

# **MONITORING AND ENFORCING DISCLOSURE**



## **ENFORCING DISCLOSURE RULES AT THE BUCHAREST STOCK EXCHANGE**

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**THE SECOND SOUTH-EASTERN EUROPE CORPORATE  
GOVERNANCE ROUNDTABLE  
ISTANBUL MAY 30-31, 2002**

**SERGIU OPRESCU**

**CHAIRMAN**

**BUCHAREST STOCK EXCHANGE**

**<http://www.bvb.ro>**

# BSE HISTORY



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- ❑ **1995 RE-OPENING AFTER 50 YEARS OF BSE, BASED UPON:**
    - EXPERIENCE OF SIMILAR DEVELOPED INSTITUTIONS
    - MODERN REGULATIONS AND PROCEDURES
    - TRANSPARENCY REQUIREMENTS
  
  - ❑ **BSE LISTING IS ORGANIZED ON TWO TIERS:**
    - FIRST TIER - BLUE CHIPS
    - BASE TIER



# INITIAL REGULATIONS AND PROCEDURES REGARDING TRANSPARENCY

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## □ **TIMELY DISCLOSURE:**

- **annual, half-annual and quarterly reports;**
- **any other statements deemed necessary by the Exchange and requested on a regular basis, as per the maintenance requirements**



# INITIAL REGULATIONS AND PROCEDURES REGARDING TRANSPARENCY (Cont.)

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- ❑ **CONTINUOUS DISCLOSURE:**
  - ❑ **any decision of the General Meeting of the Shareholders subject to publication in the Registry of Trade and the Official Gazette, according to Law no. 31/1990 on commercial companies .**
  - ❑ **any decision concerning acquisitions, sales, leases, renting, mortgaging of assets accompanied by a brief description of the potential risks, when these operations are considered to have a considerable value which might affect the market price or other aspects concerning trading in the issuer's securities or in those of an associated company or where the issuer holds a majority position;**



# INITIAL REGULATIONS AND PROCEDURES REGARDING TRANSPARENCY (Cont.)

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- ❑ any change in the shareholdings of the issuer's management
- ❑ any decision to change the corporate structure, as a merger or reorganisation;
- ❑ any call for redemption, take-over or insider bid made by a related person;
- ❑ any stock split, consolidation, reclassification or change in the rights related to the securities issued;
- ❑ any decision regarding a new issue of securities;
- ❑ any borrowing or lending in a significant amount; the value shall be set out by the Exchange on a case by case basis;
- ❑ the development of a new product or service or any other development affecting the resources of the company;



# INITIAL REGULATIONS AND PROCEDURES REGARDING TRANSPARENCY (Cont.)

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- ❑ any decision to change the management of the company;
- ❑ any calling upon of an Ordinary and Extraordinary Meeting of the Shareholders, the agenda submitted to discussion as well as the decisions made on such occasions;
- ❑ any decision of a court of law regarding the freezing of the issuer's accounts, the commencement of the liquidation or bankruptcy procedure or any other resolution of a State authority which may affect in a material way the activity of the issuer;
- ❑ any legal proceedings which might affect the market price or other aspects of trading in the issuer's securities, in those of associated companies or in companies where the issuer holds a majority position;



# INITIAL REGULATIONS AND PROCEDURES REGARDING TRANSPARENCY (Cont.)

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- ❑ any significant change in the company chart and any major labour dispute;
- ❑ every instance of default under a financing scheme or other agreements which may or not be a potential source of conflict.
- ❑ any important change in capital investment plans or development objectives;
- ❑ any contract of a significant amount
- ❑ any other acts or facts which can complete the instances mentioned above and which may have a material influence on the market price or other aspects regarding the trading in the issuer securities, in those of an associated company or in a company where the issuer holds a majority position;

