

Transparency Requirements

Public Disclosure Systems



Securities and Exchange Commission of Pakistan

Document Type	Division/ Department	Date	Code	Revision
Confidential	IEIR/ IEIRD	November 13, 2015		

DRAFT



COMCEC

Standing Committee
For Economic and Commercial Cooperation
of the Organization of Islamic Cooperation

CAPITAL MARKET
REGULATORS FORUM
COMCEC

Report of the Market Development Task Force of the
COMCEC Capital Market Regulators Forum

August 2015

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Development Task
Force



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1. EXECUTIVE SUMMARY

The Standing Committee for Economic and Commercial Cooperation (COMCEC) was established in 1982 for the purpose of strengthening cooperation among the Member States, and preparation of programs and proposals capable of improving capacities in economic and commercial areas. To this effect, the COMCEC Capital Market Regulators (CMR) Forum was established as a cooperation platform for COMCEC capital market regulatory bodies with the objective of supporting market development and reinforcing the capabilities of capital market regulatory bodies of OIC countries. The CMR Forum in its first meeting in September 2012 created four task forces to work on: Capacity Building, Market Development, Financial Literacy, and Islamic Finance respectively.

The Market Development Task Force aims to reinforce COMCEC CMR Forum members' to support effective operations of the financial markets for the best interests of the investors and market participants. The Task Force worked in leadership of the Chair, *Securities and Exchange Commission of Pakistan* in co-operation with the Co-Chair, *Securities & Exchanges Organisation of Iran* and the *CMR Forum Secretariat, Capital Markets Board of Turkey*.

The subject report is intended to provide guidance to OIC capital market regulators, for the development of appropriate disclosure and transparency requirements. From an economic perspective, transparency has been traditionally identified as the key and basic solution to ensuring good functioning of capital markets. This is achieved through clear and comprehensive disclosures requirements that support sound decision making by market participants and the public. The disclosure requirements ensure proper accountability of the companies to their boards, investors, shareholders, regulators and other stakeholders.

The mandate of the Task force is to develop a harmonized regulatory framework for COMCEC member countries which will facilitate regional financial development and integration of appropriate disclosure and reporting standards amongst COMCEC member states. The objectives of the report are summarized below:

1. to assist the members of the COMCEC Capital Markets Regulators Forum understand different practices and regulations concerning transparency and disclosure requirements in place in member jurisdictions;
2. to identify useful regulatory elements that could be adopted by members, that may help improve their regulatory frameworks and different approaches used by members keeping in view the evolving technological spectrum, and how it effects or aids transparency and disclosure requirements, as well as requirements for confidentiality; and
3. to develop recommendations or best practices for appropriate disclosure requirements which will lead to enhanced investor protection and access to all relevant information for the general public.

The report is based on information compiled through circulation of a questionnaire covering various areas of disclosure requirements and review of international practices in the field of disclosure and transparency. Based on the information collected, suggestions have been put forth for the consideration of OIC member jurisdictions.

Keeping in view the objective of the report, a brief overview of the existing requirements in OIC region, international practices and issues about disclosures have been covered. It can be safely concluded that the countries that responded to the questionnaire, have broadly similar requirements regarding disclosure. However, it has been noted that certain gaps exist between OIC region and the international best practices. Based on these, some recommendations have been suggested. It has also been noted that challenges in developing countries are greater in comparison to countries with established markets; however, the benefits of governance are also expected to be larger.

Transparency is a dominant theme in the securities markets regulatory model because it promotes market confidence and growth. It is also a vital ingredient of investor protection. In the absence of investor protection, securities markets would be incapable of performing their role. For optimal results, most jurisdictions should adopt approaches in line with international best practices by enhancing the use of technology to aid disclosure and overall transparency. This in turn will support investor protection and confidence in the capital markets.

By closing existing gaps, developing countries and particularly OIC members have the opportunity to reap considerable benefits of enhanced investor protection which would help facilitate regional financial integration.

2. INTRODUCTION

A. Background of the Market Development Task Force

The Organization of the Islamic Cooperation (OIC) established the Standing Committee for Economic and Commercial Cooperation (COMCEC) at the Third Islamic Summit Conference held in 1981 for implementation of resolutions in the economic and trade fields, strengthening cooperation among the Member States and preparation of programs and proposals capable of improving capacities in these areas.

In 2011, the COMCEC Capital Markets Regulators Forum was established to increase coordination and cooperation in regulatory and legal infrastructures, with a view to establishing more harmonized policies and regulations among the OIC Member States. The CMR Forum in its first meeting in September 2012 created four task forces to work on Capacity Building, Market Development, Financial Literacy, and Islamic Finance respectively. The main aim of these task forces is to accelerate the exchange of experiences and information at both global and regional levels among Member States, as well as assist in the development of their markets.

