the extent necessary for an understanding of the issuer's business as a whole, would be highly relevant to investors. In addition, a discussion based on segment information should be provided if it would be material to an understanding of the issuer's business and its overall financial condition and operating performance.

(i) Operating Results

Disclosure about the significant factors that materially affected the issuer's income from operations, including unusual or infrequent events or new developments and the extent to which income was affected by these factors, facilitates a better understanding of the issuer's results of operations. Significant factors could include, for example, the impact of inflation, the impact of foreign currency fluctuations, and any governmental economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, the company's operations. Disclosure about any significant components of revenues and expenses that are necessary to understand the issuer's results of operations can also be useful.

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General Principles Regarding Disclosure of Management's Discussion and Analysis of Financial Condition and Results of Operations, Report of the Technical Committee of IOSCO, February 2003, available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD141.pdf>.

(ii) Liquidity and Capital Resources

Information about the issuer's short-term and long-term liquidity, i.e., its ability to generate adequate amounts of cash to meet its cash obligations, provides useful information about whether the issuer can fulfil its obligations on its securities. This includes discussion of the financial key performance indicators. For example, relevant information may include the issuer's internal and external sources of liquidity; a discussion of the risk of illiquidity of assets that may be held to settle the liabilities of the issuer; any material, unused sources of liquidity; and any material restrictions on all sources of liquidity. This could include a discussion of why these material sources of liquidity are not being used. If a material deficiency is identified in the issuer's ability to meet its cash obligations, the course of action that the issuer has taken or proposes to take to remedy the deficiency is useful information for potential investors in its securities. Examples of disclosure that can be relevant include the level of borrowings at the end of the period covered by the financial statements and the characteristics and maturity profile of borrowings.

With respect to capital resources, an example of disclosure that may provide important information about the issuer's capital requirements is information about the issuer's material commitments for capital expenditures as of the end of its latest financial year. In addition, information about the general purpose of such commitments and the anticipated sources of funds needed to fulfil such commitments can also be highly relevant.

(iii) Trend Information

Disclosure about the facts and circumstances surrounding known material trends and uncertainties can help investors have a better understanding of the issuer's prospects. Highly relevant information in that regard includes the potential impact of currently known trends, events and uncertainties that are reasonably likely to have material effects on the issuer's net sales or revenues, income from operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition. Useful information could, for example, include disclosure of the most significant recent trends in production, sales and inventory, and costs and selling prices since the latest financial year. If a profit forecast is also included, a clear description of the assumptions upon which the issuer has based its forecast would help investors assess the soundness of that forecast.

(iv) Off-Balance Sheet Arrangements

Through off-balance sheet transactions (contractual arrangements not included in the balance sheet), an issuer can incur profits and losses

that are not fully transparent to investors. Disclosure of all material off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on the issuer's financial position, are relevant to investors. Disclosure of such information that the issuer believes is necessary for an understanding of these arrangements and their material impact on the issuer's financial position is important.

(v) Critical Accounting Estimates

Estimates and assumptions involved in applying accounting policies can have a material impact on an issuer's reported operating results, financial condition and changes in financial condition, as well as on the comparability of reported information over different reporting periods. Disclosure of these estimates and assumptions is important, and should be disclosed to the public. In determining which critical accounting estimates or assumptions are relevant, the issuer should consider whether the nature of the estimate or assumption is material because of the subjectivity and judgment required to account for highly uncertain matters, as well as whether the estimate or assumption will have a material impact on financial condition or operating performance. The issuer should also disclose the methodology for determining its critical accounting estimates, and explain why its accounting estimates or assumptions could change, such as if there is any uncertainty attached to an estimate or assumption. An analysis of the sensitivity of the issuer's critical accounting estimates and assumptions to change, based on other outcomes that are reasonably likely to occur and that would have a material effect, would be useful to investors.

(c) Material Related Party Transactions

Disclosure about material related party transactions is important to investors because it helps provide a materially complete picture of the issuer's financial relationships and identifies potential conflicts of interest. Related parties include, among others, the issuer's Directors and Senior Management, any nominees for Director, beneficial holders of a significant amount of the issuer's securities and the immediate family members of all of these persons, as well as affiliates of the issuer. Related party disclosure usually includes items such as the nature of the relationships, description of the transaction, business purpose and amount of transactions entered into by the issuer with related parties. In some jurisdictions, this disclosure also includes information about the issuer's policies and procedures for the review, approval or ratification of transactions with related parties, such as whether a special committee is responsible for approving these transactions.

(d) Compensation Disclosure

Information about Director and Senior Management compensation and risk management practices is important to investors so that they can assess the incentives created by this use of the issuer's resources, whether the incentives

of the compensation are aligned with investors' interests, and how performance may be oriented to the returns generated for shareholders. This assessment can be facilitated by disclosure of:

- A description of the issuer's decision-making process for its compensation policies, including the composition and mandate of any remuneration committee;
- The most important design characteristics of the compensation system including how those characteristics may be tied to performance and, where appropriate, risk; and
- Quantitative information on compensation, broken down as appropriate to indicate incentives underlying the compensation, together with any necessary qualitative information. Quantitative information broken down on any defined individual basis indicating fixed and variable; paid and deferred; and cash and share compensation may be useful to investors.⁹

Clear, concise and understandable disclosure of the compensation paid to the issuer's Directors and Senior Management for all services rendered to the issuer and its subsidiaries is highly relevant to investors. This disclosure enables investors and others to monitor the amount of the issuer's resources that is being allocated to compensating its Directors and Senior Management, and helps them assess how the compensation paid to Directors and key members of Senior Management relates to the company's overall financial performance. In addition, clear and intelligible disclosure promotes comparability of this information for the same issuer from year to year, as well as with other issuers.

Compensation disclosure usually includes the salaries, fees, bonuses, stock options, any deferred payments, and amounts set aside by the issuer to pay pension or other similar benefits (including special severance packages or retirement benefits). A discussion of any qualitative or quantitative material factors necessary to an understanding of the compensation arrangements would be helpful to investors. In some jurisdictions, compensation information for Directors and Senior Management is disclosed on an individual, rather than on an aggregate, basis. Furthermore, in some jurisdictions the principles and rules for determining each part of the compensation package are required to be disclosed.

With respect to Senior Management, in some jurisdictions in which the compensation information on an individual basis is expected, issuers may be

⁹ While the *Principles for Periodic Disclosure by Listed Entities* apply to all types of issuers with listed securities, more specific quantitative information for disclosure made publicly by significant financial institutions is described in the Financial Stability Board's *Principles for Sound Compensation Practices: Implementation Standards*, 25 September 2009, available at http://www.financialstabilityboard.org/publications/r_090925c.pdf.

required to disclose both a single number that reflects total compensation paid to each key executive, as well as a narrative discussion that explains material information necessary to an understanding of the issuer's compensation policies and decisions regarding those executives. This narrative discussion focuses on the material principles underlying the issuer's executive compensation policies and decisions and the most important factors relevant to an analysis of those policies and decisions. This analysis describes:

- the objectives of the issuer's compensation programs;
- what the compensation program is designed to reward;
- each element of compensation;
- why the issuer chooses to pay each element;
- how the issuer determines the amount or formula of each element to pay; and
- how each compensation element and the issuer's decisions regarding that element fit into the issuer's overall compensation objectives and affect decisions, regarding other elements.

This disclosure is intended to provide investors with material information necessary to an understanding of the issuer's compensation policies and decisions regarding its key executive officers.

In other jurisdictions, compensation information on an individual basis is provided for members of the board of directors, but only aggregated information for the members of the supervisory body as a group is provided.

(e) Corporate governance disclosure

An issuer's good corporate governance practices can improve investor confidence that effective controls exist within the company, that the Directors and executive officers are held accountable for their actions, and that shareholders will be able to exercise their rights. Adequate disclosure helps investors assess an issuer's corporate governance practices. Although some countries require companies to comply with certain corporate governance laws or regulations, others recommend that certain corporate governance codes be followed by requiring issuers to either comply with these codes, or to explain why the codes are not being complied with, e.g., a *comply or explain* regime. In the *comply or explain* regime, issuers are frequently required to disclose the issuer's current level of compliance with the relevant code, as well as the issuer's anticipated level of compliance in the future. Regardless of the approach taken, disclosure about certain key corporate governance practices, such as corporate governance committees, is recommended as useful to investors.

(i) Directors and Senior Management

Information about the issuer's Directors and Senior Management assists investors in assessing the quality of the issuer's leadership and the issuer's potential performance. Because the issuer's Directors and

Senior Management are critical to the success of the issuer's operations, the annual report often identifies these individuals and provides key biographical details, such as their business experience (including experience with a parent, subsidiary or other affiliate of the company) and functions within the company. Information disclosed also frequently includes disclosure about whether any of the Directors serve as Directors of other public companies. In addition, disclosure may also include information about the nature of any family relationships between any Directors and members of Senior Management. In some jurisdictions, disclosure is also provided about whether any of the Directors or members of Senior Management were convicted in a criminal proceeding, or found by a court or regulator to have violated the applicable securities laws in the past few years. Involvement in these types of legal proceedings may be material to an evaluation of a Director or executive's ability or integrity.

(ii) Director independence

Directors play a critical role in the corporate governance of an issuer, and need to be able to exercise objective and independent judgment in order to carry out their duties effectively. Disclosure in the annual report about which Directors are independent, with reference to the applicable standards (such as company law or the standards of the regulated market on which the issuer's securities are listed or admitted to trading) would be useful to investors. If the applicable regulated market contains independence requirements for committees of the board of directors, each Director who is a member of the compensation, nominating or audit committee and who is not independent according to those requirements should be disclosed. In some jurisdictions independent Directors are required by law to be members of a separate supervisory body, so that disclosure about the independence of these Directors would not be necessary.

(iii) Audit committee

Because the audit committee serves as a check and balance on an issuer's financial reporting system by providing independent review and oversight of its financial reporting processes, internal controls and independent auditors, certain disclosures about the audit committee are required in the annual report. For instance, the issuer should state whether it has an audit committee or a committee that performs similar functions, as well as the identity of each committee member. In cases in which the entire board is acting as the audit committee, this should be disclosed. If, in the opinion of the issuer's board of directors, the issuer has at least one financial expert serving on its audit committee, it could be helpful to disclose this, as well as whether that person is independent according to the definition of independence used by the markets on which the issuer's securities are listed or admitted to trading. The existence of a financial expert on the audit committee

could be viewed as highly relevant to investors, as this individual would have an enhanced level of financial sophistication or expertise that would enable her to serve as a resource for the audit committee. Moreover, the independence of the financial expert would mean that s/he did not participate in the preparation of the issuer's financial statements. In some jurisdictions, the relevant education and experience of each audit committee member must be disclosed.

(iv) Compensation committee

Compensation decisions rendered by a board should be free of conflicts of interest. To provide investors with relevant information about who determined the compensation for the issuer's Senior Management and Directors, it would be useful if the annual report identified each person who was a member of the compensation committee, if such a committee exists, or board committee performing a similar function, and any potential conflicts of interest they may have.

Interlocking relationships between companies and members of their respective compensation committees can also present conflicts of interest. For example, in some jurisdictions a conflict can occur if an executive officer of the issuer served as a member of the compensation committee or as a Director of another entity, one of whose executive officers served on the issuer's compensation committee. It can be helpful to investors to disclose this information.

As a means of underscoring the compensation committee's responsibilities, some jurisdictions require the annual report to contain a narrative analysis of compensation arrangements. In addition, some jurisdictions require the annual report to contain a statement by the compensation committee or other board committee performing a similar function that it has reviewed and discussed the analysis with the issuer's management, and that it has recommended to the board that this analysis be included in the issuer's annual report.

(v) Code of ethics

Ethical conduct is at the heart of good corporate governance. The issuer may find it useful to adopt a code of ethics that establishes the framework for conduct by the board and key executives. A code of ethics adopted by an issuer that deals with the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and that encourages the prompt internal reporting of violations of the ethics code by the issuer's key executive officers, helps promote investor confidence that the issuer is committed to good corporate governance practices. Some jurisdictions view disclosure of whether the issuer has adopted a written code of ethics that applies to its key executives as relevant to investors.

(f) Disclosure related to market risk sensitive instruments

Disclosure of the issuer's exposures to market risk associated with activities in derivative financial instruments (e.g., futures, forwards, swaps, options), other financial instruments (e.g., investments, loans, structured notes, mortgage-backed securities), and derivative commodity instruments (e.g., commodity futures, commodity swaps) enable investors to more accurately assess the primary risk of loss to the issuer. Market risk includes interest rate risk, foreign currency exchange rate risk, commodity price risk, and liquidity risk among other things. This disclosure is particularly relevant to investors in light of the sophisticated financial instruments that many public companies are increasingly relying on both to boost profitability and to hedge against risk.

Quantitative information about market risk should be presented in the currency used to prepare the issuer's financial statements. Relevant quantitative information includes the sensitivity of an issuer's market risk sensitive instruments to potential changes in market conditions. The disclosure should indicate the nature and extent of the risks from these instruments, as well as how the issuer is managing those risks. For example, where disclosure of fair value is required under the applicable accounting standards, the disclosures should include both the amount of the fair value and the way it is determined (including how liquidity risk, credit risk and market risk are factored into the issuer's fair value estimates). To reflect the different applicable accounting treatments, issuers should categorize market risk sensitive instruments into instruments entered into for trading purposes, and instruments entered into for purposes other than trading.

Disclosure about market risk helps investors analyze the quantitative information presented in the annual report. To the extent material, issuers could disclose their primary market risk exposures, and how these exposures are managed. This disclosure could include a discussion of the objectives, general strategies, and instruments, if any, that are used to manage these exposures. Investors would also find it useful to know if there are changes in either the issuer's primary market risk exposures or how those exposures are managed, when compared to what was in effect during the most recently completed financial year, as well as what is known or expected to be in effect in future reporting periods.

(g) Security ownership in the issuer, and related stockholder matters.

(i) Security ownership

Disclosure about the ownership of certain significant shareholders in the voting securities of the issuer can help investors monitor the accumulation of these securities by individuals who would have the ability or potential to change or influence the control of the issuer's management. This information helps investors make informed investment decisions based on market prices that reflect this

information. The information disclosed includes identification of the class of securities held, the amount and nature of voting securities held, and the percent of the class of securities that this ownership represents. Issuers should disclose any arrangements known to the issuer that may result in a change in control of the issuer at a subsequent date, or alternatively have an impact on the effective exercise of votes in an issuer. This could include information about any pledge by any person of the securities of the issuer or any of its parents, which may result in a change in control of the issuer at a subsequent date.

For any person (including any group of persons) who is known by the issuer to be the owner of more than a specified percent of any class of the issuer's voting securities, the issuer should disclose the class of securities held, identify the owner, the amount and nature of the ownership, and the percent of the class of securities held. A group, as used in this context, refers to two or more persons that act as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding or disposing of securities of an issuer. In some jurisdictions, the information is obtained for beneficial owners of the securities. For any person(s) who is known by the issuer to be the owner of more than the specified percent of the issuer's voting securities pursuant to a voting agreement, information about the voting agreement should be provided.

In some jurisdictions, the issuer must disclose ownership information for members of its management with respect to each class of its equity securities or of any of its parents or subsidiaries. This information is typically provided on an individual basis for all Directors and Director nominees, and for certain executive officers (such as the principal executive officer, principal financial officer, and the three most highly compensated executive officers other than the principal executive officer and principal financial officer at the end of the last completed year). Disclosure of this information for the Directors and executive officers of the issuer as a group would also be useful.

This information is usually obtained on an ongoing basis. Most regulators expect to be notified if a holding exceeds or falls below certain determined thresholds on an ad hoc basis. In some jurisdictions, the security holder notifies both the issuer and the regulator without undue delay, and the issuer or the regulator (once it has been notified by the issuer) must publish this information promptly. Further transparency is provided in a few jurisdictions through a databank on the regulator's website that includes this information. In other jurisdictions, the security holder files the information with the regulator and the information is publicly available upon filing.