# PROMOTING TRANSPARENCY REGULATIONS



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- ❑ **RAISING AWARENESS OF TRANSPARENCY RULES TARGETING THE TOP MANAGEMENT OF THE LISTED COMPANIES**
  - ❑ **KEY POINTS:**
    - **RECOGNIZED MARKET VALUE;**
    - **INCREASING SHARE LIQUIDITY;**
    - **CONTINUOUS FUND RAISING IN THE CAPITAL MARKET WITH LOW COSTS;**
    - **INCREASING GOOD WILL;**
    - **IMPROVED REPUTATION;**
    - **FREE ADVERTISING.**



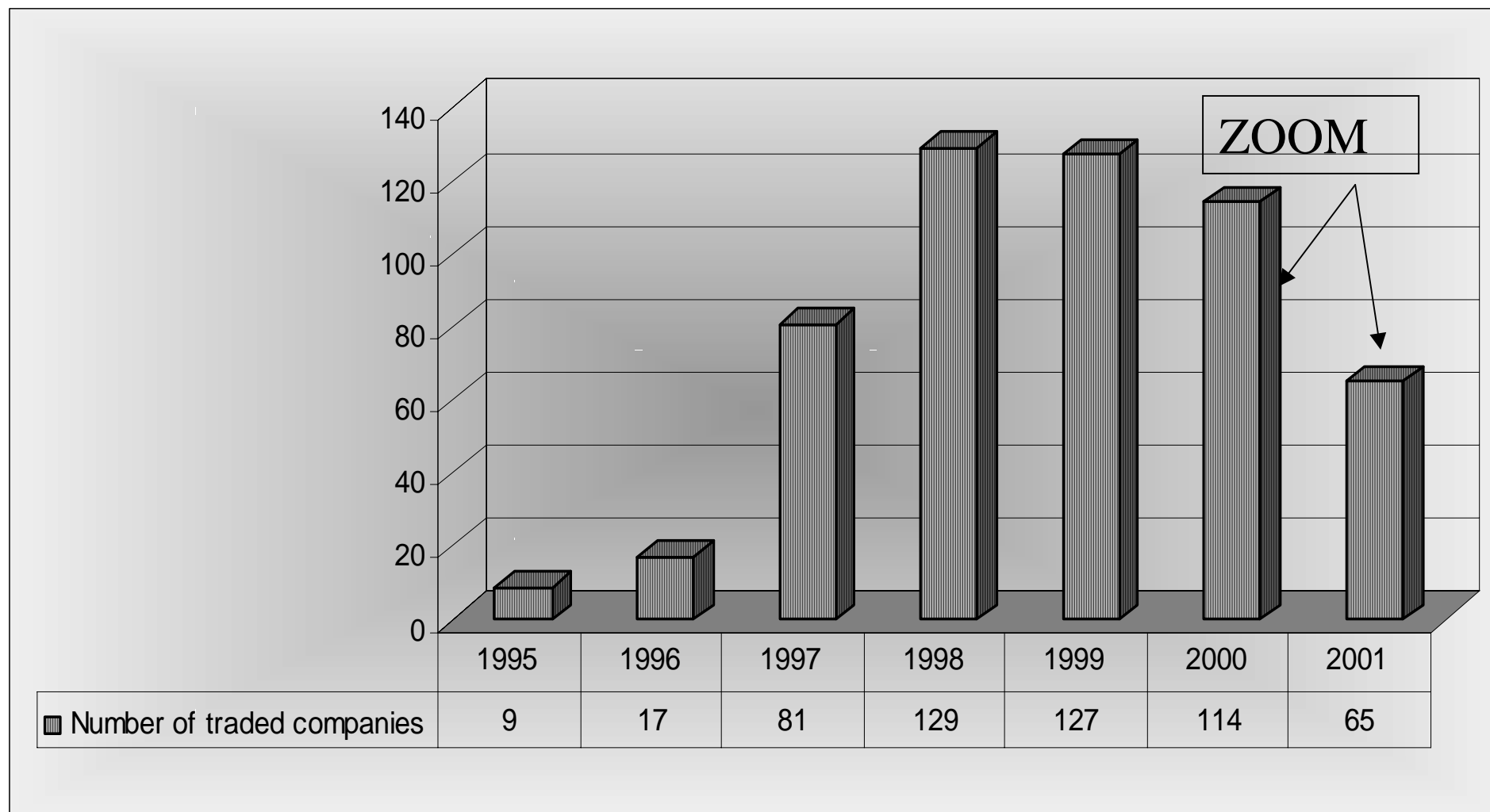
# **DIFFICULTIES OCCURED IN IMPLEMENTING TRANSPARENCY RULES**

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- ❑ THE ISSUERS WERE RELUCTANT IN SENDING THE QUARTERLY REPORTS, AS THEY WERE OBLIGED TO MAKE SUCH REPORTING ONLY BY BSE (THERE IS NO SUCH OBLIGATION UNDER THE MINISTRY OF FINANCE ACCOUNTING RULES);**
- ❑ THE ISSUERS WERE NOT ABLE TO SELECT THE RIGHT INFORMATION TO BE DISCLOSED;**
- ❑ LACK OF TIMELY DISCLOSURE OF IMPORTANT EVENTS OR REGULAR REPORTING**
- ❑ THE FINANCIAL STATEMENTS WERE SENT TO BSE ON PAPER SUPPORT DUE TO THE LACK OF I.T. EQUIPMENT**