The Market Development Task Force works under the leadership of the Chair, Securities and Exchange Commission of Pakistan in co-operation with the Co-Chair, Securities & Exchanges Organization of Iran and the CMR Forum Secretariat., Capital Markets Board of Turkey. It aims to provide guidance to OIC capital market regulators to ensure that the design and operations of capital market in the member jurisdictions are sound, safe and efficient, to promote efficiency and competition in the capital markets that would reduce the transaction costs, and to ensure market fairness. These objectives foster creation of an integrated market infrastructure for the OIC capital markets.

B. Purpose of the report “Transparency Requirements – Public Disclosure Systems”

In view of the diverse nature of the capital markets conditions in OIC capital markets, the taskforce agrees that OIC markets integration into the world financial system entails establishing effective reporting and disclosure standards. To this effect, a second report is being prepared on “Transparency Requirements – Public Disclosure Systems”.

From an economic perspective, transparency has been traditionally identified as the key and basic solution to ensuring good functioning of capital markets that promote capital formation. Similarly, clear and comprehensive disclosures support sound decision making by market participants and the public. The disclosure requirements ensure proper accountability of the financial institutions to their boards, investors, shareholders, regulators and other stakeholders.

Disclosure of meaningful financial information to the public provides a common pool of knowledge for all investors to judge for themselves whether to buy, sell, or hold a particular financial asset.

Only through the steady flow of timely, comprehensive, and accurate information can people make sound investment decisions. The result of this information flow is more active, efficient, and transparent capital market that facilitates capital formation. Besides, non-financial disclosure (such as corporate governance structures and practices, education and professional experience of board members, key executives, total and individual remuneration of directors and key executives) also contributes to the transparency level of the markets.

Therefore, it is important for the companies (issuers) to provide complete transparent information to investors, and regulators in line with best international standards and practices. Capital market development in many OIC countries is hampered due to lack of investor protection and transparency in securities trading. Implementation of global standards for transparency and public disclosure within the OIC countries is essential for functioning of markets.

C. Assessment Methodology / criteria

The mandate of the Task force is to develop a harmonized regulatory framework for COMCEC member countries which will facilitate regional financial integration and development of appropriate disclosure and reporting standards amongst COMCEC Member States. The mandate of the task force is to achieve the following objectives:

1. to assist the members of the COMCEC Capital Markets Regulators Forum understand different practices and regulations concerning transparency and disclosure requirements in place in member jurisdictions;
2. to identify useful regulatory elements that could be adopted by members, that will help improve their regulatory frameworks and different approaches used by members keeping in view the evolving technological spectrum and how it effects or aids transparency and disclosure requirements, as well as requirements for confidentiality; and
3. to develop recommendations or best practices for appropriate disclosure requirements which will lead to enhanced investor protection and access to all relevant information for the general public.

In view of objectives mentioned above, Market Development Task Force Chair, Securities & Exchange Commission of Pakistan has developed and circulated a survey questionnaire on “Transparency Requirements – Public Disclosure Systems” to the COMCEC CMR member jurisdictions to obtain an understanding of their regulatory framework and practices concerning transparency and disclosure requirements. The jurisdictions’ responses to the survey were analyzed to explore and formulate recommendations for transparency and disclosure requirements.

D. Jurisdictions Covered

The COMCEC CMR Task Force on Market Development would like to acknowledge the following COMCEC CMR members for their valuable input to the mandate.

S.No	Jurisdiction	Institution
1	Iraq	Iraq Securities Commission (ISC)
2	Iran	Securities and Exchanges Organization (SEO) of Iran
3	Kuwait	Capital Markets Authority (CMA)
4	Malaysia	Securities Commission Malaysia (SCM)
5	Maldives	Capital Market Development Authority (CMDA)
6	Pakistan	Securities and Exchange Commission of Pakistan (SECP)
7	Turkey	Capital Markets Board of Turkey (CMBT)
8	Bangladesh	Bangladesh Securities and Exchange Commission (BSEC)

3. DISCLOSURE SYSTEMS IN COMCEC MEMBERS STATES

Keeping in view the objectives of the report, a questionnaire was prepared and circulated to all COMCEC Member States to provide current disclosure systems in their jurisdictions. The scope of the questionnaire covered the following areas:

- Disclosure systems in place within OIC Member jurisdiction
- Disclosure requirements at the time of Initial Public Offering
- Disclosure requirements pertaining to Asset Management Companies
- Material disclosures requirements by companies
- Disclosure requirements within alternative markets (OTC/SME)
- Financial instruments disclosure requirements (Exchange traded securities)

The summarized findings of the questionnaire, based on the responses received have been covered in this section. It is important to note that feedback was received only from eight OIC Member States.