When an issuer's securities are listed in several jurisdictions, significant security holders may be subject to reporting obligations relating to their shareholdings in the issuer in those jurisdictions. It

would be helpful to investors if the issuer disclosed that significant security holders may be subject to different reporting obligations in the different jurisdictions in which it is listed or registered.

(ii) Equity Compensation Plan Disclosure

Because equity compensation grants and awards may result in a significant reallocation of ownership between existing security holders and management and employees, information about an issuer's equity compensation plans would be useful to investors. These plans have a potential dilutive effect, so information about the total number of securities that an issuer has authorized for issuance under its equity compensation program would help investors to assess the effect that an issuer's equity compensation plans could have on their ownership, or to compare the equity compensation plans of an issuer with those of its competitors. In addition, in some jurisdictions a number of plans are adopted without the approval of security holders. As a result, these plans escape security holder scrutiny. Disclosure about the issuer's equity compensation plans, including those not approved by security holders, would help investors make informed voting and investment decisions.

To provide useful disclosure to investors, issuers should disclose certain information as of the end of its most recently completed financial year. This information should include the number of securities to be issued upon the exercise of outstanding options, warrants and rights, or pursuant to any compensation plan and individual compensation arrangement of the issuer under which equity securities of the issuer are authorized for issuance or offered to employees; the exercise price of the outstanding options, warrants and rights, or issue price; and the number of securities remaining available for future issuance under equity compensation plans other than the securities to be issued upon the exercise of outstanding options, warrants or rights. This disclosure could apply to all equity compensation plans in effect as of the end of the issuer's last completed financial year. For each compensation plan under which equity securities of the issuer are authorized for issuance that was adopted without the approval of security holders, the issuer should provide a narrative description of the material features of the plan.

2. Interim periodic reports

(a) Interim periodic reports should contain information that will enable investors to track the performance of a company over regular intervals of time and should provide sufficient financial information to enable investors to assess the current financial status of a company.

The interim periodic reports, such as quarterly and half yearly reports, provide certain updated disclosures about the issuer that can assist investors in

assessing a company's financial position and its operations. In comparison to current reports or announcements of price sensitive information, which issuers file in response to specific events and are not tied to a specific period, interim periodic reports provide information on a regular basis about trends and developments in an issuer's business, especially trends in revenues or earnings that result from changes or developments in an issuer's core business. In some jurisdictions, companies are required to provide relatively complete financial statements in their quarterly reports. In other jurisdictions, listed companies are required to provide a condensed set of financial statements at mid-year, and, at certain other points in the year, issuers of equity admitted to trading or listed on regulated markets are also required to publish additional interim statements with only select information. In any case, the information provided for a given period should provide investors with a description of the company's financial position for the period covered in the report.

The principles discussed in this section assume that the issuer will be required under relevant laws and regulations to provide consolidated interim financial statements according to high quality internationally accepted accounting standards. When interim financial statements are contained in the periodic report, they should usually include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information is viewed by many regulators as satisfied if issuers present the most recently completed year-end balance sheet. The interim financial statements also are most useful if they include selected note disclosures that will explain events and changes that are significant to an understanding of the changes in financial condition and performance of the issuer since the last annual reporting date.

If such interim financial statements are not audited or reviewed, regulators should consider requiring disclosure of this, as investors would find this information highly relevant. Issuers are encouraged to have any interim financial statements included in the periodic report reviewed by an independent auditor to provide some assurance as to the reliability of the information presented. If an independent auditor has performed such a review and the review is referred to in the periodic report, regulators should consider requiring issuers to provide a copy of the auditor's interim review report in the periodic report. In some jurisdictions, if the independent audit committee has reviewed the interim financial statements, this is also disclosed to investors.

(b) Interim periodic reports should contain MD&A or a management statement as appropriate.

When issuers include interim financial statements in their interim reports, the interim report should update the information provided in the last annual report, providing a year-to-date comparison, as well as a comparison of interim periods. This should include management's discussion and analysis of factors that have affected the company's financial condition and results of operation for the periods covered by the interim financial statements. The MD&A also includes management's assessment of the factors and trends that are

anticipated to have a material effect on the company's financial condition and results of operations in the future.

If interim financial statements are not included in the interim periodic report, then the interim report should contain a statement by management of the material events and transactions that have taken place during the relevant period and their impact on the financial position of the issuer and its controlled undertakings and a general description of the financial position and performance of the issuer and its controlled undertakings during the relevant period.

(c) Interim periodic reports may also include other disclosures, such as related party transactions disclosure.

In certain circumstances, material related party transactions that occurred during the interim period covered by the report can be highly relevant to investors. In some jurisdictions, interim reports may also include information that updates information previously provided in the issuer's annual report. This may include disclosure about material changes in risk factors; disclosure about market risks; Senior Management's conclusions regarding the effectiveness of the issuer's disclosure controls and procedures; disclosure about material pending legal proceedings, other than ordinary routine litigation, to which the issuer is a party; and disclosure about matters submitted to a vote of security holders during the period covered by the report.

B. For those periodic reports in which financial statements are included, the persons responsible for the financial statements provided should be clearly identified, and should state that the financial information provided in the report is fairly presented.

In many jurisdictions, the persons who are responsible for the information contained in the report are identified within the periodic report. In other jurisdictions, the identity of the responsible parties is specified by law. In any case, these persons, who are usually the Directors or certain key executive officers of the reporting company, are required to state that, to the best of their knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the company as of, and for, the periods presented in the periodic report. The persons responsible can be held liable according to the law of the specific jurisdiction.

C. The issuer's internal control over financial reporting should be assessed or reviewed.

A key aspect of management's responsibility for the preparation of financial information is its responsibility to establish and maintain an internal control system over financial reporting. Effective internal controls and procedures for financial reporting ensure that companies have processes designed to provide reasonable assurance that the issuer's transactions are properly authorized; the issuer's assets are safeguarded against unauthorized or improper use; and the issuer's transactions are properly recorded and reported to permit the preparation of its financial statements in conformity with high quality internationally accepted accounting standards. An effective internal control system could enhance the quality of financial reporting by helping to minimize financial, operational and compliance risks.

Internal control requirements may be established by law, regulations, or listing requirements. Some jurisdictions place the responsibility on Directors or an audit committee, rather than Senior Management. The issuer's Senior Management, Directors or audit committee assess or review the issuer's internal control over financial reporting on at least an annual basis in some jurisdictions. In some jurisdictions, this assessment is provided with any periodic reports, including interim reports, that contain financial statements.

This assessment or review may be provided to the board of directors, and/or published. Some jurisdictions have detailed requirements mandating certain disclosures in these reports. These jurisdictions require a statement of management's responsibility for establishing and maintaining an adequate internal control over financial reporting for the issuer, as well as management's assessment, as of the end of the issuer's most recent financial year, of the effectiveness of this internal control.

In addition, some jurisdictions require a statement identifying the framework used by management to evaluate the effectiveness of the issuer's internal control. Some jurisdictions further require management's assessment to include disclosure of any material weaknesses in the issuer's internal control over financial reporting that is identified by management. If any material weaknesses are identified, management is not permitted to conclude that the issuer's internal control over financial reporting is effective. In some of these jurisdictions, the accounting firm that audited the financial statements included in the annual report is also required to state in the annual report that it has issued an attestation report on management's assessment of the issuer's internal control over financial reporting.

In other jurisdictions, disclosure is required by management in the annual report of the main features of the company's internal control and risk management systems in relation to financial reporting processes. Furthermore, a company is usually expected to form an audit committee that bears responsibility for monitoring the financial reporting process and the effectiveness of the company's internal control and risk management systems. The auditor is responsible for reporting to the audit committee any material weaknesses in the issuer's internal controls in relation to the financial reporting process that have come to the attention of the auditor as a result of the performance of the audit.

D. Information should be available to the public on a timely basis.

The information provided in the periodic report should also be timely. The size of the issuer may be taken into consideration when establishing the due dates for periodic reports. Small and medium-sized issuers may need more time to prepare their reports because of their more limited resources. An appropriate time period should be established by the relevant laws, regulations or listing rules in which the periodic report must be made available to the public.

E. Periodic reports should be filed with the relevant regulator.

Periodic reports should be filed with the relevant regulator to permit regulators to review the reports, when appropriate, to ensure compliance with the relevant laws and regulations. The means of filing may include transmission of the periodic report to the relevant regulator, or by sending the relevant regulator notice of the filing on a separate registry, among other things. Regardless of the means used, the relevant regulator has means of obtaining the report for its regulatory purposes.

F. The information should be stored to facilitate public access to the information.

The relevant law or regulation should ensure that there is storage of the periodic information in order to facilitate public access to the information. Storage of that information should also be at the lowest cost possible for investors. Electronic storage is one means of achieving this objective. This information should be stored in a central location, whether with the relevant regulator or another authorized repository, and be available for a sufficient period of time.

The periodic report should be presented in a format that facilitates analysis of the information contained in the periodic report. To that end, some regulators are investigating the use of interactive data technology as a means of providing a quick and easy means for investors and others to extract, analyze and compare financial information that has been filed with regulators. The enhanced search and comparison capabilities afforded by the use of interactive data could improve investors' ability to understand the available financial information, and could enable issuers to communicate their financial results more effectively.

G. Disclosure criteria

The information disclosed in periodic reports should be fairly presented, not be misleading or deceptive and should not contain any material omission of information. Moreover, information disclosed in a periodic report should be presented in a clear and concise manner without reliance on boilerplate language.

If information related to an issuer`s periodic reports is disseminated by other means, such as provided on a company`s website, it should be consistent with the information provided in the issuer`s periodic reports to the relevant regulator.

H. Equal access to disclosure

The disclosure of material information that is contained in a periodic report to certain investors or other interested parties before it is disclosed to the public may reduce investor confidence in the fairness of those markets. Prohibiting such disclosures will reduce the likelihood of insider trading or abusive use of such information. However, in some jurisdictions such disclosures may be allowed in certain circumstances, or where other types of regulations are considered to adequately deal with insider trading or abusive use of material non-public information. For example, these exceptions could include communications with advisers and rating agencies, or communications made in the ordinary course of business. Such communications may include communications with persons with whom the company is negotiating, or intends to negotiate, a commercial, financial or investment transaction; and communications with representatives of the company's employees or trade unions acting on their behalf. In all these cases, the recipients of this information have a duty to keep the information confidential. In other jurisdictions, there are very limited exceptions for price sensitive information.

Equal access to disclosure should be provided to all investors at the same time. In some jurisdictions, dissemination of information effected via different means, such as press releases and newspaper notices of the availability of the periodic reports on the issuer's website or elsewhere, is viewed as providing investors with equal access at the same time. In other jurisdictions, equal access is viewed as provided by free public access to the periodic reports on the regulator's website when the reports are filed with the regulator, so that it is available to all investors and the public at the same time.

I. Equivalence of Disclosure

If the entity is listed or admitted to trading in more than one jurisdiction, the material periodic information made available to one market should be made available promptly to all markets in which the entity is listed.

Appendix 1

Feedback Statement on the Public Comments on the *Consultation Report – Principles for Periodic Disclosure by Listed Entities*

Non-confidential responses were submitted by the following organisations to IOSCO Technical Committee (TC) consultation entitled *Consultation Report: Principles for Periodic Disclosure by Listed Entities*. The deadline for comments was 31 August 2009.

Eurosif

Gesamtverband der Deutschen Versicherungswirtschaft e.V.

Hermes Equity Ownership Services

International Banking Federation

International Bar Association

International Capital Market Association / Securities Industry and Financial Markets Association (joint comments)

NASDAQ OMX Group, Inc.

OJSC Promsvyazbank

Securities and Exchange Commission of Bangladesh

Superintendencia Financiera de Colombia

SVS Chile

These responses can be viewed in Appendix 2 of this document.

The Technical Committee took these responses into consideration when preparing this final report. The rest of this section reports on the main points raised during the consultation.

The IOSCO Technical Committee (TC) has published a final report on *Principles for Periodic Disclosure by Listed Entities (Periodic Disclosure Principles or Principles)*. These *Periodic Disclosure Principles* make recommendations for disclosures that could be provided by issuers in periodic reports, and particularly annual reports, while previously offered securities are listed or admitted to trading on a regulated market in which retail investors participate. They are intended to provide a useful framework for securities regulators that are reviewing or revising their regulatory disclosure regime for periodic reports. The *Periodic Disclosure Principles* also describe other issues related to periodic disclosure, such as the timeliness of disclosures, disclosure criteria, and storage of information.

This feedback statement describes the background of the publication of the *Periodic Disclosure Principles*, discusses the comments received by IOSCO from the international financial community, and the TC's responses to those comments.

I. Background

IOSCO has developed the *Periodic Disclosure Principles* following other projects in the disclosure area. In 1998, IOSCO developed and endorsed the *International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers (International Equity Disclosure Standards)* to set forth disclosure standards that could be incorporated by regulators into their prospectus disclosure requirements for cross-border public offerings and initial listing of equity securities. In 2007, IOSCO developed and endorsed *International Debt Disclosure Principles for Cross-Border Offerings and Listings by Foreign Issuers ((International Debt Disclosure Principles)*. Both the *International Equity Standards* and the *International Debt Disclosure Principles*) have been an important step forward in developing an international consensus on disclosure standards for public offerings and initial listings of securities.

Although in many jurisdictions retail investors may participate in primary offerings by issuers, as a practical matter retail investors in most of these jurisdictions tend to participate in the market primarily through secondary market trading rather than initial public offerings. Disclosure of high quality information to the markets on an ongoing basis is crucial after a security has been listed. In recognition of the importance of ongoing disclosure, IOSCO published *Principles for Ongoing Disclosure and Material Development Reporting by Listed Entities (Principles for Ongoing Disclosure)* in 2002. This guidance established a set of common, high-level principles for jurisdictions reviewing and/or developing an ongoing disclosure and material development reporting regime for listed entities.¹⁰

Even though issuers may be required to disclose material events to the public shortly after they occur, these ongoing disclosures are ad hoc and investors are not able to make investment decisions on these types of disclosures alone. For this reason, issuers should be required to make certain periodic reports, such as annual reports and other interim reports, in which certain prescribed disclosures must be provided at regular intervals to the public. These periodic reports facilitate investor decision making and monitoring of the markets by making it possible for investors to compare the performance of the same company over regular intervals, and by enabling investors to make useful comparisons among different companies. Because of the importance of periodic reports to investors, and to help promote consistently high quality disclosure provided in the periodic reports of issuers whose securities are traded in the international, as well as domestic, markets, IOSCO has undertaken to develop these *Periodic Disclosure Principles*.

At its June 2009 meeting, the TC approved a draft of the *Periodic Disclosure Principles* for public consultation, and published a Consultation Report later that month. After reviewing the public comments received, the TC's Standing Committee

¹⁰ Consistent with the use of the term in the *Principles for Ongoing Disclosure*, ongoing disclosure includes current disclosure that must be provided on an as needs and immediate basis, as well as periodic reports that are provided according to set timeframes.

on Multinational Disclosure and Accounting revised the *Principles* to reflect the comments made on the Consultation Report. The TC approved the *Principles* in January 2010.

Eleven organizations provided comments on the Consultation Report for the *Periodic Disclosure Principles*. (A list of the parties who provided comments is included at the end of this Feedback Statement.) Most respondents addressed specific sections or disclosure items addressed in the *Principles* and expressed views on how they could be revised. Several respondents also recommended that the *Principles* be revised to address broader areas that were not covered in the Consultation Report, such as disclosure of environmental, social and governance (ESG) issues. The TC found all of the comments received from the public consultation to be helpful. The *Principles* have been revised to address some of the comments received. Other comments did not result in revision but did provide valuable topics for consideration. This Feedback Statement explains why certain comments raised by respondents were not incorporated into or addressed in the final version of the *Principles*, and also explains the reasons underlying significant revisions that were made to the *Principles*.

