



# 2nd Meeting of the Eurasian Corporate Governance Roundtable

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## *Transparency and Disclosure*

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by

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hosted by

**The National Securities Commission of Georgia  
The Georgian Stock Exchange**

**International Regional Federation of Accountants and Auditors Eurasia**



**The Government of Japan**

**The Global Corporate Governance Forum**

## Questionnaire

### *A-What is the role of your institutions regarding financial and non-financial disclosure?*

**1. What is the role of your institution in establishing disclosure standards (specify)?**

*National Securities Commission (NSC) elaborates and stipulates forms of specialized report of the securities market participants. NSC presented by all information, disclosure of which stipulated by Law.*

**2. What is the role of your institution in enforcing disclosure rules/ regulations (specify)? What sanctions can it impose?**

*NSC is a body of public administration, undertaking regulating, supervision, monitoring of the securities placement market and activity of its participants. It is in force to make decisions grant benefits, interfere, monitor, put under a ban, impose administrative and disciplinary penalties pursuant to the legislation.*

**3. What are your institution's other roles and responsibilities (i.e. licensing, training, etc.)?**

*NSC issues licenses on professional activity with securities, confirms qualification requirements to professional participants on securities market, stipulates order of their certification.*

### **B. Country background information**

*1.1. Stock Companies amount (registered by NSC) – 3557*

*1.2. Public Corporations amount.*

*1.3. Restricted liability societies amount.*

### **1. Number of Joint Stock Companies:**

1.1 Number of Open Joint Stock Companies (publicly listed / traded companies):

1.2 Number of Closed Joint Stock Companies (non publicly listed / traded limited companies):

### *C- Does the corporate governance framework ensure that timely and accurate disclosure is made on all material matters regarding the corporation?*

**1. Is the company required to prepare annual (or more frequent) audited financial statements showing the financial performance and the financial situation of the company?**

*Corporate management structure stipulated by Law on Stock Companies promotes disclosure of information of companies activity in term and authentic. The annual financial report of public corporations certified by audit in order of Law on Stock Companies (company with shareholders amount and nominal holders of shares more than 50 persons) but this order is not executed this way over time.*

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*Administrative Code foresees penalty sanctions of disclosure information and reports presenting infringements.*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

*High posted persons may be fined in amount of 50 minimal salary (minimal salary is 18 lei (MDL); \$1 is equal to 12.8 MDL) for non-presenting or ill-timed presenting of reports by issuers and securities market professional participants to NSC in accordance to the legislation. High posted persons may be fined for the repeated infringements during the year in the amount of 50 to 100 minimal salaries.*

**2. Is consolidated financial reporting required for corporate groups? On what basis?**

Is this required by the company law, securities law, stock exchange regulation or other related laws?

What are the enforcement procedures? Are there any sanctions (specify)?  
*Similar requirements not stipulated by the present Law.*

Is this applied in practice?

**3. Is the company required to include in annual reports :**

**3.1 Company objectives and strategy?**

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Is this applied in practice?

**3.2 Major share ownership and voting rights?**

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*Law on securities market foresees that the issuer in the annual report has to disclose following information:*

- *information about securities negotiability belong to the insiders;*
- *list of persons, entered to management boards with the description of their share in issuer's registered capital;*
- *list of issuers affiliated persons;*
- *list of persons owned not less than 5% of placed shares.*

*The mentioned information included to the annual report. For the infringements of that requirement stipulated the administrative sanctions.*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

**3.3 Related party transactions (management's direct or indirect interest in any material transaction to which the company or any of its subsidiaries was or is to be a party)?**

Is this required by the company law, securities law, stock exchange regulation or other related laws?

***Law on stock companies foresees the order of consideration and confirmation of striking bargain and transaction with conflict interests. In that case, all members of directors board have to vote unanimously. Opposite, the mentioned case considered by general meeting of shareholders.***

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

3.4 The identity and the professional background of board members and key executives, and their individual or collective remuneration?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

***The legislative base does not foresee any requirements to personal capacities and professional skills of members of observation board and employees of executive board. Members of audit committee have the qualification on accounting and financial spheres.***

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

3.5 Directors' and key executives' ownership interest in company shares?

Is this required by the company law or by the stock exchange regulation?

***The shares ownership of stock companies by members of observation board and high posted persons not restricted by the legislation. At the same time, legislation foresees the specific order of transactions with stock companies securities through the tender offer.***

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

3.6 Material foreseeable risk factors (trends or uncertainties that are expected to have or have had a material impact on the company)?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

***Similar requirements not stipulated by the present legislation.***

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

3.7 Material issues regarding employees and other stakeholders (management-employee relations, business ethics, environment, or other public policy concerns)?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*Similar requirements not stipulated by the present legislation.*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

3.8 The governance / organisational structure of the company (i.e. key positions in the company)?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*Specific restrictions not stipulated.*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

3.9 An analysis of the company's operational results?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*Law on stock companies foresees, on annual shareholders meeting, the following matters consideration:*

- *confirmation of the annual financial report of stock company;*
- *confirmation of the annual report of observation board;*
- *confirmation of the annual report of audit committee.*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

**4. Is the company required to disclose extraordinary developments affecting the company (i.e. mergers/acquisitions, resignation of key executives, filing for bankruptcy, etc.)**

*Law on securities placement market foresees the information disclosure related to financial-economical activity.*

