



# **2nd Meeting of the Eurasian Corporate Governance Roundtable**

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## ***Transparency and Disclosure***

**Listing and delisting: the role of stock exchanges in  
securing proper disclosure**

by

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### ***General provisions***

- Disclosure of general information on the company as a whole, as well as on specific issue of securities is an integral part of listing procedure.
- The information is to be disclosed by the issuer both during the listing procedure and periodically after the securities have been listed.
- The information may be regular and special.
- Regular information is standard, fixed information of company operations to be submitted within a specific timeframes.
- Special information is information on material matters in company operations, changes in the composition of company officers, additional share issues, consolidation of division of shares, etc.

### ***Special role of stock exchanges in disclosure of information***

- Stock exchanges mandate to provide more information than regulatory authorities.
- The list of information to be provided to the stock exchanges differs greatly from that to be submitted to the regulatory authorities.
- Periodicity for submission of information to stock exchanges is higher than periodicity mandated by regulatory authorities.
- The stock exchange receives information not only to accumulate and register it, but also to adopt resolutions based on such information.
- An important task of a stock exchange is to establish an effective system for dissemination of information to its members and investors.
- Therefore, stock exchanges receive the information more often, this information is more complete, is used for adoption of decisions and is disseminated among stock market participants.

### ***FSMETS and disclosure of information***

- FSMETS, as the majority of stock exchanges in the developing economies, has two methods of listing: 1) upon the application of the dealer (223 securities); 2) upon the application of the issuer (44 securities). This is related to a low development level on the part of the issuers, who are still far from realizing the importance of the stock market as a whole, and of the organized market in particular.
- Considering actual status of the market in Ukraine, listing for the FSMETS is not an important source of income (as in the developed economies), but rather the way to receive the information required for the FSMETS participants and their clients to adopt investment decisions.
- When listing securities upon the application of the FSMETS participant, the dealer must provide the following information: appellation of the issuer, company code, address and contact telephone, bank details, information on company officers, affiliation with specific branch of industry and brief description of products manufactured by the company, details of the issue, information on previous issues of securities, information on company's registrar.

- As it can be seen, the volume of information when listing securities upon the application of the dealer is not large. This is an objective factor, since security dealers may fail to get more information.
- The dealer must notify the FSMTS in case of any change in the above data. In addition, administration of the FSMTS also monitors this information.
- Listing securities upon the application of the issuer is carried out on the basis of agreement regarding the maintenance of listing concluded between the issuer and the FSMTS.
- To have securities listed with the FSMTS the issuer provides the following information: those similar to the information of the dealer, balance sheet and information on income and expenses in the current year and two previous years, auditor's report, complete list/description of products manufactured by the company, production volume (expressed in kind) for three years, documents confirming the share issue, parameters of the issue, equity structure:(1) state-owned share, stake held by company management, stake held by company employees, other shareholders 2) stake held by legal entities, stake held by individuals).
- The issuer, that concluded the agreement on the maintenance of listing, must provide the following information on the semi-annual basis: balance sheet and information on income and expenses for the established period, the last auditor's report, description of products manufactured by the company, production volume (expressed in kind), equity structure, information on entities/persons who hold at least 10% stake in the company.
- The issuer that concluded the agreement on the maintenance of listing must provide special information within 3 days following the occurrence of respective factors.
- Thus, the volume of information to be disclosed during the admission to listing upon the application of the issuer is much higher. Regular periodic information is provided to the FSMTS more often and is also more complete. For example, by July 2001, the FSMTS will receive the information for 6 months of 2001 from the issuers that concluded the agreements, whereas the Securities and Stock Market State Committee will receive the 2001 annual report of the issuers only in 2002.
- All received information is distributed by the FSMTS through its web-site [www.pfts.com](http://www.pfts.com)
- This year the FSMTS, supported by FMI (USAID contractor in Ukraine for Ukrainian Stock Market Development Project) initiated the project on disclosure of information on Ukrainian issuers. This project is focused on the issuers who successfully passed listing procedure, and, in the first place, on the issuers, who concluded agreements on the maintenance of listing.
  - The project goal is to create an effective disclosure resource regarding the issuers, which would be convenient for both the issuers and all interested parties at large.
  - «Istock» is the information resource, which will enable:
    - the issuers, through the Internet, to inform market participants on all the news – provide regular and special information, stipulated by respective regulations, inform on new projects and events, provide various surveys on company operations, etc.;
    - the shareholders and investors to timely receive and/or find material and complete information on the issuers they are interested in.