II. Comments Received and the Responses to those Comments

A. General

The *Periodic Disclosure Principles* are set out in a principles-based format to allow for a wide range of application and adaptation by securities regulators, who may adapt them according to the characteristics of the issuer or the securities involved. One of the fundamental principles set forth is that periodic reports should contain relevant, material information for investors. One respondent suggests that it could be useful if the *Principles* more clearly identified a preferred approach where rules or practices differ across countries. Because the TC believes that national regulators are best positioned to implement the *Principles* in a manner suited to the circumstances and environment in their own jurisdiction, the TC has not revised the document in response to this comment.

To promote long-term, sustainable growth and shareholder value instead of short-term profits, some respondents take the view that disclosure of ESG data should be required in periodic reports, recommending simple principles for ESG disclosure that could be flexibly applied by issuers according to their circumstances. Other respondents similarly recommended disclosure about the impact of company activities on stakeholders, noting that economic efficiency and socially responsible activity are not mutually exclusive. Environmental and social issues, for example, may affect society at large as well as long-term shareholder value and company sustainability.

The TC appreciates these comments and recognizes the importance of issuer activity within the broader context of society as a whole. The TC believes, however, that the principles-based approach of the *Periodic Disclosure Principles* allows a company to consider the relationship of its activities in the context of long-term growth and society at large. While environmental and social issues are of rapidly growing concern in an evolving global economy and an important matter for consideration, the TC has concluded that considering those issues in and of themselves would be outside

the scope of this specific project. The TC notes, however, that ESG issues may be of particular concern to companies in certain sectors. Those companies should consider disclosure of material ESG information as part of the trend information or elsewhere as appropriate.

Some respondents expressed the view that the *Periodic Disclosure Principles* should be revised to express clearly that they are intended to facilitate cross-border listings, and not only for the development of national regimes. The *Principles* are intended to provide guidance to regulators that are developing or reviewing their periodic disclosure requirements for listed entities within their jurisdiction. Because this guidance has been developed within the context of increasingly globalized securities markets where widely accepted international disclosure standards play an important role in facilitating cross-border transactions in both the primary and secondary markets, the TC has concluded that the views reflected in the comments are implicit in the *Principles*.

One respondent requested that revision be made to clarify any distinction between “providing” information and “making available” of information, as referred to in the *Principles*. The *Principles* are aimed at providing high level guidance, whereas the specific manner with which issuers interact with potential investors, including how information is conveyed, appears to be an implementation issue that may vary by context and is best left to national regulators.

Some respondents recommend that IOSCO consider a liability threshold for disclosure based on fraud, expressing concern over the need to achieve a balance between the needs of the market for timely, meaningful and accurate information on the one hand and liability for inadequate or misleading disclosure on the other. Those respondents also recommend the development of IOSCO liability principles, and that issuers be subject to one set of legal principles and proceedings so as to avoid cross-border claims and liability in multiple jurisdictions. The TC has concluded that these suggestions are beyond the scope of this specific project, which is focused on developing disclosure principles and not the liability to which issuers are subject.

One respondent recommends that an annual report should include a discussion of the most significant risk factors that make investing in the relevant securities speculative or risky. The TC has concluded that, while risk factor disclosure is important to investors, risks to an investor comprise part of prospectus disclosure. The TC notes that the *Principles* address the need to update information that materially affects the financial condition of the company.

B. Annual reports should contain audited financial statements.

One respondent recommended that in addition to the audit related information described in this section, issuers should also disclose all fees paid to the auditor for audit and non-audit services provided to the company and its subsidiaries. The TC concurs that this disclosure could be useful to investors and can be provided at reasonable cost, and has revised the *Principles* accordingly.

C. Consolidated Statements and Other Financial Information

One respondent expressed the view that that disclosure of cash flow statements should not be required for insurance companies, as they are not informative to investors. Revision has not been made in response to this comment, as the TC notes that the contents of complete consolidated financial statements are determined by the body of accounting standards under which they are prepared. For example, U.S. GAAP and International Financial Reporting Standards require the inclusion of a cash flow statement within any set of financial statements, concluding that the actual flow of cash is useful information to accompany any set of accrual-based financial statements.

D. Trend Information

One respondent suggests expanding disclosure of trend information to include planned activities related to both investments and capital expenditures, without disclosure of any confidential details that could be used by a company's competitors. That respondent notes that disclosure of plans alongside with trend forecasts can help investors have a better understanding of the correlation between the two. Another respondent discourages disclosure of information related to selling prices, which might compromise a company's competitive position. The TC has not made revisions in response to these comments, as the *Principles* as drafted recommend disclosure of facts and circumstances surrounding known material trends that can help investors have a better understanding of the issuer's prospects. The TC notes that significant recent trends in selling prices could be useful information, taking into account the potential impact of the disclosure on the competitiveness of the company.

E. Critical Accounting Estimates

Estimates and assumptions involved in applying accounting policies can materially affect an issuer's operating results, financial condition and changes in financial condition, as well as the comparability of reported information over reporting periods. One respondent suggests that disclosure of any discrepancies between the auditor and the issuer over estimates and assumptions also be included. Because any unresolved disagreements that the auditor had with the issuer that had a material effect on the issuer's financial statements would effect a qualification to the auditor's report, the *Principles* have not been revised in response to this comment.

F. Material Related Party Transactions

Disclosure about material related party transactions helps provide investors with a picture of the issuer's financial relationships and identifies potential conflicts of interest. Related parties include directors, officers and certain beneficial holders, among others, as well as the immediate family members of these persons. One respondent believes that the degree of kinship should be defined when reference is made to immediate family members. The TC has concluded that this is a question of implementation that should be determined by each national jurisdiction.

G. Compensation Disclosure

Several respondents provide feedback on compensation disclosure. One respondent suggests that more emphasis be put on the method of incentivisation, and particularly whether the compensation system encourages senior management to focus on long-term business success. Another respondent encourages publication of a remuneration report that articulates remuneration policies and how they support strategic objectives and value creation so that shareholders can assess whether the interests of senior management have been aligned with their own. That respondent emphasizes disclosure of the objectives of disclosure policy and the structures and procedures to implement those policies.

The Financial Stability Board issued its *Principles for Sound Compensation Practices: Implementation Standards* (FSB Implementation Standards), which are applicable to significant financial institutions, on 25 September 2009. The TC has considered this guidance in finalizing the compensation disclosures within the *Periodic Disclosure Principles*, taking account of the fact that these disclosure principles apply to all types of issuers with listed securities.

H. Corporate governance disclosure

The *Principles* recognize that an issuer's good corporate governance practices can improve investor confidence that effective controls exist within the company, the Directors and executive officers are held accountable for their action, and that shareholders will be able to exercise their rights. One respondent recommends that, in addition to the audit and compensation committees specifically mentioned in the *Principles*, companies should establish a nomination committee and provide related disclosure. In response to this comment, the TC has included a specific reference to disclosure about corporate governance committees as the type of corporate governance disclosure that is recommended as being useful to investors. Another respondent recommended specific information be provided under corporate governance disclosure. The TC has concluded, however, that national regulators are best suited to implementing the disclosure principles articulated in the document.

I. Disclosure related to market risk sensitive instruments

Disclosure of the issuer's exposures to market risk associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments enable investors to more accurately assess the primary risk of loss to the issuer. Market risk includes interest rate risk, foreign currency exchange rate risk, commodity price risk and liquidity risk among other things. This disclosure is particularly relevant to investors in light of the sophisticated financial instruments that many public companies are increasingly relying on both to boost profitability and to hedge against risk. One respondent suggests expansion of the risk management section to include all types of risks, including probability and severity estimations. While recognizing the significance of risk management disclosure, the TC notes that disclosure requirements relating to the types of risk associated with investments in financial instruments are addressed by international accounting standards.

- J. For those periodic reports in which financial statements are included, the persons responsible for the financial statements provided should be clearly identified, and should state that financial information provided in the report is fairly represented.**

The *Principles* note that the persons responsible for information contained in a periodic report can be held liable according to the law of the specific jurisdiction. One respondent expresses concerns over obliging the chief financial officer to take responsibility for the correctness of the balance sheet because the fulfillment of accounting obligations is the responsibility of management as a whole, and makes specific reference to the insurance sector in which numerous evaluations and estimates are necessary in preparing the financial statements. That respondent recommends, therefore, that statements that financial information is fairly reported should be made “to the best of one’s knowledge.” In this regard, the TC notes that the *Principles* state that persons responsible for financial information can be held liable according to the law of a specific jurisdiction.

PRINCIPLES FOR PERIODIC DISCLOSURE BY LISTED ENTITIES

List of Commenters

Eurosif

Gesamtverband der Deutschen Versicherungswirtschaft e.V.

Hermes Equity Ownership Services

International Banking Federation

International Bar Association

International Capital Market Association / Securities Industry and
Financial Markets Association (joint comments)

NASDAQ OMX Group, Inc.

OJSC Promsvyazbank

Securities and Exchange Commission of Bangladesh

Superintendencia Financiera de Colombia

SVS Chile



Public Comment on the Principles for Periodic Disclosure by Listed Entities: consultation report

AUGUST 31, 2009

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Subject: Public Comment on the Principles for Periodic Disclosure by Listed Entities: Consultation Report

Introduction

The current financial crisis has raised a number of issues related to the financial sector and its role in the healthy fostering of a long-term, sustainable economy. Policymakers should encourage and reward long-term investing and discourage short-term, speculative bubbles. Major causes of the current financial crisis include short-termism, inadequate use of governance powers by investors, poor/unenforced regulation, misaligned compensation and/or incentive systems and a lack of transparency. Eurosif and its Member Affiliates assert that financial markets would be much better served by reliable and consistent information on Environmental, Social and Governance (ESG) issues.

Business corporations and short term investors have a natural tendency to focus on short-term profit and share price to the detriment of a broader concept of long term sustainable growth that encompasses both long-term shareowner interests, responsible business practices and the imperative of long-term business viability. The difficult, present situation offers an opportunity to adopt transformational policies that address longer-term global systemic issues that directly affect the capital markets.

Please find in the content that follows Eurosif's comments to IOSCO consultation on the Principles for Periodic Disclosure by Listed Entities. In particular, Eurosif makes recommendations on how to develop greater transparency and accountability in the capital markets.

Mandatory ESG Reporting

Recommendation

Eurosif recommends that there is mandatory disclosure of ESG data by large listed entities.¹

As this area has already attracted significant interest from various stakeholders, Eurosif suggests exploring a number of existing initiatives (Global Reporting Initiative, the Carbon Disclosure Project, recent guidelines by the International Corporate Governance Network (ICGN)², and the current work of the Climate Disclosure Standards Board³, for instance) and use them to amend existing regulation.

ESG issues differ in relative significance from one sector to the next – a pharmaceutical company for example does not face the same ESG challenges as a utility company. While a detailed prescriptive “one size fits all” reporting approach would not work and would be overloading for companies, Eurosif believes

¹ Although the EC's Fourth Company Law Directive defines a large company as a company with a headcount over 250, and/or a net turnover over €35 million and/or a total balance sheet over €17.5 million, Eurosif is open to discussing what would be the proper definition of large companies around ESG mandatory disclosure.

² ICGN Statement and Guidance on Non-financial Business Reporting www.icgn.org

³ The Climate Disclosure Standards Board is developing a global framework for corporate reporting on climate change, which is at a late stage of development (a draft will be launched publicly in May 2009), www.cdsb-global.org



Public Comment on the Principles for Periodic Disclosure by Listed Entities: consultation report

that an approach based on principles, flexible and simple enough to work for any listed, large companies, should become mandatory.⁴

Eurosif supports recent work done by the ICGN which details principles under which ESG reporting should:

- Be genuinely informative and include forward-looking elements where this will enhance understanding;
- Be material, relevant and timely;
- Describe the company's strategy, and associated risks and opportunities, and explain the board's role in assessing and overseeing strategy and the management of risks and opportunities;
- Be accessible and appropriately integrated with other information that enables investors to obtain a whole picture of the company;
- Use key performance indicators (KPIs) that are linked to strategy and facilitate comparisons;
- Use objective metrics where they apply and evidence-based estimates where they do not;
- Be strengthened where possible by independent assurance that is carried out having regard to established disclosure standards applicable to 'non-financial' business reporting, such as those issued by the IASB.

Eurosif recommends that those reporting principles be included in the annual reports.

With regards to standardised key performance indicators (KPIs), Eurosif believes that most KPIs would need to be sector-specific. A number of existing initiatives have produced interesting results in terms of KPIs (see the Greenhouse Gas Protocol,⁵ the European Federation of Financial Analysts Societies - EFFAS⁶, the non-financial performance lab by the European Alliance for CSR and the sector additions of the GRI). In particular, EFFAS developed sector-specific KPIs for a limited number of industries, as well as a methodology for defining industry-specific KPIs that any third party can use.

Making the case:

Currently, the EU Modernisation Directive states:

"To the extent necessary for an understanding of the company's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters;"

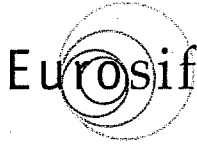
Nevertheless, at the current time, this requirement has not been readily enforced nor have companies disclosed substantive ESG information that could help investors. **Eurosif believes that policy makers should make reporting on ESG data no longer an option subject to interpretation but a requirement.** It is increasingly understood that financial statements capture less than 20% of corporate risks and value creation potential, with the balance deriving from intangible factors such as human capital and resource efficiency. ESG data are relevant, material information that investors should have and increasingly want as a means to better gauge longer term risks and opportunities. It is therefore important that companies provide an overview of all major risks and detail the most important ones.

The availability of ESG data tracking the sustainability performance of companies could have a beneficial effect on corporate, investment and market performance. Should investors conclude that companies with thoughtful long-term management of ESG issues are better-run companies, a sort of virtuous circle can be imagined: in this scenario, investors would reward stock prices where sustainability

⁴ A principles-based reporting approach provides a conceptual basis to follow instead of a list of detailed rules. Under a principles-based approach, one starts with laying out the key objectives of good reporting in the subject area and then provides guidance explaining the objective and relating it to some common examples.

⁵ Developed by the World Business Council for Sustainable Development (WBCSD) and the World Resource Institute (WRI). www.ghgprotocol.org

⁶ EFFAS "KPIs for ESG: A Guideline for the integration of ESG into financial analysis and corporate valuation"



Public Comment on the Principles for Periodic Disclosure by Listed Entities: consultation report

is integrated, and companies would respond by further improving their sustainability performance. Accordingly, a fixation on meeting quarterly earnings estimates and other short-term measures would give way to longer-term thinking as a broader sustainable business agenda is recognised and rewarded by investors. The mandatory disclosure of ESG information by publicly listed, large companies would go a long way towards the creation of a competitive and sustainable economy.

Without such mandatory disclosure, investors will continue to lack the means of assessing substantial numbers of material factors as they arise. Incomplete data makes for inefficient markets and a lack of transparency leads to unstable financial systems. **Investors require reliable, comparable data on a broad range of potential risks and opportunities.** A purely voluntary disclosure scheme does not guarantee significant, relevant and comparable data from all issuers: information is often provided selectively and very often, with the absence of common standards, the information cannot be compared with other companies, or over time. In addition, adopting a harmonised framework will ease the "questionnaire fatigue" companies sometimes complain about when they receive multiple and diverging information requests from ESG analysts.

Currently, regulators and stock exchanges in numerous jurisdictions around the world – including France (loi NRE, article 116), Brazil, Malaysia, South Africa, Sweden and very recently Denmark – have mandated or encouraged the disclosure of such data.⁷ In the United States, mandatory disclosure is currently being promoted by investors to the Obama administration⁸ and the US Environmental Protection Agency has now proposed a draft mandatory greenhouse gas reporting rule for US corporate facilities.⁹

This note has been developed as a part of Eurosif's aims to encourage disclosure, transparency and responsible ownership, and to promote the integration of social, environmental and governance issues into financial services. It does not necessarily reflect the views of all of its Member Affiliates.