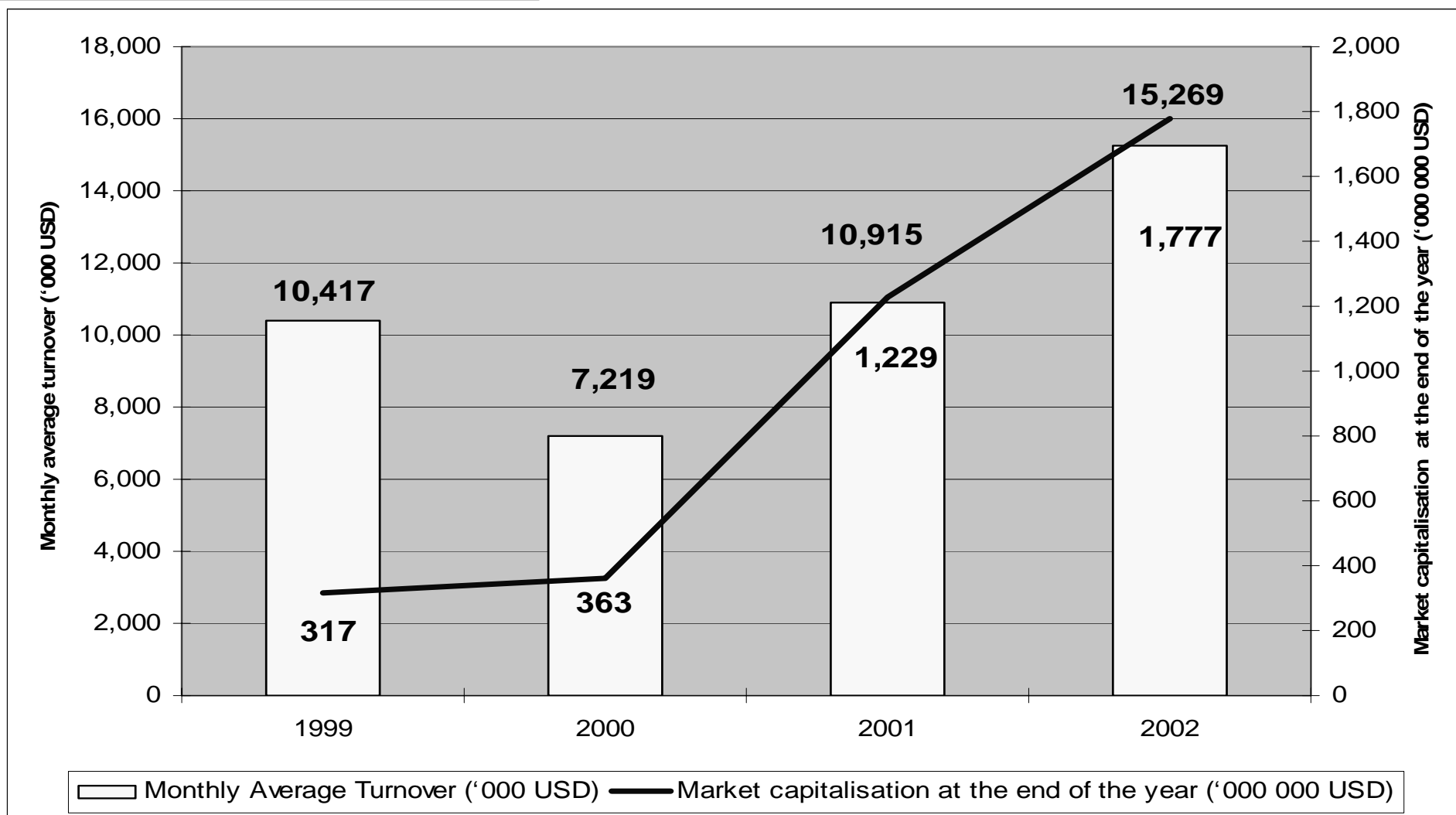


# NUMBER OF LISTED COMPANIES





# MONTHLY AVERAGE TURNOVER AND MARKET CAPITALIZATION (USD)



# EVOLUTION OF BSE TRANSPARENCY RULES



## (Amendments of Listing Regulations)

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- ❑ **MARCH 1997 - BSE REQUIRED FINANCIAL STATEMENTS ON A STANDARD ELECTRONIC SUPPORT;**
- ❑ **JUNE 1999 - THE ISSUERS LISTED ON THE FIRST TIER WERE OBLIGED TO DISSEMINATE THE LAST YEAR VALUE OF THE CASH FLOW;**
- ❑ **JUNE 2000 - NEW REQUIREMENTS CONCERNING THE MINIMUM SHARE CAPITAL/MARKET CAPITALIZATION, FOR BOTH TIERS, WERE SET;**
- ❑ **JUNE 2001 - NEW REQUIREMENTS FOR MAINTENANCE ON BOTH TIERS REGARDING PROFIT RECORDED;**