**5. What accounting standards are used?**

4.1 Are companies required to prepare accounts in accordance with local or recognised International Accounting Standards (specify)?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*National standards of accounting used by stock companies on their activity.*

*National standards elaborated on the base of the international standards.*

*The program of new national standards of accounting adopted 3 years ago. At the present time, all companies keep their accounting and present their reports on the base of the mentioned standards.*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

4.2 What are the major differences between the local and International Accounting Standards?

4.3 What are, in your opinion, the major deficiencies of the local accounting standards?

4.4 Is there a programme for implementing IAS (specify)?

**5. Are the annual accounts required to be audited? If so how frequently and by whom?**

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

**6. What is the role of the board of directors in ensuring that the company complies with financial and non-financial disclosure requirements?**

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*Annual financial report of stock company with the amount of shareholders more than 50, certified by auditor.*

*\* The legislative base does not stipulate any requirements to observation board which provides the disclosure of information.*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

**7. What is the role of the management in ensuring that the company complies with financial and non-financial disclosure requirements?**

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*The legislative base does not stipulate any requirements to executive board which provides the disclosure of information.*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

**8. Are auditors required to be independent (e.g. no material relationships with the company including other fee-generating activities)?**

**If so, how is independence defined? Who appoints the auditor?**

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*Audit company can not be an affiliated person of stock company, registers and management organization in accordance with the Law on stock companies.*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

**9. Are auditors liable (i.e. responsible) for negligence or other wrongdoing (specify)?**

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*Law on audit companies foresees that the audit companies are material responsible to economic agents and information's users (shareholders, investors, creditors) in accordance with the legislation and damage contract conditions, caused by unfair control, non-quality audit service and disclosure of confidential information.*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

Who has the right to seek redress (i.e. shareholders, managers, the state, or other stakeholders)?

**10. Does the legal framework require companies to disclose to a specific range of users (i.e. SRO's, shareholders, securities regulators, etc.)? If so, does the legal framework distinguish what information must be disclosed to specific users and when this information must be disclosed?**

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*Law on securities placement market foresees an obligation to stock companies, securities placed with the help of public offer, disclosure of information about their securities and their financial-economic activity by means of publication and presentation to NSC:*

- a) annual report of securities (published in the press and presented to NSC not less than March 15 next to the current year. Securities owners may require a copy of the report by fee not more than its production);*
- b) information related to the financial-economic activity of the stock companies (published in accordance with the stock company statute and presented to NSC during the 5 days);*
- c) prospectus of public offer;*
- d) report on results of public securities issue.*
- e)*

*Securities market professional participants have to disclose the information about transactions with the securities in the following cases:*

- a) providing several transactions during one quarter with securities of the same class, issued by one issuer, if the securities amount of mentioned transaction is 100% from the total amount;*
- b) providing one transaction with securities of the same class, issued by one issuer, if the securities amount not less than 5% from the total amount;*

*Received information is revealed not later than 5 days when quarter is over, by NSC informing.*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

**11. Do all shareholders receive a copy of the annual report and accounts or are they able to obtain them upon request?**

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*Shareholders have the right to require a copy of the annual report by fee not more than its production.*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

**12. What are the channels of disclosure (i.e. dissemination through the press, over the internet, through the postal system)? Which are the most used?**

Is this required by the company law, securities law, stock exchange regulation or other related laws?

*Received information often published by In accordance with legislation the press is supposed to be main channel for disseminating of received information (in statute must be indicated which newspaper will be used for disseminating).*

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

**D- What are the training needs and existing training facilities for accountants and auditors?**

**1. Does the legal and regulatory framework specify the qualifications or recognition criteria that an accountant must satisfy in order to be certified as a public accountant?**

*Similar requirements not stipulated by the present legislation.*

**2. Does company law or other laws and regulations specify the qualifications or recognition criteria that an auditor must satisfy in order to be able to conduct a statutory audit?**

*NSC issued licenses to audit companies.*

**3. Are there sufficient training facilities for accountants and auditors (specify)?**

*3-4. Ministry of Finance, NSC and Audit Association provide corresponding courses for auditors and book-keepers to rise their professional skills in accordance with the international standards.*

**4. Do local auditors have sufficient training and resources to conduct audits according to internationally used auditing standards? Are they sufficiently familiar with International Accounting Standards? If so, how do they gain such knowledge and experience?**

5. Do companies have a dedicated accounting department? If so, does this department employ certified accountants? Who supervises the work of the accounting department?

*5.-8. Stock companies keep their accounting in the order stipulated by the legislation in force and company's regulation in accordance with Law on stock companies. Each company has their own requirements to the amount of book-keeper (one department or one specialist), to qualification skills. 7 auditors on securities market have licenses issued by NSC.*

6. Do internal accountants have sufficient training and resources to prepare annual accounts according to International Accounting Standards?

7. What is the total number of certified accountants? How many accountants are certified yearly?

8. How many certified accountants engage in auditing functions on a full-time basis? (i.e. what is the total number of licensed auditors?)

*E- Can you describe one or several cases involving major violations of disclosure requirements? (i.e. denied access to information; accounting manipulation; non disclosure of required strategic information; etc.). What enforcement actions were taken in each case?*

*We have no such information.*

*F- What are from your point of view the impediments and deterrents to full disclosure by companies?*

*In my opinion, passive shareholders and ignorance of legislation are main reasons for full disclosure of information.*

*G- Please add any relevant information that has not been covered by the above questionnaire.*