Yours sincerely,

A handwritten signature in cursive script that reads "Matt Christensen".

Matt Christensen
Executive Director
Eurosif (European Sustainable Investment Forum)

⁷ For detailed references to case studies, see "*Innovations in Social and Environmental Disclosure Outside the United States*" by Domini Social Investments http://www.domini.com/common/pdf/Innovations_in_Disclosure.pdf

⁸ See <http://www.ceres.org/Page.aspx?pid=951>.

⁹ See <http://www.epa.gov/climatechange/emissions/ghgrulemaking.html>



Public Comment on the Principles for Periodic Disclosure by Listed Entities: consultation report

APPENDIX

About Eurosif

EUROSIF, the European Sustainable Investment Forum, is the pan-European network whose mission is to address sustainability through the financial markets. Eurosif works as a partnership of the national Sustainable Investment Forums (SIFs) within the EU and with the support and involvement of Member Affiliates. Recognised as the premier European forum for sustainable investment, Eurosif's Member Affiliates are drawn from leading pension funds, asset managers, NGO's, trade unions, academic institutes and research providers, together representing assets totalling over €1 trillion. Eurosif's work includes a focus across asset classes - equity and fixed income markets, microfinance, renewable energy, property, private equity and hedge funds - all centred around the industry trends and future legislation affecting this space. The key benefits that Eurosif affiliate members receive include EU interfacing, SRI information and European wide initiatives that integrate Environmental, Social and Governance (ESG) issues into the financial services sector. For the full list of Eurosif Member Affiliates, please see www.eurosif.org.

Eurosif has two main roles: (1) to provide an international forum that allows members and member affiliates to work together on issues pertaining to Sustainable & Responsible Investment (SRI, see below for definition of SRI and its market size in Europe) and Corporate Governance in the EU financial services sector, and (2) to collect input from members and member affiliates and then communicate their ideas and initiatives to European policy makers, including the European Commission as well as the European Parliament. Therefore, this note is mainly driven from and by the interest and expertise of our membership.

Sustainable and Responsible Investment Definition

Eurosif continues to use the term "SRI" as the most readily acknowledged expression for this field and defines SRI as follows:

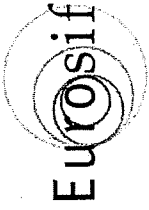
SRI, a generic term covering ethical investments, responsible investments, sustainable investments, and any other **investment process that combines investors' financial objectives with their concerns about environmental, social and governance (ESG) issues.**

To do so, different approaches exist:

- Best-In-Class approach: Selection of the best companies in their sector with regard to sustainable development.
- Thematic approach: Selection of the best companies according to a specific sustainable development theme (renewable energies, water, job creation, etc.).
- Norms-Based approach: Selection of companies according to their observance of the main international treaties/conventions (e.g. ILO).
- Exclusion approach: Exclusion of companies involved in controversial activities or issues (alcohol, gambling, animal testing, etc.).
- Engagement: this includes proxy voting, collaborative engagement, direct private dialogue with companies, and public engagement. Engagement is often considered as an extra overlay to other SRI approaches or traditional management.
- Microfinance approach: financing Microfinance institutions (bonds or equity) favoring economic empowerment.

Market Size

Eurosif recently published the latest Sustainable and Responsible Investment (SRI) figures and trends in its "European SRI Study 2008". This unique study highlights the scale of European SRI as well as European and National trends across thirteen countries, including Spain. Based on a survey of asset managers and self-managed asset owners, we found that total SRI assets under management (AuMs) have reached €2.7 trillion as of December 31, 2007 and represent as much as 17.5% of the asset management industry in Europe. This corresponds to a remarkable growth of 102% since December 31, 2005.



Eurosif Member Affiliates, 2009

Public Comment
of the German Insurance Association
on the Consultation Report
“Principles for Periodic Disclosure by Listed Entities”

Introduction

German insurance companies are affected by the proposals for principles for periodic capital market disclosure, which have been presented within the scope of the consultation, both as investors and issuers of listed securities.

German insurers basically welcome the approach of the consultation paper according to which a high degree of capital market disclosure should be achieved in international capital markets. The principles on periodic capital market disclosure, set forth in the paper, combine the rules on disclosure for companies whose securities are admitted to trading in a regulated market. It lists the details to be included in the annual financial report as well as in financial reports presented in the course of the year. In Germany, the disclosure regime concerning this type of reporting requirements is largely covered by the implementation of the Transparency Directive.

I. General comments

As a general rule, issues relating to accounting and disclosure should be left to the institutions set up to this effect (in this case the IASB). It does not add to the consistency of reporting vis-à-vis the public if requirements, which may possibly even diverge from each other, are defined by several institutions.

**Gesamtverband der Deutschen
Versicherungswirtschaft e. V.**

German Insurance Association

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II. Chapter III, Section A, no. 1.a. 1.) "Consolidated Statements and Other Financial Information"

Within the scope of publication of consolidated financial statements, disclosure of cash flow statements should be abandoned, at least for insurance companies, because these are not of great informative value to insurers.

III. Chapter III, Section B "For those periodic reports in which financial statements are included, the persons responsible for the financial statements provided should be clearly identified, and should state that the financial information provided in the report is fairly presented."

Already in the past, the obligation of the CFO to confirm the correctness of the balance sheet by giving his signature has been a matter of discussion. Under German law, the fulfilment of accounting obligations is a responsibility of the entire management rather than only of the CFO. Moreover, especially in the insurance sector, accounting involves that numerous evaluative questions have to be answered and estimates have to be made (particularly with regard to claims provisions). In this respect, estimation errors must indeed not be possibly penalized under liability and penal law. Furthermore, the declaration should be made subject to the restriction that the statement has been made to the best of one's knowledge.

Berlin, 4 September 2009

Greg Tanzer
Secretary General
International Organization of Securities Commissions
C / Oquendo 12
28006 Madrid
Spain

By email: PeriodicDisclosure@iosco.org

London, 30 August 2009

**Public Comment on the Principles for Periodic Disclosure by Listed Entities:
Consultation Report**

Dear Mr Tanzer,

We are writing to provide you with Hermes' comments on the Consultation Report on the Principles for Periodic Disclosure by Listed Entities ("the Principles").

Hermes Fund Managers Limited ("Hermes") is one of the largest pension fund managers in the City of London and is the principal manager of the BT Pension Scheme. Hermes has approximately €30 billion under management (31 December 2008). As part of its Equity Ownership Services (EOS), Hermes also advises and speaks for non-investment clients in respect of equities worth around €50 billion (31 December 2008). As such, we also respond to consultations such as this on behalf of Ireland's National Pensions Reserve Fund, Australia's VicSuper and the Dutch pension fund PNO Media. Hermes is closely involved in corporate governance and responsible investment around the world.

Hermes takes a close interest in the legal and regulatory framework that governs corporate reporting and disclosure both at the global and market level. Disclosure of reliable, relevant and timely information that is readily accessible is fundamental for markets to function because it enables investors to make informed investment decisions. It is also fundamental for the exercise of our clients' rights as part-owners of the companies in which they invest.

Hermes welcomes the Principles developed by IOSCO's Technical Committee. They provide useful guidance to jurisdictions that are developing or reviewing their periodic



disclosure requirements for listed entities. We are pleased in particular about the suggested scope and contents of disclosure on governance issues.

Given that we are broadly supportive of the Principles, we only have a few comments on specific Principles which we outline below. From the perspective of long-term investors, such as Hermes and its clients, one issue that seems particularly important going forward is the contents of and communication of companies related to interim reports. Whilst this question may have been outside the scope of the Principles project, we would encourage IOSCO to consider this important subject in due course.

With regards to the Principles, we would encourage you to put greater emphasis on information regarding the relationship of companies with stakeholders and the management of environmental and social issues.

Relationship with stakeholders

We believe that companies should manage effectively relationships with their employees, suppliers and customers and others who have a legitimate interest in their activities with a view to maximising long-term shareholder value. Well managed companies cannot ignore the impact of their activities on the wider society. This does not mean, however, that businesses have limitless social obligations. It is the responsibility of businesses to generate value for shareholders. Hermes believes that they will only be able to do so in the long-term by effectively managing relations with their key stakeholders. We believe that doing well economically in the long-term and behaving ethically and responsibly are not mutually exclusive. At the very minimum, based on economic efficiency, we would argue it is appropriate that companies are open about and prepared to discuss the impact of their activities on stakeholders.

Management of environmental and social issues

We believe that companies should manage effectively environmental and social factors that affect their business and society at large with a view to enhancing their long-term sustainability. They should demonstrate how they identify and explore related business opportunities and explain the structures and procedures in place to manage related risks. Where appropriate, companies should support voluntary and statutory measures which minimise the externalisation of costs to the detriment of society at large. We recognise that a range of environmental and social issues may affect long-term shareholder value and the company's sustainability. As such, we believe companies should effectively identify and explore related opportunities and manage relevant risks. We also encourage companies to disclose to shareholders on a regular basis how they do so and provide evidence that this process is effective. This could include reporting on objectives and milestones of and progress with sustainability strategies.

In addition, we have the following short comments on specific Principles.

Principle a.: Periodic reports should contain relevant information

We welcome disclosure of the audit related information mentioned in Principle a.. In addition we consider the disclosure of all fees paid to the auditor for audit and non-audit services rendered to the audited company and its subsidiaries as important for investors. Auditor fees should be disclosed in aggregate and, as far as possible, split between audit-related and non-audit related fees so that investors can identify and assess potential conflicts of interests.

Principle d.: Compensation disclosure

In terms of reporting on compensation, we believe remuneration policies should be disclosed annually so that shareholders can assess whether the interests of senior management have been aligned with their own. We encourage companies to prepare and publish remuneration reports. Such reports provide a chance to articulate policies with regard to remuneration and explain how they support strategic objectives. As such, they can provide a useful starting point for constructive dialogue between companies and shareholders.

Flawed remuneration policies may encourage executives to take excessive risks in order to generate short-term profits and fail to align their interests with those of shareholders in the longer term. For companies in the financial sector in particular, we therefore look for evidence that variable incentive structures reward sustainable profits and incorporate some risk metric and measure of the cost of capital involved in any deal related activities. Companies should disclose how their remuneration policies further the sustainable creation of value.

We believe it is particularly important and useful for companies to consider and disclose the objectives of remuneration policies. To be successful over the long-term companies should establish and maintain a strong internal culture which focuses its staff on sustainable value creation. Such a culture will ensure that employees act cohesively to promote the long-term success of the business. Boards of companies should establish, maintain and oversee an appropriate corporate culture and ensure that related objectives are reflected in arrangements such as job responsibilities, performance measurement and assessments and remuneration policies.

We would also encourage disclosure of the structures and procedures companies put in place to develop their remuneration policies, including the composition, terms of reference and activities of a relevant committee.

Principle e.: Corporate governance disclosure**Nomination committee**

Given the fundamental importance of the composition and work of the board of directors, we believe that in addition to the audit and compensation committees mentioned in the Principles, companies should generally set up a nomination committee and disclose information on its composition, terms of reference and activities. Where companies decide not to set up a nomination committee, comparable information on the structure and procedure of the relevant decision-making body should be provided to investors.

Risk management

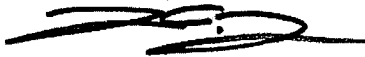
Effective risk management policies, structures and procedures are essential for sustainable value creation. The governance problems which contributed to the financial crisis have highlighted that risk management needs to have a higher profile within companies. This should start at the top. We believe that boards rather than committees should assume ultimate responsibility for and closely oversee the risk management function. Where appropriate particularly in the case of financial institutions a risk committee may be established to help the whole board to discharge its oversight role. Companies should report on their risk management policies, structures and procedures. They should also explain how the board oversees the risk management function.

Compliance and Ethics

We support disclosure of companies in respect of compliance and ethics (discussed under 5.) Code of Ethics). We would note however that it is not the existence of a code of ethics as such that is relevant to investors but information that demonstrates that compliance and ethics are embedded in the corporate culture. The most valuable information on compliance and ethics policies demonstrates that the structures and procedures to implement them are working effectively.

We hope you will find our comments useful. If you would like to discuss our views in further detail, please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'H. Hirt', with a stylized flourish at the end.

Dr. Hans-Christoph Hirt
Director



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web: www.ibfed.org

Mr Greg Tanzer
Secretary General
IOSCO
Calle Oquendo 12
28006 Madrid
Spain

31st August 2009

Email: PeriodicDisclosure@iosco.org

Dear Mr Tanzer

Subject: Public Comment on the Principles for Periodic Disclosure by Listed Entities: Consultation Report

1. The International Banking Federation (IBFed) welcomes the opportunity to comment on IOSCO's proposals for principles for periodic disclosure by listed entities. IBFed concurs with IOSCO's assessment of the importance of disclosure standards (i) for capital raising, (ii) to facilitate secondary market trading, and (iii) to assure investor protection. Notably, IBFed welcomes IOSCO's efforts to achieve international consistency of disclosures issued by listed entities.
2. IOSCO is right to point to the current diversity of regulatory approaches towards periodic disclosure. It is therefore appropriate for the Technical Committee to adapt a **pragmatic approach and design its disclosures in an outcome-focused way** and in the style of recommendations and examples, which allows for a wide range of application and adaptation by securities regulators.
3. IBFed broadly concurs with IOSCO's recommendations for the **content of periodic reports**. As regards IOSCO's reference, in some instances, to the "provision" of information, or to that of "making available" information, IBFed would understand

both terms to designate the same concept. This would leave it free to issuers and distributors of financial instruments to decide on the appropriate way of interaction with potential investors. For example, “providing” or “making available” information would often mean to give a reference to web pages where the relevant information can freely be downloaded.

4. Whether this would be sufficient and in what other situations information should, as an opposed concept, be physically delivered to potential investors is determined by many factors such as the distribution channel, the target group of potential investors, the respective country’s infrastructure etc. Given the significance of these important individual circumstances, it would not be desirable for IOSCO to propose principles in this respect. IBFed would however welcome that IOSCO confirms its reading of “providing” and “making available”.
5. As regards IOSCO’s proposals for the **disclosure of off-balance sheet arrangements and disclosure of an issuer’s exposure to market risk associated with activities in derivative financial instruments**, IBFed notes that such disclosures are already required of banks under Pillar 3 of the Basel II Accord, in a great amount of detail. In view of the partly different audiences of the two types of disclosures, IBFed agrees that separate disclosures would have to be made in the issuer’s periodic disclosure documents where such positions are likely to impact a potential investor’s investment decision. In IBFed’s understanding, the way of presentation would in this case be a different one, with more emphasis lying on the qualitative assessment and on aggregate and average positions.
6. IBFed looks forward to reading IOSCO’s final report, and to continue working with IOSCO on this and the range of other measures currently under consideration.

Yours sincerely,



Sally Scutt
Managing Director
IBFed



Pierre de Lauzan
Chairman
IBFed Financial Markets Working Group



the global voice of
the legal profession

2 November 2009

Greg Tanzer
Secretary General
International Organization of Securities Commissions
C / Oquendo 12
28006 Madrid
Spain

sent by e-mail to: PeriodicDisclosure@iosco.org

Re: Public Comment on the Principles for Periodic Disclosure by Listed Entities:
Consultation Report

Dear Mr. Tanzer,

A. Introduction

The International Bar Association is pleased to respond to your consultation report on Principles for Periodic Disclosure by Listed Entities (hereinafter the "Principles") launched on July 2, 2009.

The International Bar Association, the global voice of the legal profession, includes 30,000 individual lawyers and 195 bar associations and law societies worldwide. We are submitting our comments on behalf of the Securities Committee which has over 900 members from 85 different countries. We would like to thank the IOSCO for providing an opportunity to contribute to IOSCO's initiative to enhance transparency and investor confidence internationally. Given the irritations caused by the recent financial crisis that also revealed deficiencies in disclosing risks relevant for investors, the time for this initiative is well chosen.