# EVOLUTION OF BSE TRANSPARENCY RULES

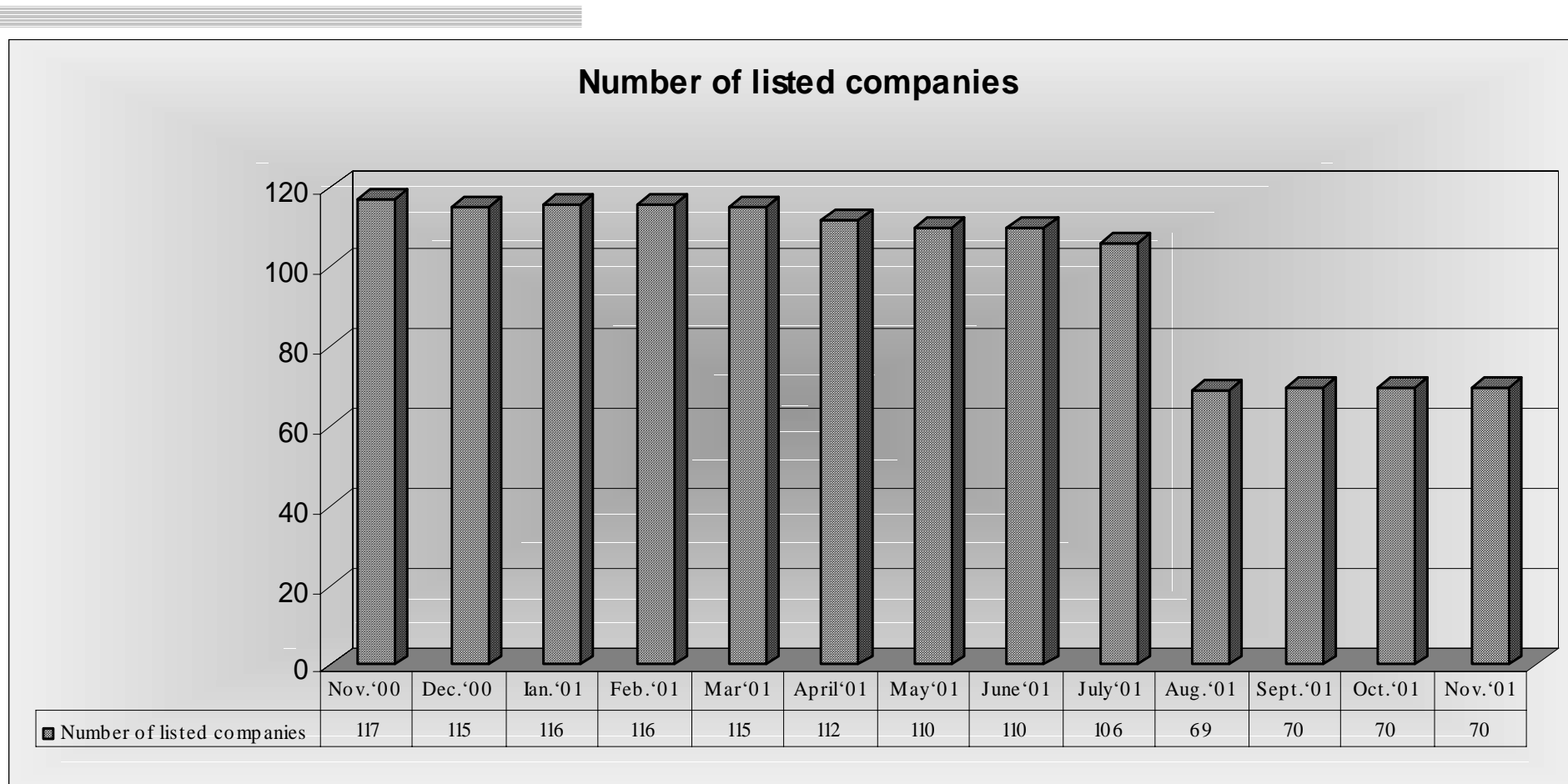


## (Amendments of Listing Regulations)

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- ❑ **JULY 2001 - ENFORCEMENT OF NEW CAPITAL REQUIREMENTS FOR LISTED COMPANIES LED TO DELISTING OF 37 COMPANIES**
- ❑ **AUGUST 2001 - BSE INTRODUCED A NEW, VIRTUAL TIER - "TRANSPARENCY PLUS TIER" AND ADOPTED A CORPORATE GOVERNANCE CODE;**
- ❑ **SEPTEMBER 2001 - OECD AND BSE ORGANISED TWO ROUND TABLES ON CORPORATE GOVERNANCE IN BUCHAREST, ROMANIA**
- ❑ **SEPTEMBER 2001 - APRIL 2002: TWO LISTED COMPANIES MADE INITIAL STEPS TO BE ADMITTED TO THE "PLUS TIER".**