We are convinced that the Principles provide useful guidance to establish internationally consistent disclosure regimes that are capable of enhancing and restoring investor confidence globally. We believe the Principles may have an even stronger impact if, in addition to reporting different approaches taken in various jurisdictions, they also expressed IOSCO's preferred concept and made a recommendation in that regard.

B. Comments

1. Descriptive Statements

We would welcome if IOSCO could consider revising the descriptions of disclosure rules or practices in various jurisdictions to clarify whether or not the Principles recommend including the specified disclosure in annual or other periodic reports (for

example, see the first full paragraph on page 9: "*Distributions to equity holders, such as dividends, are also typically included in the financial statements.*"). Although we understand that rules for disclosure will inevitably vary across jurisdictions, it could be useful to the IOSCO members if the Principles more clearly identify the preferred approach where disclosure rules or practices differ.

In addition, we believe that regulators should be encouraged to review the periodic reports, if not annually, at least from time to time. In some jurisdictions, the first three annual reports must receive sign-off before they can be published, and thereafter the review is on an ad hoc basis. In other jurisdictions, the annual report must be reviewed by the regulator at least every three years. An alternative could be to require a review by the issuer's auditor. Review will enhance quality and comparability of periodic reports at least within the relevant jurisdiction.

2. Uses of Annual Reports

The topic addressed in the third full paragraph on page 6 points at an issue that has shown to be extremely relevant for issuers needing to raise capital quickly. However, in the course of the recent financial crisis, issuers (at least in some European jurisdictions) realised that a prospectus was required in order to raise (equity) capital in a significant amount and that the preparation thereof could delay access to the markets. This is also generally true in a volatile market environment where an issuer has a legitimate interest to use a market opportunity to execute a capital markets transaction quickly. Another situation where quick access to capital markets is of paramount importance is the financing of acquisitions. Issuers have so far been trying to overcome the timing constraints referred to in this paragraph by obtaining bridge loans to be repaid by the proceeds from a securities issue. However, banks have become much more restrictive in terms of bridge financing as a result of the financial crisis and the related more critical view on credit risks.

For listed issuers it would be extremely helpful if the required periodic disclosure and the information to be included into a prospectus could be combined, for example by an incorporation by reference concept as it is already used for SEC registrants in the United States. Therefore, we encourage IOSCO to argue even more forcefully in favour of an integrated disclosure system that combines periodic disclosure and prospectus disclosure as opposed to the separate disclosure regimes for periodic reporting and prospectuses that still exist in many jurisdictions, particularly in Europe.

3. Scope

It might be helpful to state that the scope of the Principles does not include current reports that are not tied to a specific period, such as reporting of major shareholdings or so-called ad hoc disclosure of inside information which directly concerns the issuers (like under Article 6 para. 1 of the EU Market Abuse Directive 2003/6/EC). Consider either adding a definition for "periodic reports" that would include the

annual and other interim (i.e., half-year or quarterly) reports and exclude current reports, or make clear in the "Scope" section on page 7 that the Principles are not meant to apply to current reports.

4. Advisors

We suggest adding a section that encourages companies to consult with their legal and other advisors on disclosure matters. Working with advisors can help companies better understand the applicable disclosure rules and prepare the appropriate level of disclosure for their periodic reports.

5. Annual Reports

With regard to annual reports, IOSCO rightly points out that accurate and reliable publicly available financial information enhances investors' confidence in the public markets and that issuers should be required to provide consolidated financial statements according to high quality internationally accepted accounting standards. In that regard IOSCO might add a reference to the efforts taken by the FASB and IASB to develop accounting standards that are closer aligned to one another across jurisdictions. Financial disclosure regimes that could be mutually recognised and that enable a comparison of financial disclosure of companies across an increasing number of jurisdictions, including in particular the EU member states on the one hand and the United States on the other, appear to be an aim that could be positively recognised in the Principles as well.

Also, based on the general principles set out under item "2." of this letter ("Uses of Annual Reports"), the proposed requirement to provide an OFR/MD&A discussion should be integrated into existing requirements to provide a management report such as under Articles 4 para. 5 of the EU Transparency Directive 2004/109/EC and Article 46 of EU Directive 78/660/EEC and at the same time be consistent with any OFR/MD&A disclosure rules under applicable prospectus disclosure regimes in order to allow the application of an incorporation by reference concept when drawing up a prospectus for a securities offering. The OFR/MD&A section could in particular also include a section that explains critical accounting estimates in a way that supports the analysis by (retail) investors and provides for a sensitivity analysis.

The emphasis that is put on the liquidity and capital resources (page 10, last paragraph) addresses an important topic with regard to the investors' assessment of the sustainability of an issuer in a critical economic environment. However, we believe that a reference to the issuer's dependence on short term financing via the capital markets (e.g. exposure to commercial paper refinancing) could be addressed more specifically given the increased sensitivity of this issue in the context of the restraints of short term and money market refinancing over the last year that nearly lead to the collapse of major financial institutions like the major bank Hypo Real Estate.

6. Off-Balance Sheet Arrangements

The deficiencies of existing disclosure regimes with regard to off-balance sheet arrangements have contributed to spectacular collapses of sizable listed entities (like, for example, Enron) and contributed to the recent financial crisis (as has become apparent in the near-breakdown of the listed German credit institution IKB). Off-balance sheet arrangements have therefore had a significant negative impact on investor confidence in the accuracy and completeness of financial disclosure. We therefore welcome IOSCO's attempt to close the gap in financial disclosure by applying a principles based approach that requires disclosing ALL material off-balance sheet arrangements.

7. Material Related Party Transactions

The disclosure about material related party transactions should in our view also cover agreements on which either the issuer or the other party is dependent for their business.

8. Compensation Disclosure

The compensation of directors and senior management has been in the focus of the political discussion in the recent past, in particular with regard to the question as to whether a inappropriate incentivisation of senior management might have contributed to the financial crisis. We therefore welcome the approach set out in the last paragraph of page 12 to the extent it requires a discussion and explanation of the issuers compensation policies, the principles and the compensation system. However, we suggest that more emphasis should be put on the method of incentivisation (in particular whether it encourages senior management to focus on a sustainable and long-term business success). In this regard, we believe that IOSCO should make a clear recommendation as to the level of disclosure it deems appropriate without becoming prescriptive as to which measures and methods are considered appropriate.

9. Conflicts of Interest

We suggest to have a section describing conflicts of interest for the issuer as well as its directors and officers, which might be repeated (or referenced to) in the corporate governance section.

10. Disclosure Related to Market Risk Sensitive Instruments

Market sensitive instruments disclosure should be understandable to the retail investor, in particular by using simple illustrations of sensitivities of the instruments to specified changes in the relevant market.

11. Equity Compensation Plan Disclosure

It seems somewhat unclear to us whether IOSCO is seeking to encourage the use of pro forma tables, etc., showing, for example, the capital at period end and then the capital if all instruments are exercised (including who would own those shares). Perhaps the Principles could be clarified on that point. It seems that issuers should provide not only narrative on plans adopted without shareholder approval, but analogous quantitative information as well.

12. Interim Periodic Reports

Interim reports could include updated, consolidated information on share ownership taken from filings by investors made after filing of the annual report.

13. Storage of Periodic Information

The storage of periodic reports is key to investor access. We suggest that the "central location" refer specifically to a place where an investor can see all periodic reports in that jurisdiction, with at least a link to that place on the regulator's website. As long as no central location is available, the issuer's website could be used as basis to incorporate by reference into a securities prospectus information that has already been published by the issuer, although this complicates access for retail investors.

14. Risk Factors

The annual report should include a discussion of the most significant factors, ranked or classified in an understandable format, that make investing in the relevant securities speculative or risky. We note that disclosure in periodic reports about material changes in risk factors is mentioned in the first full paragraph on page 19.

15. Description of Business and Properties

A description of the business of the company should be included in the annual report, including recent developments, as well as disclosure regarding the company's material property, plants and equipment. We note that in the third full paragraph on page 6 reference is made to certain jurisdictions allowing companies to include a

description of their business in their annual reports. In this respect, cross references could be used to avoid repetition.

16. Certain Financial Information

In cases where the issuer calculates or presents financial information in a way other than in accordance with applicable accounting standards (e.g., non-GAAP financial information), a reconciliation to the most directly comparable financial measure should be presented to help the investor better understand the information.

17. Disclosure Criteria

Consider adding to the "Disclosure Criteria" section on page 21 that legalistic and overly complex presentations that make the disclosure difficult to understand should not be used.

Sincerely yours

/s/ Philip Boeckman
Philip Boeckman
Co-Chair
IBA Securities Law Committee
London

/s/ Jonathan Ross
Jonathan Ross
Senior Vice-Chair
IBA Securities Law Committee
Auckland

/s/ Cecilia Carrara
Cecilia Carrara
Vice-Chair
IBA Securities Law Committee
Rome

/s/ David Rockwell
David Rockwell
Vice-Chair
IBA Securities Law Committee
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/s/ Pere Kirchner
Pere Kirchner
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IBA Securities Law Committee
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/s/ Christian Cascante
Christian Cascante
Senior Vice-Chair
IBA Securities Law Committee
Stuttgart

/s/ Florian Giebitz
Florian Giebitz
Vice-Chair
IBA Securities Law Committee
Vienna

/s/ Nigel Wilson
Nigel Wilson
Vice-Chair
IBA Securities Law Committee
London

/s/ Linda Hesse

Linda Hesse
Secretary
IBA Securities Law Committee
Paris

/s/ Pit Reckinger

Pit Reckinger
Vice-Chair
IBA Securities Law Committee
Luxembourg

/s/ Derk Lemstra

Derk Lemstra
Membership Officer
IBA Securities Law Committee
London

/s/ Masayuki Watanabe

Masayuki Watanabe
Regional Representative Japan
IBA Securities Law Committee
Tokyo

/s/ Cecilia Maria Mairal

Cecilia Maria Mairal
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/s/ Tim Lewis

Tim Lewis
Vice-Chair, Mergers & Acquisitions
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IBA Securities Law Committee
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/s/ Dean Naumowicz

Dean Naumowicz
Vice-Chair, Public Company Practice and
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IBA Securities Law Committee
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/s/ Niels Walther-Rasmussen

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/s/ Thomas Bischof

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Mr Greg Tanzer
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[By e-mail: PeriodicDisclosure@iosco.org]

28 August 2009

Dear Secretary General,

IOSCO – Public Comment on the Principles for Periodic Disclosure by Listed Entities: Consultation Report

We write on behalf of the members of ICMA and SIFMA to express members' views concerning the Consultation Report.

We agree that in increasingly globalised securities markets, generally accepted international disclosure standards play a critical role in facilitating cross-border capital raising. Complementing IOSCO's earlier steps towards an international consensus on disclosure standards for public offerings and initial listings of securities and principles for ongoing disclosures, we therefore welcome this IOSCO initiative to develop specific guidance on periodic disclosures.

In addition to guidance on the content and publication of periodic disclosures, we recommend that IOSCO develop principle(s) on the liability of issuers for such disclosures. Assuming (as IOSCO does) that the disclosures will inform investment decisions, it is likely that investors will have a right to compensation if they are (or are alleged to be) incorrect. To the extent that there is such a purpose and liability, this will encourage the preparation of periodic reports as though they were prospectuses with consequent additional demands on management time and resource. Moreover, investors may be incentivized towards speculative litigation (as is e.g. the case with allegedly misleading registration statements in the US) and further management time and company resources will be spent fighting off spurious claims. In Europe, the requirement under the Transparency Directive to publish reports throughout the EEA, will mean that such claims will potentially be made in multiple jurisdictions under multiple legal systems, further adding to time and cost in defending them. The combined result of the above factors may make leave listing becomes so onerous and costly that issuers decide to avoid it.

On this basis, we believe that to fulfil the policy objective of better on-going information being made available to investors, IOSCO needs also consider liability and how to limit multiple cross border claims.

Liability

We recommend that IOSCO consider a liability threshold based on 'fraud' rather than 'reasonable care'. The IOSCO liability principle(s) need to achieve an optimal balance between the needs of the market for timely, meaningful and more accurate disclosure on the one hand and liability for inadequate or misleading disclosures on the other. We acknowledge that this is a difficult balance to strike but consider it essential to do so. If the liability threshold is set too low, those making disclosures may become over cautious. In extreme cases this may even lead issuers to migrate to other markets with less onerous liability regimes. But a liability threshold that is too high may result in inaccurate disclosure to the detriment of investors and the markets as a whole.

There is a further important balance to be struck between a liability regime that motivates management to make accurate disclosure and one that is so uncertain, or so easily triggered, or so draconian in its sanctions, that management spends too much time preparing disclosure. Cost, in this area, is not just to do with fees paid to advisors, but also involves undue diversion of management time. Investors need managers to run their companies and the more time that is spent in crafting reports so as to limit exposure to hair-trigger liability regimes, the less time will be available to seize market opportunities and increase profitability. There is also a risk that, if liability for disclosures is too easily incurred or if the job of director involves too much introspection for disclosure purposes, it will become increasingly difficult to recruit the right people to populate boardrooms of public companies.

We recommend that IOSCO consider the development of liability principles that include clarification of: the basis for liability; the range of disclosures covered; the liability for late statements; the application to non-regulated markets; and issues relating to the ranking of investor claims, the liability of those making statements, the position of sellers and holders of securities, and the measure of damages. We also recommend that IOSCO analyze the expected impact of the principle(s) on litigation levels and of the benefits and limitations of private actions to enforce securities law.

In particular, we recommend that IOSCO be very clear as to the liability threshold. In this respect we believe that the policy objective discussed above can only be achieved through a fraud based liability test. In this respect, it may be informative to explore the English statutory (Companies Act) regime which effectively amounts to a test akin to 'deceit' under English law, so that: 'knowledge' means the knowledge that the directors actually had (i.e. not knowledge that was available to them or that they could have deduced by putting together a number of different facts that were within their knowledge) and 'recklessness' is construed so that if a disclosable fact were provided to a director but he chose not to read it, he would only have been reckless if that choice was made with a dishonest intent.

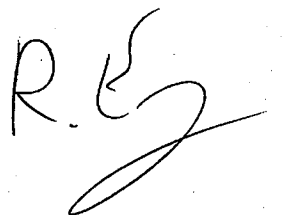
Cross Border Claims

In Europe, information has to be disclosed 'using such media as may reasonably be relied upon for the effective dissemination of information to the public throughout the Community' (Transparency Directive). This may potentially trigger simultaneous liability in a number of different EEA states for information that is alleged to be misleading. This is because investors will read the information when it is relayed to them in their state and rely on it to their detriment, so that, under normal conflict rules, the applicable law to determine liability will be their local law. This result would largely negate the protection afforded to companies by any national regimes and defeat the policy objectives described above. It makes sense in such cases that there should be one set of legal proceedings, applying one set of legal principles. In this respect, one option may be that the law of the regulated market to which the issuer is admitted applies - and, if there is more than one, it will be the lead market (although consideration will need to be given as to how this is determined).

Yours sincerely,



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ICMA is a unique self regulatory organisation and an influential voice for the global capital market. It represents a broad range of capital market interests including global investment banks and smaller regional banks, as well as asset managers, exchanges, central banks, law firms and other professional advisers amongst its 400 member firms. ICMA's market conventions and standards have been the pillars of the international debt market for over 40 years, providing the self regulatory framework of rules governing market

practice which have facilitated the orderly functioning and impressive growth of the market. ICMA actively promotes the efficiency and cost effectiveness of the capital markets by bringing together market participants, including regulatory authorities and governments. www.icmagroup.org

The Securities Industry and Financial Markets Association brings together the shared interests of more than 600 securities firms, banks and asset managers. SIFMA's mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public's trust and confidence in the markets and the industry. SIFMA works to represent its members' interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong. For information on SIFMA, please visit. www.sifma.org

August 31, 2009

IOSCO's Consultation Report on Principles for Periodic Disclosure by Listed Entities

Comment of NASDAQ OMX

The NASDAQ OMX Group, Inc. (NASDAQ OMX) is a global exchange company delivering trading, exchange technology and public company services across six continents, with over 3,800 listed companies. NASDAQ OMX offers multiple capital raising solutions to companies around the globe, including its U.S. listings market and the U.S. 144A sector; NASDAQ OMX Nordic, NASDAQ OMX Baltic. The company offers trading across multiple asset classes including equities, derivatives, debt, commodities, structured products and ETFs. At the multilateral trading facility under license in the UK, NASDAQ OMX Europe, pan-European routing connects European liquidity pools. In the Nordic and Baltic markets, NASDAQ OMX offers capital raising solutions tailored for small, young or growth companies by a listing service on the alternative listing venue First North. NASDAQ OMX also provides access to the world's largest power derivatives markets and one of Europe's largest carbon markets and offers consulting services to commodities markets globally. NASDAQ OMX technology supports the operations of over 70 exchanges, clearing organizations and central securities depositories in more than 50 countries.

NASDAQ OMX welcomes the opportunity to comment on IOSCO's report on Principles for periodic disclosure by listed entities ("the Principles"). As a global exchange company listing issuers from all corners of the world, we view rules for periodic disclosure central for our clients and for investors. Enhancing and harmonizing disclosure rules globally should be a priority for policy makers. NASDAQ OMX welcomes IOSCO's work in this regard.

NASDAQ OMX believes it should be clearly expressed in the Principles that they are intended to have a specific role when IOSCO members are reviewing foreign regimes and entities for the accepting of foreign listings into its jurisdiction. We believe the Principles have the potential to be particularly useful as benchmarks in these situations and not only for the developing and reviewing of national regimes. It would be useful if this was clearly stated in the document itself in order to support implementation in this regard. In the increasingly globalized securities markets, more and more issuers seek to be listed and raise capital cross-border. Cross-border activities are facilitated if issuers are not required to comply with multiple disclosure regimes but may rely on the compliance of the home jurisdiction regime also for cross-border activities. This necessitates that the home and host regimes are both of high quality and that the authorities involved are confident in each others' regimes. For such reviews the Principles should serve as a valuable contribution.

To be as useful as possible, the proposed Principles will need to strike the right balance between flexibility and strictness. On the one hand they need to allow for enough flexibility in order for IOSCO members to widely accept and be able to implement the principles. On the other hand they need to have a certain degree of strictness, otherwise they will not provide a sufficient basis for

IOSCO members in reviewing and/or developing disclosure regimes and they will not support progress on convergence processes. We support any work by IOSCO in further developing appropriately enhanced disclosure regimes which may be of practical use for IOSCO members as, as we trust this will foster a wider acceptance of foreign regimes between IOSCO members as well as support convergence processes.

Another possible positive impact we wish to particularly highlight is that the proposed principles should incline more IOSCO members to accept shelf registration systems. This would reduce unnecessary administrative burden for the listed entities, which would make the business environment for listed entities more efficient, while at the same time maintaining a high level of investor protection.

Finally, we wish to encourage IOSCO to support its members, and also regional organisations, in generally ensuring that IOSCO's principles and standards play a more important role in the execution of day to day supervisory and regulatory tasks. This is a general issue which we believe has become even more highlighted with the financial crisis. It is clear that the response to the financial crisis needs to be global, putting a new focus on the role of global organisations. A precondition for effectuating policy responses to the financial crisis, and to any other general or specific issues, at a global level, is that individual actors to a larger extent implement global instruments in their practical work. The importance of international organisations in for such a development can be illustrated by the work of a global organisation like IOSCO, in which context we believe more can be achieved on implementation and practical application of principles and standards on the global scene.

We appreciate the opportunity to comment on the proposed Principles for periodic disclosure by listed entities and stand ready for further contacts if that would be helpful. For further information on our comments, please contact Elina Yrgård (+46 8 405 6814; elina.yrgard@nasdaqomx.com).

Some Comments on the Principles for Periodic Disclosure by Listed Entities: Consultation Report

1. To 3.) Trend Information (page 10)

Suggestion is to expand this article by including the issuers' planned activities – investments and capital expenditures (without any confidential details to be used by the competitors). Plans disclosure alongside with trends and profit forecasts can help investors to have the better understanding of the correlation and reliability of these.

2. To 5.) Critical Accounting Estimates (page 11)

To add the information whether any discrepancies with auditor over the estimates and assumptions applied by the issuer have taken place. Whether the Audit Committee has participated in resolving etc.

3. To e. Corporate governance disclosure (page 13)

Suggestion is to expand this section by the following information:

- The issuer's history in brief;
- The issuer's hierarchy of the governing bodies (as they vary in different jurisdictions);
- The major committees created under the Management Board, their names and goals;
- The issuer's credit ratings assigned and other ratings (such as corporate governance score by Standard&Poor's etc);
- The issuer's material subsidiaries: brief history, main activities, top-management, how critical this entity for the issuer etc;
- Amount of fees and reimbursements paid to the auditors;
- Scope and fees for the non-audit functions performed by the auditor (if any);
- The issuer's employees: total number, dynamics, proportions for HQ and branches, education level etc.;
- The list of the major local and international legislation acts governing the issuer's activities;
- The issuer's payment accounts;
- The issuer's contact details with names for shareholders, investment analysts, and media.

While most of these are common sense and a lot of issuers already include them into their periodic disclosure they are still worth to be mentioned as good Corporate governance disclosure.

4. To f. Disclosure related to market risk sensitive instruments (page 15)

The suggestion is to expand the section to full-scale 'Risk management' section including all types of applicable risks, their probability and severity estimations as well as short description of risk management measures taken.

5. To D. Information should be available to the public on a timely basis. (page 20)

While I'm totally agree with the principle of timely disclosure I would disagree that "*small and medium-sized issuers may need more time to prepare their reports because of their more limited resources*". I've been working for the nation-wide issuers, as well as for the relatively small ones and while the requirements set by the Russian legislation for the issuers do not differ for small or big issuers the completing quarterly reports for the bigger issuers take more time and efforts due to two simple reasons:

- Complexity and scope of the activities. In smaller issuer it's possible to gather all the information needed from several knowledgeable employees and make it fast while in bigger one you have to write a numerous requests to the departments and then take your time to make them unified and matched with each other.
- Bureaucracy level. All major periodic reports shall be pre-approved and approved by the levels of management and by relevant governing bodies – in smaller issuers this usually goes much faster.

6. To I. Equivalence of Disclosure (page 22)

This section should take into account the need for translation of the documents to be disclosed to all markets in which the issuer is listed and should propose to keep the delay of disclosure in different market to minimum if the simultaneous disclosure is impossible (usually due to the size and complexity of the document).

Dmitry Bolgov

OJSC Promsvyazbank

International Organization
Of Securities Commission
(IOSCO)

□ **Post subject:** SEC Of Bangladesh comments to the Periodic
Disclosure Consultation Report | **Posted:** Tue November 03,
2009 01:00 PM

MemberType: General
Secretariat

Posts: 138

We have gone through the preliminary recommendations that have been proposed in the consultation report on "Principles for Periodic Disclosures by Listed Entities" prepared by the IOSCO Technical Committee. It appears that preliminary recommendations of the IOSCO Technical Committee for disclosures requirement in the annual reports and periodical reports are appropriate and would ensure high quality financial reporting and at the same time would also address some basic requirements of corporate governance. As per the recommendations, the listed companies would be required to make additional disclosures, information and statements for due diligence, which would make the financial statements more informative and reliable to the investors for making their investment decision.

In view of the above, we are of the opinion that proposed Principles for Periodic Disclosure will make the annual and periodical reports of the listed entities more transparent and strengthen investor confidence.

In this regard a summary report on compliance with the recommendations by the listed companies has been attached.

With best regards

M. Hasan Mahmud
secbd@bdmail.net

	<p align="center">Principles for Periodic Disclosure by Listed Entities</p>	<p align="center">Comments of CFD as regard compliance of disclosure requirement in Bangladesh</p>
II.	<p>Definitions Unless the context indicates otherwise, the following definitions apply to certain terms used hereinafter in these principles: Affiliate- A person or entity who, directly or indirectly, either controls, is controlled by or is under common control with, a specified person or entity. Annual Report- As used in the principles, the term Annual Report refers to information about an issuer that covers a full financial year, including the annual financial statements, that is included in a single document or a set of documents. The content requirements for an Annual Report are set forth in a jurisdiction's accounting regulations, securities regulations or company law. Directors and Senior Management- This term includes (a) the issuer's directors, (b) its executive officers, and (c) members of its administrative, supervisory or management bodies. Interim Report- A report for a period shorter than an issuer's full financial year, as required by a jurisdiction's securities regulations or company law. For example, this would include quarterly or half yearly reports.</p> <p>Principles for Periodic Disclosure by Listed Entities The Technical Committee has identified the following principles as essential for any periodic disclosure regime. A. Periodic reports should contain relevant information. 1. Annual reports The information provided in the annual report should be provided as of the latest practicable date, except where the applicable law or regulation requires the information to be provided for the financial year covered by the report or as of a specified date. a. Annual reports should contain audited financial statements. At a minimum, listed companies should be required to provide audited financial statements that cover the entire prior financial year in their annual reports. The audit report must be given by an independent audit firm that is subject to oversight by a body that acts and is seen to act in the public interest. The IOSCO Principles for Auditor Oversight set forth general principles for the oversight of audit firms and auditors that audit financial statements of companies whose securities are publicly traded in the capital markets. Current security holders, as well as potential investors, need information about the issuer's financial position, performance and cash flows in order to assess its liquidity and solvency and in order to make informed decisions about their investment strategy with respect to the issuer's securities. The issuer's financial statements are an important source of this information. Accurate and reliable publicly available financial information enhances investors' confidence in the public markets. The principles discussed in this section assume that the issuer will be required under relevant laws and regulations to provide consolidated financial statements according to high quality internationally accepted accounting standards.</p>	<p>No comment</p>
III.		<p>This is usually done by the listed companies.</p>
		<p>As per Companies Act and Bangladesh Accounting Standards, listed companies are required to furnish Annual Reports containing audited financial statements including consolidated audited financial statements, as applicable. So far, very few of the listed companies are consolidating financial statements of their subsidiaries. However, the Accounts of branches and units of listed companies are consolidated. Institute of Chartered Accountants of Bangladesh is the primary regulator of the external auditors. However, SEC exercises</p>

	Principles for Periodic Disclosure by Listed Entities	Comments of CFD as regard compliance of disclosure requirement in Bangladesh
	<p>1. Consolidated Statements and Other Financial Information</p> <p>Consolidated financial statements, audited by an independent auditor and accompanied by an audit report, should be provided to enable investors to make accurate assessments about the issuer's financial position, and assist investors in making meaningful comparisons of an issuer's current financial position to prior periods, as well as to other companies. A complete set of consolidated financial statements should at least include: a balance sheet; income statement; statement showing either (i) changes in equity other than those arising from capital transactions with owners and distributions to owners, or (ii) all changes in equity (including a subtotal of all non-owner movements in equity); cash flow statement; related notes and schedules required by the comprehensive body of accounting standards pursuant to which the financial statements are prepared; and if not included in the financial statements, a note analyzing the changes in each caption of shareholders' equity presented in the balance sheet. Distributions to equity holders, such as dividends, are also typically included in the financial statements. Comparative financial statements that cover the issuer's most recent financial years and that are audited in accordance with a comprehensive body of auditing standards provide investors with material information about trends in the issuer's performance and financial condition.</p> <p>Annual reports should contain an audit report that covers each of the periods for which audited financial statements are required to be provided by the relevant securities regulator or applicable law. Audits that are conducted on the issuer's financial statements by independent auditors play a crucial role in fostering investor confidence in the reliability of the financial statements. Audit reports provide investors with assurance that the financial statements have been properly prepared in accordance with the applicable financial reporting framework. If the auditors have refused to provide a report on the financial statements or if the report contains qualifications, modifications or disclaimers, this information would be highly relevant to investors and should be reproduced completely, as well as the reasons given for them.</p>	<p>oversight to safeguard the interest of the investors in the capital market only.</p> <p>Other than consolidating the financial statements of subsidiaries, most of the listed companies are complying with the requirements of this para.</p>
	<p>2. Significant Changes</p> <p>An indication in the annual report of whether any significant change has occurred since the date of the financial year covered by the annual report helps ensure that it reflects all material events that could have an impact on an investor's decision making. Useful information includes changes that have a significant impact on the issuer's financial condition, performance or its ability to fulfill its obligations on the securities it has issued.</p>	<p>Many of the listed companies are now giving indication about significant changes, if there is any.</p>
	<p>b. Annual reports should also contain a Management's Discussion and Analysis (MD & A), also referred to as Operating and Financial Review (OFR).</p> <p>In addition to their audited financial statements, listed companies should provide in their annual reports and OFR/MD & A discussion. Through this discussion, management explains the factors that have affected the company's financial condition and results of operations for the historical periods covered by the financial statements, as well as management's assessment of the factors and trends that are anticipated to have a material effect on the company's financial condition and results of operations in the future. As noted in IOSCO's February 2003</p>	<p>Chairman's/Board of Directors' report to the shareholders of the listed companies incorporated in the annual report includes information but not in a comprehensive manner as mentioned in this para.</p>

	<p align="center">Principles for Periodic Disclosure by Listed Entities</p>	<p align="center">Comments of CFD as regard compliance of disclosure requirement in Bangladesh</p>
	<p>report, "General Principles Regarding Disclosure of Management's Discussion and Analysis of Financial Condition and Results of Operations," the OFR/MD & A enables investors to see the company "through the eyes of management" and improves the financial disclosure by providing the context within which financial statements should be analyzed.</p> <p>OFR/MD & A provides a balanced explanation by management of factors that have affected the issuer's financial condition and results of operations for the periods covered by the financial statements included in the annual report. This disclosure provides a context within which the financial results and financial position portrayed in the financial statements can be interpreted, and enables investors to see the issuer through the eyes of management. It may provide information about the quality and potential variability of the issuer's earnings and cash flow. As a result, investors are in a position to have a better understanding of the issuer's financial position.</p> <p>Disclosure about the causes of material changes from year to year in financial statement line items, to the extent necessary for an understanding of the issuer's business as a whole, would be highly relevant to investors. In addition, a discussion based on segment information should be provided if it would be material to an understanding of the issuer's business and its overall financial condition and operating performance.</p>	
	<p>1. Operating Results.</p> <p>Disclosure about the significant factors that materially affected the issuer's income from operations, including unusual or infrequent events or new developments and the extent to which income was affected by these factors, facilitates a better understanding of the issuer's results of operations. Significant factors could include, for example, the impact of inflation, the impact of foreign currency fluctuations, and any governmental economic, fiscal monetary or political policies or factors that have materially affected, or could materially affect, the company's operations. Disclosure about any significant components of revenues and expenses that are necessary to understand the issuer's results of operations can also be useful.</p>	<p>Listed companies are increasingly reporting significant factors that are materially affecting their performance.</p>
	<p>2. Liquidity and Capital Resources</p> <p>Information about the issuer's short-term and long-term liquidity, i.e. its ability to generate adequate amounts of cash to meet its cash obligations, provides useful information about whether the issuer can fulfill its obligations on its securities. This includes discussion of the financial key performance indicators. For example, relevant information may include the issuer's internal and external sources of liquidity; a discussion of the risk of illiquidity of assets that may be held to settle the liabilities of the issuer; any material, unused sources of liquidity; and any material restrictions on all sources of liquidity. This could include a discussion of why these material sources of liquidity are not being used. If a material deficiency is identified in the issuer's ability to meet its cash obligations, the course of action that the issuer has taken or proposes to take to remedy the deficiency is useful information for potential investors in its securities. Examples of disclosure that can be relevant include the level of borrowings at the end of the period covered by the financial statements and the characteristics and maturity profile of borrowings.</p> <p>With respect to capital resources, an example of disclosure that may provide important information about the issuer's capital requirements is information about the issuer's material commitments for capital expenditures as of the end of its latest financial year. In addition,</p>	<p>Audited financial statements includes cash flow statements but additional disclosure has not been made with regard to cash forecasting to meet any obligation. Disclosure is made in the audited financial statements with regard to capital structure.</p>