# NUMBER OF LISTED COMPANIES BETWEEN NOV 2000 - NOV 2001

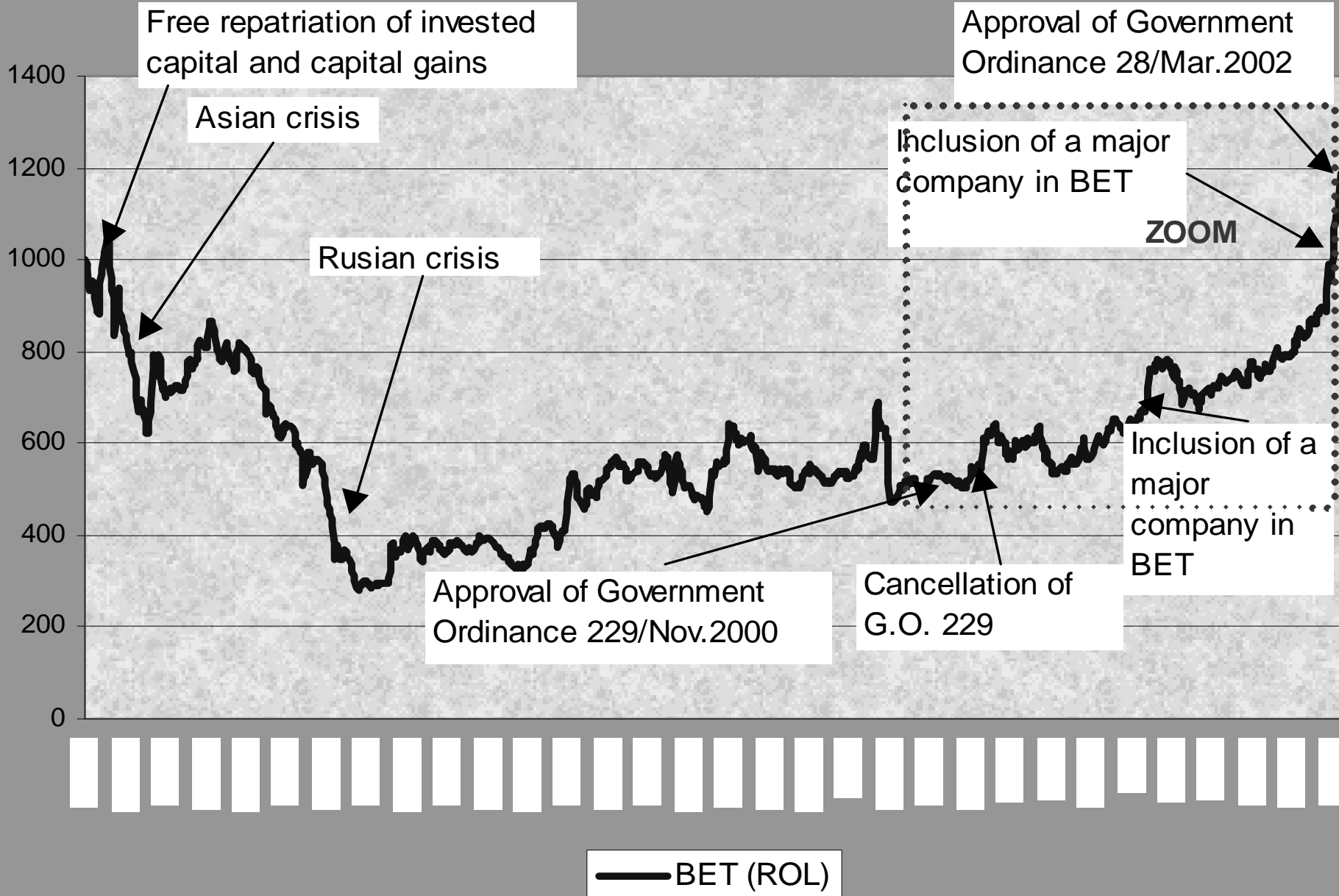


# **NEW SET OF REGULATIONS APPROVED BY THE GOVERNMENT REGARDING TRANSPARENCY**

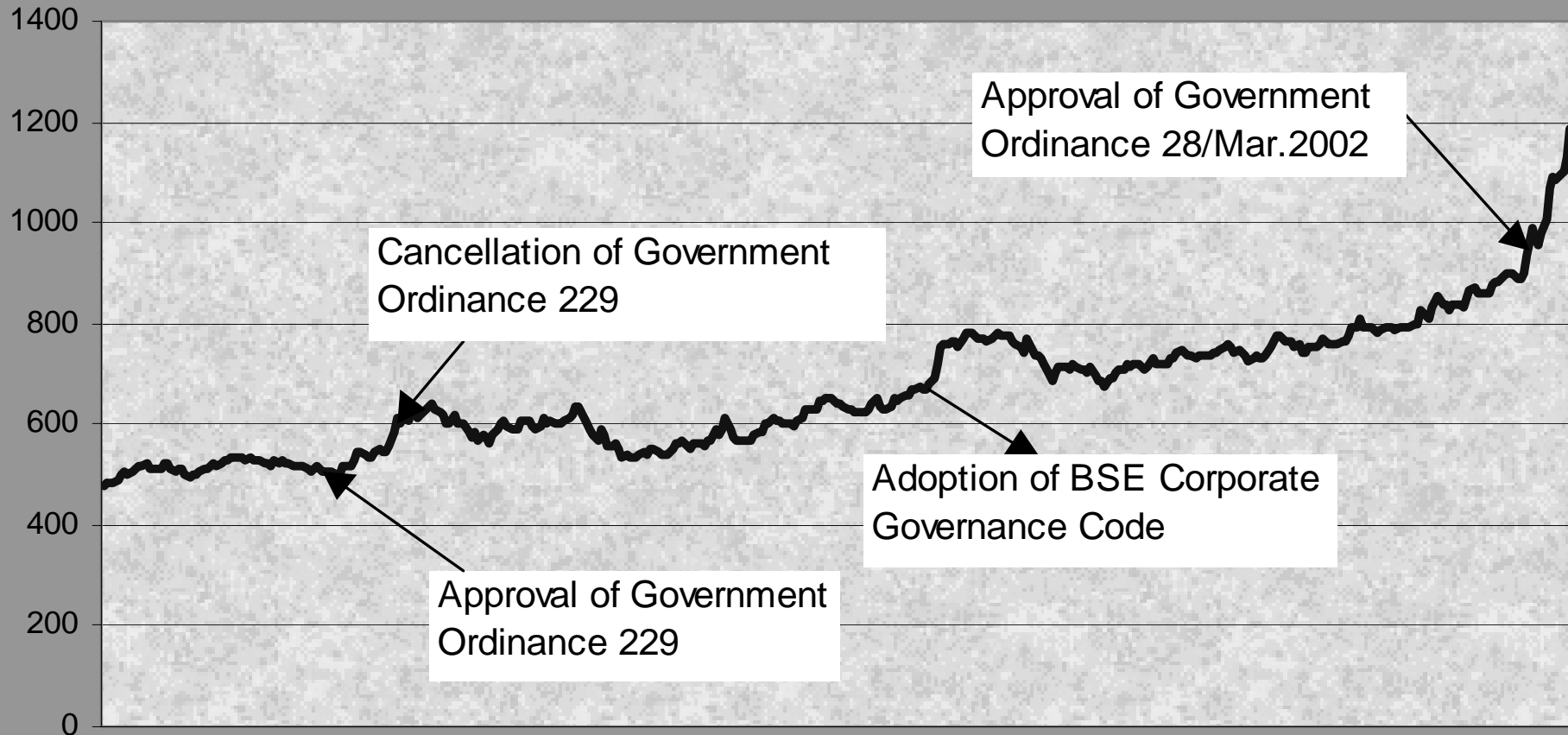


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- ❑ **NOVEMBER 2000 - GOVERNMENT ORDINANCE NO. 229 REGARDING THE PROTECTION OF MINORITY SHAREHOLDERS**
  - ❑ **MARCH 2002 - GOVERNMENT DECREE NO. 209 FOR THE APPROVAL OF THE ACTION PLAN AIMING TO ELIMINATE THE ADMINISTRATIVE BARRIERS IN THE BUSINESS ENVIRONMENT (ITEM 12 - CORPORATE GOVERNANCE IN STATE-OWNED COMPANIES AND PUBLIC INSTITUTIONS)**
  - ❑ **APRIL 2002 - GOVERNMENT EMERGENCY ORDINANCE NO. 28 REGARDING SECURITIES, INVESTMENT SERVICES AND REGULATED MARKETS (TITLE IV - INVESTORS' PROTECTION)**

# Evolution of the Bucharest Stock Exchange BET index (ROL)



# Evolution of the Bucharest Stock Exchange BET (ROL) index: Sept. 2000 - Apr 2002



— BET (ROL)

# **BSE CORPORATE GOVERNANCE CODE IMPOSES MORE STRINGENT CRITERIA THAN THE NEW REGULATIONS ADOPTED BY THE GOVERNMENT (G.O.NO. 28)**



- ❑ **DIVIDENDS SHOULD BE PAID IN 60 DAYS**
  