	Principles for Periodic Disclosure by Listed Entities	Comments of CFD as regard compliance of disclosure requirement in Bangladesh
	<p>information about the general purpose of such commitments and the anticipated sources of funds needed to fulfill such commitments can also be highly relevant.</p>	<p>Audited financial statements/ Annual Report does not include any forecasted result. However, often the Chairman's/Board of Directors' report to the shareholders, provide some hints about current trend and its potential impact on company's performance.</p>
<p>3. Trend Information Disclosure about the facts and circumstances surrounding known material trends and uncertainties can help investors have a better understanding of the issuer's prospects. Highly relevant information in that regard includes the potential impact of currently known trends, events and uncertainties that are reasonable likely to have material effects on the issuer's net sales or revenues, income from operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition. Useful information could, for example, include disclosure of the most significant recent trends in production, sales and inventory, and costs and selling prices since the latest financial year. If a profit forecast is also included, a clear description of the assumptions upon which the issuer has based its forecast would help investors assess the soundness of that forecast.</p>	<p>4. Off-Balance Sheet Arrangements Through off-balance sheet transactions (contractual arrangements not included in the balance sheet), an issuer can incur profits and losses that are not fully transparent to investors. Disclosure of all material off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on the issuer's financial position, are relevant to investors. Disclosure of such information that the issuer believes is necessary for an understanding of these arrangements and their material impact on the issuer's financial position is important.</p>	<p>Banks and non-banking financial institutions only provide information on off-B/s. transactions. Mentionable that other listed companies usually do not make disclosure with regard to off-B/s items.</p>
<p>5. Critical Accounting Estimates Estimates and assumptions involved in applying accounting policies can have a material impact on an issuer's reported operating results, financial condition and changes in financial condition, as well as on the comparability of reported information over different reporting periods. Disclosure of these estimates and assumptions is important, and should be disclosed to the public. In determining which critical accounting estimates or assumptions are relevant, the issuer should consider whether the nature of the estimate or assumption is material because of the subjectivity and judgment required to account for highly uncertain matters, as well as whether the estimate or assumption will have a material impact on financial condition or operating performance. The issuer should also disclose the methodology for determining its critical accounting estimates, and explain why its accounting estimates or assumptions could change, such as if there is any uncertainty attached to an estimate or assumption. An analysis of the sensitivity of the issuer's critical accounting estimates and assumptions to change, based on other outcomes that are reasonably likely to occur and that would have a material effect, would be useful to investors.</p>	<p>c. Material Related Party Transactions Disclosure about material related party transactions is important to investors because it helps provide a materially complete picture of the issuer's financial relationships and identifies potential conflicts of interest. Related parties include, among others, the issuer's Directors or executive officers, any nominees for Director, beneficial holders of a significant amount of the issuer's securities and the immediate family</p>	<p>Significant development needs to be made in this area. In this regard the SEC in 2008 issued a notification where issuer companies are requested to include five statements in their yearly and periodical financial statements to provide investors with the clear and accurate information on the accounting standards used in the preparation of their accounts. It is mentionable that the notification was issued in line with the prescription of Technical Committee of IOSCO.</p>
		<p>More companies are now reporting related party transactions. Recently, the Commission issued notification in this regard.</p>

Principles for Periodic Disclosure by Listed Entities	Comments of CFD as regard compliance of disclosure requirement in Bangladesh
<p>members of all of these persons, as well as affiliates of the issuer. Related party disclosure usually includes items such as the nature of the relationships, description of the transaction, business purpose and amount of transactions entered into by the issuer with related parties. In some jurisdictions, this disclosure also includes information about the issuer's policies and procedures for the review, approval or ratification of transactions with related parties, such as whether a special committee is responsible for approving these transactions.</p> <p>d. Compensation Disclosure</p> <p>Clear, concise and understandable disclosure of the compensation paid to the issuer's Directors and Senior Management for all services rendered to the issuer and its subsidiaries is highly relevant to investors, as well as to the board of directors. This disclosure helps those parties entrusted with determining the appropriate kind and amount of compensation to pay these key executives and Directors to make better decisions in this regard. This disclosure also enables investors and others to monitor the amount of the issuer's resources that is being allocated to compensating its Directors and Senior Management, and helps them assess how the compensation paid to Directors and key members of Senior Management relates to the company's overall financial performance. In addition, clear and intelligible disclosure promotes comparability of this information for the same issuer from year to year, as well as with other issuers.</p> <p>Compensation disclosure usually includes the salaries, fees, bonuses, stock options and amounts set aside by the issuer to pay pension or other similar benefits (including special severance packages or retirement benefits). A discussion of any material factors necessary to an understanding of the compensation arrangements would be helpful to investors. In some jurisdictions, compensation information for Directors and Senior Management is disclosed on an individual, rather than on an aggregate, basis. Furthermore, in some jurisdictions the principles and rules for determining each part of the compensation package are required to be disclosed.</p> <p>With respect to Senior Management, in some jurisdictions in which the compensation information on an individual basis is expected, issuers may be required to disclose both a single number that reflects total compensation paid to each key executive, as well as a narrative discussion that explains material information necessary to an understanding of the issuer's compensation policies and decisions regarding those executives. This narrative discussion focuses on the material principles underlying the issuer's executive compensation policies and decisions and the most important factors relevant to an analysis of those policies and decisions. This analysis describes: (i) the objectives of the issuer's compensation programs, (ii) what the compensation program is designed to reward, (iii) each element of compensation, (iv) why the issuer chooses to pay each element, (v) how the issuer determines the amount or formula of each element to pay, and (vi) how each compensation element and the issuer's decisions regarding that element fit into the issuer's overall compensation objectives and affect decision, regarding other elements. This disclosure is intended to provide investors with material information necessary to an understanding of the issuer's compensation policies and decisions regarding its key executive officers.</p> <p>In other jurisdictions, compensation information on an individual basis is provided for members of the board of directors, but only aggregated information for the members of the supervisory body as a group is provided.</p>	<p>Audited financial statements include disclosure relating to top executives' compensation; but no disclosure is available regarding compensation policy.</p>
<p>e. Corporate governance disclosure</p> <p>An issuer's good corporate governance practices can improve investor confidence that effective controls exist with the company, that the</p>	<p>The listed companies are gradually increasing their compliance with certain</p>

	<p align="center">Principles for Periodic Disclosure by Listed Entities</p>	<p align="center">Comments of CFD as regard compliance of disclosure requirement in Bangladesh</p>
	<p>Directors and executive officers are held accountable for their actions, and that shareholders will be able to exercise their rights. Adequate disclosure helps investors assess an issuer's corporate governance practices. Although some countries require companies to comply with certain corporate governance laws or regulations, others recommend that certain corporate governance codes be followed by requiring issuers to either comply with these codes, or to explain why the codes are not being complied with, e.g. a "comply or explain" regime. In the "comply or explain" regime, issuers are frequently required to disclose the issuer's current level of compliance with the relevant code, as well as the issuer's anticipated level of compliance in the future. Regardless of the approach taken, disclosure about certain key corporate governance practices is recommended as useful to investors.</p> <p>1. Directors and Senior Management Information about the issuer's Directors and Senior Management assists investors in assessing the quality of the issuer's leadership and the issuer's potential performance. Because the issuer's Directors and Senior Management are critical to the success of the issuer's operations, the annual report often identifies these individuals and provides key biographical details, such as their business experience (including experience with a parent, subsidiary or other affiliate of the company) and functions within the company. Information disclosed also frequently includes disclosure about whether any of the Directors serve as Directors of other public companies. In addition, disclosure may also include information about the nature of any family relationships between any Directors and members of Senior Management. In some jurisdictions, disclosure is also provided about whether any of the Directors or members of Senior Management were convicted in a criminal proceeding, or found by a court or regulator to have violated the applicable securities laws in the past few years. Involvement in these types of legal proceedings may be material to an evaluation of a Director or executive's ability or integrity.</p>	<p>No information is disclosed in this regard in the Annual Report of listed companies.</p>
	<p>2. Director independence Directors play a critical role in the corporate governance of an issuer, and need to be able to exercise objective and independent judgment in order to carry out their duties effectively. Disclosure in the annual report about which Directors are independent, with reference to the applicable standards (such as company law or the standards of the regulated market on which the issuer's securities are listed or admitted to trading) would be useful to investors. If the applicable regulated market contains independence requirements for committees of the board of directors, each Director who is a member of the compensation, nominating or audit committee and who is not independent Directors are required by law to be members of a separate supervisory body, so that disclosure about the independence of these Directors would not be necessary.</p>	<p>At least one director of a listed company has to be independent director. So far, there is no requirement for participation of independent directors in compensation or nomination committee. However, as per Guidelines on Corporate Governance, independent directors are required to be included in the audit committee of a listed company. SEC is considering increasing the number of independent directors in the Board of listed companies and also constitution of other committees with active participation of independent directors.</p>

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<p>3. Audit committee Because the audit committee serves as a check and balance on an issuer's financial reporting system by providing independent review and oversight of its financial reporting processes, internal controls and independent auditors, certain disclosures about the audit committee are required in the annual report. For instance, the issuer should state whether it has an audit committee or a committee that performs similar functions, as well as the identity of each committee member. In cases in which the entire board is acting as the audit committee, this should be disclosed. If in the opinion of the issuer's board of directors, the issuer has at least one financial expert serving on its audit committee, it could be helpful to disclose this, as well as whether that person is independent according to the definition of independence used by the markets on which the issuer's securities are listed or admitted to trading. The existence of a financial expert on the audit committee could be viewed as highly relevant to investors, as this individual would have an enhanced level of financial sophistication or expertise that would enable her to serve as a resource for the audit committee. Moreover, the independence of the financial expert would mean that s/he did not participate in the preparation of the issuer's financial statements. In some jurisdictions, the relevant education and experience of each audit committee member must be disclosed.</p>	<p>As per the Corporate Governance Guidelines, each listed company should constitute an Audit Committee. If not constituted then that should be explained. Mentionable that most of the listed companies have constituted the Audit Committee.</p>
<p>4. Compensation committee Compensation decisions rendered by a board should be free of conflicts of interest. To provide investors with relevant information about who determined the compensation for the issuer's Senior Management and Directors, it would be useful if the annual report identified each person who was a member of the compensation committee, if such a committee exists, or board committee performing a similar function, and any potential conflicts of interest they may have. Interlocking relationships between companies and members of their respective compensation committees can also present conflicts of interest. For example, in some jurisdictions a conflict can occur if an executive officer of the issuer served as a member of the compensation committee or as a Director of another entity, one of whose executive officers served on the issuer's compensation committee. It can be helpful to investors to disclose this information. As means of underscoring the compensation committee's responsibilities, some jurisdictions require the annual report to contain a narrative analysis of compensation arrangements. In addition, some jurisdictions require the annual report to contain a statement by the compensation committee or other board committee performing a similar function that it has reviewed and discussed the analysis with the issuer's management, and that it has recommended to the board that this analysis be included in the issuer's annual report.</p>	<p>No disclosure regarding compensation committee for listed companies so for is required.</p>
<p>5. Code of ethics Ethical conduct is at the heart of good corporate governance. The issuer may find it useful to adopt a code of ethics that establishes the framework for conduct by the board and key executives. A code of ethics adopted by an issuer that deals with the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and that encourages the prompt internal reporting of violations of the ethics code by the issuer's key executive officers helps promote investor confidence that the issuer is committed to good</p>	<p>So far, there is no disclosure regarding code of ethics.</p>

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<p>corporate governance practices. Some jurisdictions view disclosure of whether the issuer has adopted a written code of ethics that applies to its key executives as relevant to investors.</p> <p>f. Disclosure related to market risk sensitive instruments Disclosure of the issuer's exposures to market risk associated with activities in derivative financial instruments (e.g., futures, forwards, swaps, options), other financial instruments (e.g., investments, loans, structured notes, mortgage-backed securities), and derivative commodity instruments (e.g., commodity futures, commodity swaps) enable investors to more accurately assess the primary risk of loss to the issuer. Market risk includes interest rate risk, foreign currency exchange rate risk, commodity price risk, and liquidity risk among other things. This disclosure is particularly relevant to investors in light of the sophisticated financial instruments that many public companies are increasingly relying on both to boost profitability and to hedge against risk. Quantitative information about market risk should be presented in the currency used to prepare the issuer's financial statements. Relevant quantitative information includes the sensitivity of an issuer's market risk sensitive instruments to potential changes in market conditions. The disclosure should indicate the nature and extent of the risks from these instruments, as well as how the issuer is managing those risks. For example, where disclosure of fair value is required under the applicable accounting standards, the disclosures should include both the amount of the fair value and the way it is determined (including how liquidity risk, credit risk and market risk are factored into the issuer's fair value estimates). To reflect the different applicable accounting treatment, issuers should categorize market risk sensitive instruments into instruments entered into for trading purposes, and instruments entered into for purposes other than trading. Disclosure about market risk helps investors analyze the quantitative information presented in the annual report. To the extent material, issuers could disclose their primary market risk exposures, and how these exposures are managed. This disclosure could include a discussion of the objectives, general strategies, and instruments, if any, that are used to manage these exposures. Investors would also find it useful to know if there are changes in either the issuer's primary market risk exposures or how those exposures are managed, when compared to what was in effect during the most recently completed financial year, as well as what is known or expected to be in effect in future reporting periods.</p>	<p>So far, there is no such risk sensitive instruments in our capital market. Hence, no such requirement for disclosing the same. But in case of the banking companies some disclosures are made regarding investment risk, foreign exchange rate risk, credit risk, asset liability risk etc.</p>
<p>g. Security ownership in the issuer, and related stockholder matters. i. Security ownership Disclosure about the ownership of certain significant shareholders in the voting securities of the issuer can help investors monitor the accumulation of these securities by individuals who would have the ability or potential to change or influence the control of the issuer's management. This information helps investors make informed investment decisions based on market prices that reflect this information. The information disclosed includes identification of the class of securities held, the amount and nature of voting securities held, and the percent of the class of securities that this ownership represents. Issuers should disclose any arrangements known to the issuer that may result in a change in control of the issuer at a subsequent date, or alternatively have an impact on the effective exercise of votes in an issuer. This could include information about any pledge by any person of the securities of the issuer or any of its parents, which may result in a change in</p>	<p>Controlling share holding/ownership pattern are disclosed in the audited financial statements.</p>

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<p>control of the issuer at a subsequent date.</p> <p>For any person (including any group of persons) who is known by the issuer to be the owner of more than a specified percent of any class of the issuer's voting securities, the issuer should disclose the class of securities held, identify the owner, the amount and nature of the ownership, and the percent of the class of securities held. A group, as used in this context, refers to two or more persons that act as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding or disposing of securities of an issuer. In some jurisdictions, the information is obtained for beneficial owners of the securities. For any person(s) who is known by the issuer to be the owner of more than the specified percent of the issuer's voting securities pursuant to a voting agreement, information, information about the voting agreement should be provided.</p> <p>In some jurisdictions, the issuer must disclose ownership information for members of its management with respect to each class of its equity securities or of any of its parents or subsidiaries. This information is typically provided on an individual basis for all Directors and Director nominees and for certain executive officers (such as the principal executive officer, principal financial officer, and the three most highly compensated executive officers other than the principal executive officer and principal financial officer at the end of the last completed year). Disclosure of this information for the Directors and executive officers of the issuer as a group would also be useful.</p> <p>This information is usually obtained on an ongoing basis. Most regulators expect to be notified if a holding exceeds or falls below certain determined thresholds on ad hoc basis. In some jurisdictions, the security holder notifies both the issuer and the regulator without undue delay, and the issuer or the regulator (once it has been notified by the issuer) must publish this information promptly. Further transparency is provided in a few jurisdictions through a databank on the regulator's website that includes this information. In other jurisdictions, the security holder files the information with the regulator and the information is publicly available upon filing.</p> <p>When an issuer's securities are listed in several jurisdictions, significant security holder may be subject to reporting obligations relating to their shareholdings in the issuer in those jurisdictions. It would be helpful to investors if the issuer disclosed that significant security holders may be subject to different reporting obligations in the different jurisdictions in which it is listed or registered.</p>	
<p>2. Equity Compensation Plan Disclosure</p> <p>Because equity compensation grants and awards may result in a significant reallocation of ownership between existing security holders and management and employees, information about an issuer's equity compensation plans would be useful to investors. These plans have a potential dilutive effect, so information about the total number of securities that an issuer has authorized for issuance under its equity compensation program would help investors to assess the effect that an issuer's equity compensation plans could have on their ownership, or to compare the equity compensation plans of an issuer with those of its competitors. In addition, in some jurisdictions a number of plans are adopted without the approval of security holders. As a result, these plans escape security holder scrutiny. Disclosure about the issuer's equity compensation plans, including those not approved by security holders, would help investors make informed voting and investment decision.</p> <p>To provide useful disclosure to investors, issuers should disclose certain information as of the end of its most recently completed financial</p>	<p>Declared /proposed dividend for the immediate past year is mentioned in the audited financial statements/Annual Report. However, disclosures regarding the number of shares issuer has been authorized for issuance under its equity compensation program are not required to be made.</p>

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	<p>This information should include the number of securities to be issued upon the exercise of outstanding option, warrants and rights, or pursuant to any compensation plan and individual compensation arrangement of the issuer under which equity securities of the issuer are authorized for issuance or offered to employees; the exercise price of the outstanding options, warrants and rights, or issue price; and the number of securities remaining available for future issuance under equity compensation plans other than the securities to be issued upon the exercise of outstanding options, warrants or rights. This disclosure could apply to all equity compensation plans in effect as of the end of the issuer's last completed financial year. For each compensation plan under which equity securities of the issuer are authorized for issuance that was adopted without the approval of security holders, the issuer should provide a narrative description of the material features of the plan.</p>	
	<p>2. Interim periodic reports</p> <p>a. Interim periodic reports should contain information that will enable investors to track the performance of a company over regular intervals of time and should provide sufficient financial information to enable investors to assess the current financial status of a company.</p> <p>The interim periodic reports, such as quarterly and half yearly reports, provide certain updated disclosures about the issuer that can assist investors in assessing a company's financial position and its operations. In comparison to current reports or announcements of price sensitive information, which issuers file in response to specific events and are not tied to a specific period, interim periodic reports provide information on a regular basis about trends and development in an issuer's business, especially trends in revenues or earnings that result from changes or development in an issuer's core business. In some jurisdictions, companies are required to provide relatively complete financial statements in their quarterly reports. In other jurisdictions, listed companies are required to provide a condensed set of financial statements at mid-year, and at certain other points in the year, issuers of equity admitted to trading or listed on regulated markets are also required to publish additional interim statements with only select information. In any case, the information provided for a given period should provide investors with a description of the company's financial position for the period covered in the report.</p> <p>The principles discussed in this section assume that the issuer will be required under relevant laws and regulations to provide consolidated interim financial statements according to high quality internationally accepted accounting standards. When interim financial statements are contained in the periodic report, they should usually include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information is viewed by many regulators as satisfied if issuers present the most recently completed year-end balance sheet. The interim financial statements also are most useful if they include selected note disclosures that will explain events and changes that are significant to an understanding of the changes in financial condition and performance for the issuer since the last annual reporting date.</p> <p>If such interim financial statements are not audited or reviewed, regulators should consider requiring disclosure of this, as investors would find this information highly relevant. Issuers are encouraged to have any interim financial statements included in the periodic report reviewed by an independent auditor to provide some assurance as to the reliability of the information presented. If an independent auditor</p>	<p>All listed companies are required to submit their periodical reports, which are prepared in accordance with IFRS. It may be mentioned that the listed companies prepared their periodical statements (half-yearly) in condensed form. Detail of disclosures are not contained in the said periodical reports.</p>

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	<p>has performed such a review and the review is referred to in the periodic report, regulators should consider requiring issuers to provide a copy of the auditor's interim review report in the periodic report. In some jurisdictions, if the independent audit committee has reviewed the interim financial statements, this is also disclosed to investors.</p>	
	<p>b. Interim periodic reports should contain MD & A or a management's statement, as appropriate. When issuers include interim financial statements in their interim reports, the interim report should update the information provided in the last annual report, providing a year-to-date comparison, as well as a comparison of interim periods. This should include management's discussion and analysis of factors that have affected the company's financial condition and results of operation for the periods covered by the interim financial statements. The MD & A also included management's assessment of the factors and trends that are anticipated to have a material effect on the company's financial condition and results of operations in the future. If interim financial statements are not included in the interim periodic report, then the interim report should contain a statement by management of the material events and transactions that have taken place during the relevant period and their impact on the financial position of the issuer and its controlled undertakings and a general description of the financial position and performance of the issuer and its controlled undertakings during the relevant period.</p>	<p>No such disclosures in the periodical reports</p>
	<p>c. Interim periodic reports may also include other disclosures, such as related party transactions disclosure. In certain circumstances, material related party transactions that occurred during the interim period covered by the report can be highly relevant to investors. In some jurisdictions, interim reports may also include information that updated information previously provided in the issuer's annual report. This may include disclosure about material changes in risk factors; disclosure about market risks; Senior Management's conclusions regarding the effectiveness of the issuer's disclosure controls and procedures; disclosure about material pending legal proceedings, other than ordinary routine litigation, to which the issuer is a party; and disclosure about matters submitted to a vote of security holders during the period covered by the report.</p>	<p>No such disclosures in the periodical reports.</p>
	<p>B. For those periodic reports in which financial statements are included, the persons responsible for the financial statements provided should be clearly identified and should state that the financial information provided in the report is fairly presented. In many jurisdictions, the persons who are responsible for the information contained in the report are identified within the periodic report. In other jurisdictions, the identity of the responsible parties is specified by law. In any case, these persons, who are usually the Directors or certain key executive officers of the reporting company, are required to state that, to the best of their knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the company as of, and for, the periods presented in the periodic report. The persons responsible can be held liable according to the law of the specific jurisdiction.</p>	<p>No such statements are given by the BOD/ Management.</p>
	<p>C. The issuer's internal control over financial reporting should be assessed or reviewed. A key aspect of management's responsibility for the preparation of financial information is its responsibility to establish and maintain an internal control system over financial reporting. Effective internal controls and procedures for financial reporting ensure that companies</p>	<p>No such statements/disclosures are present in the periodical report.</p>

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<p>have processes designed to provide reasonable assurance that the issuer's transactions are properly authorized; the issuer's assets are safeguarded against unauthorized or improper use; and the issuer's transactions are properly recorded and reported to permit the preparation of its financial statements in conformity with high quality internationally accepted accounting standards. An effective internal control systems could enhance the quality of financial reporting by helping to minimize financial, operational and compliance risks. Internal control requirements may be established by law, regulations, or listing requirements. Some jurisdictions place the responsibility on Directors or an audit committee, rather than Senior Management. The issuer's Senior Management, Directors or audit committee assess or review the issuer's internal control over financial reporting on at least an annual basis in some jurisdictions. In some jurisdictions, this assessment is provided with any periodic reports, including interim reports, that contain financial statements.</p> <p>This assessment or review may be provided to the board of directors, and/or published. Some jurisdictions have detailed requirements mandating certain disclosures in these reports. These jurisdictions require a statement of management's responsibility for establishing and maintaining an adequate internal control over financial reporting for the issuer, as well as management's assessment, as of the end of the issuer's most recent financial year, of the effectiveness of this internal control.</p> <p>In addition, some jurisdictions require a statement identifying the framework used by management to evaluate the effectiveness of the issuer's internal control. Some jurisdictions further require management's assessment to include disclosure of any material weaknesses in the issuer's internal control over financial reporting that is identified by management. If any material weaknesses are identified, management is not permitted to conclude that the issuer's internal control over financial reporting is effective. In some of these jurisdictions, the accounting firm that audited the financial statements included in the annual report is also required to state in the annual report that it has issued an attestation report on management's assessment of the issuer's internal control over financial reporting.</p> <p>In other jurisdictions, disclosure is required by management in the annual report of the main features of the company's internal control and risk management systems in relation to financial reporting processes. Furthermore, a company is usually expected to form an audit committee that bears responsibility for monitoring the financial reporting process and the effectiveness of the company's internal control and risk management systems. The auditor is responsible for reporting to the audit committee any material weaknesses in the issuer's internal controls in relation to the financial reporting process that have come to the attention of the auditor as a result of the performance of the audit.</p>	<p>Presently, listed companies are duly complying with the requirement of this para.</p>
<p>D. Information should be available to the public on a timely basis. The information provided in the periodic report should also be timely. The size of the issuer may be taken into consideration when establishing the due dates for periodic reports. Small and medium-sized issuers may need more time to prepare their reports because of their more limited resources. An appropriate time period should be established by the relevant laws, regulations or listing rules in which the periodic report must be made available to the public.</p> <p>E. Periodic reports should be filed with the relevant regulator. Periodic reports should be filed with the relevant regulator to permit regulators to review the reports, when appropriate, to ensure</p>	<p>Listed companies are duly complying with the requirement of this para.</p>

	Principles for Periodic Disclosure by Listed Entities	Comments of CFD as regard compliance of disclosure requirement in Bangladesh
	<p>compliance with the relevant laws and regulations. The means of filing may include transmission of the periodic report to the relevant regulator, or by sending the relevant regulator notice of the filing on a separate registry, among other things, regardless of the means used, the relevant regulator has means of obtaining the report for its regulatory purposes.</p>	
	<p>F. The information should be stored to facilitate public access to the information. The relevant law or regulation should ensure that there is storage of the periodic information in order to facilitate public access to the information. Storage of that information should also be at the lowest cost possible for investors. Electronic storage is one means of achieving this objective. This information should be stored in a central location, whether with the relevant regulator or another authorized repository, and be available for a sufficient period of time. The periodic report should be presented in a format that facilitates analysis of the information contained in the periodic report. To that end, some regulators are investigating the use of interactive data technology as a means of providing a quick and easy means for investors and others to extract, analyze and compare financial information that has been filed with regulators. The enhanced search and comparison capabilities afforded by the use of interactive data could improve investor's ability to understand the available financial information, and could enable issuers to communicate their financial results more effectively.</p>	<p>Some information such as, CEPS and NAV, etc. of the listed companies are maintained in the web site of the stock exchanges, which are easily accessible. However, presently the companies are not required to present the same in the electronic form.</p>
	<p>G. Disclosure criteria The information disclosed in periodic reports should be fairly presented, not be misleading or deceptive and should not contain any material omission of information. Moreover, information disclosed in a periodic report should be presented in a clear and concise manner without reliance on boilerplate language. If information related to an issuer's periodic reports is disseminated by other means, such as provided on a company's website, it should be consistent with the information provided in the issuer's periodic reports to the relevant regulator.</p>	<p>The compliance of listed companies in this regard is improving.</p>
	<p>H. Equal access to disclosure The disclosure of material information that is contained in a periodic report to certain investors or other interested parties before it is disclosed to the public may reduce investor confidence in the fairness of those markets. Prohibiting such disclosures will reduce the likelihood of insider trading or abusive use of such information. However, in some jurisdictions such disclosures may be allowed in certain circumstances, or where other types of regulations are considered to adequately deal with insider trading or abusive use of material non-public information. For example, these exceptions could include communications with advisers and rating agencies, or communications made in the ordinary course of business. Such communications may include communications with persons with whom the company is negotiating, or intends to negotiate, a commercial, financial or investment transaction; and communications with representatives of the company's employees or trade unions acting on their behalf. In all these cases, the recipients of this information have a duty to keep the information confidential. In other jurisdictions, there are very limited exceptions for price sensitive information. Equal access to disclosure should be provided to all investors at the same time. In some jurisdictions, dissemination of information effected via different means, such as press releases and newspaper notices of the availability of the periodic reports on the issuer's website or</p>	<p>Listed companies are duly complying with the requirement of this para.</p>

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	elsewhere, is viewed as providing investors with equal access at the same time. In other jurisdictions, equal access is viewed as provided by free public access to the periodic reports on the regulator's website when the reports are filed with the regulator, or that it is available to all investors and the public at the same time.	
	I. Equivalence of Disclosure If the entity is listed or admitted to trading in more than one jurisdiction, the material periodic information made available to one market should be made available promptly to all markets in which the entity is listed.	Listed companies are duly complying with the requirement of this para.

Post subject: Superintendencia Financiera of Colombia comments to the Periodic Disclosure Consultation Report | Posted: Tue November 03, 2009 12:58 PM

Please find attached the Superintendencia Financiera de Colombia comments to the consultation paper

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Bogotá, D.C. Colombia

We welcome IOSCO efforts to formulate common standards of regulation for the disclosures that listed issuers provide in their periodic reports. With this document, IOSCO facilitates an international consensus on minimum standards of disclosure for periodic reports, especially annual.

The document provides a proper guidance for issuers in order to disclosure consistent information about the company over regular intervals so that investors can track the performance of the same company. In addition, these reports enable investors to compare the performance of several companies in the same industry over time.

Concerning with your request, we consider it is necessary to make the following punctual comments to the document

- In the chapter "trend information", it is included the disclosure about, among other aspects, information related with selling prices. At this point, it is important to note that the issuer may consider that this information is part of its business strategy, and be known by the competition, could affect their income and interests of investors.
- In regard to the electronic mechanisms of transmission of information from interim periods, the document does not include situations in which the issuer should submit again information initially reported, by errors in content.
- It is necessary to consider that some issuers would prefer that disclosure relating to payments to directors is given through a total balance of the expenditure and not by person. Also it is important determinate the persons over which would be solicited the information, ergo, the position.
- In regard with those who are included as related parties, would be important to define the degree of kinship when the documents refers to the immediate family members of the issuer's director or executive officers, any nominees for director and beneficial holders of a significant amount of the issuer's securities.

International Organization
Of Securities Commission
(IOSCO)

MemberType: General
Secretariat

Posts: 138

Post subject: SVS Chile comments to the Periodic Disclosure
Consultation Report | **Posted:** Tue November 03, 2009 12:57
PM

Dear Members,

With respect to the Consultation Report on Principles for
Periodic Disclosure by Listed Entities, the Chilean
Superintendence of Securities and Insurance has the
following comments:

Despite the fact that we agree with the principles
described in the indicated document, it would be
interesting if the principles would contain, as part of the
information disclosure recommendations, the necessity
to provide investors with a descriptive briefing about the
reasons why they should invest into the listed entities
and the risk associated therewith, with an extension no
longer than two pages.

The aforementioned description should be added in
order to allow to the investors, in few minutes, to know
the most relevant information (in the view of the
management of the listed entity) for the decision making
process, in particular, considering that an investor will
probably have to use a couple of hours of his time to
choose where to put his money. For instance, if you have
to choose among 10 entities, with an average of 60 to
100 pages per each prospectus (or periodic reports), and
without a lawyer or an economist next to you to explain
the info, you will have to understand on your own 600 to
1000 pages to determine which one of those 10 entities
is the best choice for you.

In that sense, the principles are fine for solving primary
market needs and secondary market needs for some
sophisticated investors (who have participated in the
primary market of specific instruments and who have
carried out in the past legal and financial assessment),
but they need to solve a gap which retail investors and
some less sophisticated investors found when they had
to choose among listed entities, without having enough
time to perform a legal and financial analysis on
transactions in the secondary market.

Best regards,

Olga Salashina
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Superintendence of Securities & Insurance
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