  - ❑ **BOARD OF ADMINISTRATION MEMBERS SHALL PROVIDE, UPON REQUEST OF ANY SHAREHOLDER, INDIVIDUALLY OR CUMULATIVELY, OWNING 5 % OF THE ISSUER'S SHARE CAPITAL, REPORTS ON:**
    - *specific operations and matters regarding the present or foreseen economic and financial status;*
    - *management of the listed company, etc;*
- except for confidential information considered as such by the Romanian National Securities Commission**

# **BSE CORPORATE GOVERNANCE CODE IMPOSES MORE STRINGENT CRITERIA THAN THE NEW REGULATIONS ADOPTED BY THE GOVERNMENT (G.O. NO. 28) (Cont.)**



## **□ AT LEAST ONE OF THE MEMBERS OF THE BOARD OF ADMINISTRATION IS AN INDEPENDENT ADMINISTRATOR;**

**□ independent administrator shall be that person meeting cumulatively the following requirements:**

- has not been an administrator or an employee of the issuer, nor a relative / relation of them in the last 3 years;***
- is not currently being paid by the issuer or one of its branches, except for the indemnities resulted from the quality of a member of the Board of Administration;***
- is not an associate with / employee of / significant shareholder of other persons or legal entities having business relations with the respective issuer;***
- does not have any interest in major contracts or business relations regarding the issuer's activity;***

# **BSE CORPORATE GOVERNANCE CODE IMPOSES MORE STRINGENT CRITERIA THAN THE NEW REGULATIONS ADOPTED BY THE GOVERNMENT (G.O. NO. 28) (Cont.)**



## **□ OBLIGATION TO REFRAIN FROM CONFLICTING WITH THE ISSUERS' INTERESTS**

→ members of the Management Board and Board of Administration shall be prohibited:

- to be appointed as administrators, executive directors, auditors in legal entities competing or having the same field of activity as the respective listed company;*
- to act on their own account or on a third party's account in the same field of activity or a competing one;*



# MAJOR OBJECTIVE OF BSE

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- ❑ **TO PROMOTE AND CONSOLIDATE “PLUS TIER”**

**=> POSITIVE EFFECTS:**

- ❑ **RAISE THE INVESTORS TRUST IN THE BSE**
  - ❑ **INCREASE THE FUNCTION OF CHANNELING AND ATTRACTING CAPITAL THROUGH THE BSE**
  - ❑ **POSSIBLE DESIGN OF A NEW INDEX TO REFLECT THE MOST TRANSPARENT COMPANIES**
  - ❑ **ESTABLISHING A RATING FOR THE “PLUS TIER” COMPANIES**
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- ❑ **TO CREATE THE ADMINISTRATORS/DIRECTORS INSTITUTE**