A. Disclosure systems in place within OIC members

Regulatory Framework in OIC Member States prescribes clear, comprehensive and reasonably specific disclosure requirements that have been mandated in the national laws. The requirements are broadly similar, with the exceptions of few variations. Capital market regulators are primarily responsible for maintaining and regulating the disclosure criteria that companies (issuers) have to follow. In addition, exchanges also play a key role in certain jurisdictions.

All jurisdictions require reporting of financial information as part of annual and quarterly reporting. For non-financial information, it is required to be reported at the occurrence of the event, in addition to the annual report. Similarly, public documents are required to be available on websites, in addition to head offices of the companies. In almost all Member States (with the exception of Iran), International Accounting Standards are used for financial disclosure. Information sharing with domestic and foreign regulatory authorities exists in all jurisdictions, subject to bilateral or multilateral agreements. The minimum time for storing data across all jurisdictions is 5 years.

In most countries, it is not mandatory to have compliance officers who ensure appropriate disclosure, however central data warehouse for collection of data exist in countries including Iran, Iraq, Kuwait and Turkey. Importantly, none of the jurisdictions are currently using data tagging, however in some countries such as Pakistan, Bangladesh, Iraq and Turkey, companies are encouraged to file reports using interactive data.

B. Disclosure requirements at the time of Initial Public Offering

In most Member States, the prospectus (or offering document) at the time of initial public offering (IPO) is available for access by the general public at registered office of the issuing company. In addition, it is also made available at the stock exchange(s), the office of the banker(s) to an issue, on websites of the consultants to the issue, and the regulator. The prospectus itself requires the approval of the Regulator before issue. Investors can subscribe both electronically and physically. In case of non-compliance with any of the requirements of the prospectus, financial penalties are imposed, whereas in some countries non-compliance also constitutes criminal offence.

Following major disclosures are covered in the prospectus in most of the OIC Member States:-

- Advice for investors (such as to read the prospectus carefully, particularly the risk factors)
- Summary of the Issue
- Issuer's absolute responsibility for correctness of all disclosures made in the prospectus
- Share capital and related matters
- Offer method
- Book Building procedure, if any
- Business plans, strategies and usage of funds
- Risk factors
- Dividend policy
- Payment of taxes
- Disclosure of relevant taxes and tax incentives on cash dividend
- Selected financial data and historical data
- Management and shareholding pattern
- Line of business and work stream
- Shares issued during preceding years
- Financial information, changes in financial condition and credit rating
- Factors considered in price setting
- Conflicts of interest
- Justification of premium (in case shares issued are on premium)
- Pre-IPO placement (if any)
- Capital structure
- Funding plans and requirements
- List of bankers' to the issue
- Corporate directory
- Underwriting and expenses to the issue
- Application and allotment instructions
- Outstanding litigation against company or directors
- Executive compensation

The regulatory authority has the power to hold back, or intervene, with regard to prospectus (or offering document). Any advertising material outside of the prospectus is prohibited in certain countries, and where allowed, it requires approval of the regulator.

C. Disclosure requirements pertaining to Asset Management Companies

Except for Iraq and Maldives, the operator of a collective Investment Scheme “CIS” is subject to a general and continuing obligation to report to the regulatory authority or investors, either prior to or after the event, any information relating to material changes in its management or organization or in the by-laws of the CIS or the CIS operator. Regulatory system assigns clear responsibilities for:-

- maintaining records on the organization and business of the CIS operator;
- keeping of books and records in relation to transactions involving CIS assets and all transactions in CIS shares or units or interests;
- the legal form and structure of a CIS;
- Implications for the nature of risks associated with the CIS are to be disclosed to investors in such a way that they are not dependent upon the discretion of the CIS operator.

Material changes in investor rights do not require prior approval from investors; however, notice is given to them before the changes take effect. The regulatory system provides that where material changes are made to investor rights, notice is given to the relevant regulatory authority and all matters material to the valuation of a CIS are disclosed to investors and potential investors on a timely basis. Use of standard formats for disclosure of offering documents and periodic reports to investors is mandated under law and includes a general disclosure obligation to allow investors, and potential investors, to evaluate the suitability of the CIS.

In most countries, the regulatory system specifically requires that the offering documents should have the following information:-

- The date of issuance of the offering document
- Information concerning the legal constitution of the CIS
- The rights of investors in the CIS
- Information on the methodology of asset valuation
- Procedures for purchase, redemption and pricing of units/shares
- Relevant, audited financial information concerning the CIS
- Information on the custodial arrangements (if any)
- The investment policy of the CIS
- Information on the risks involved in achieving the investment objectives
- The appointment of any external administrator or investment managers or advisers who have a significant and independent role in relation to the CIS (including delegates)
- Fees and charges in relation to the CIS, in a way that enables investors to understand their nature, structure and impact on the CIS’ performance

In most countries, law requires the timely distribution of periodic reports and the accounts of a CIS to be prepared in accordance with high quality, internationally acceptable accounting standards. The

regulators in each jurisdiction have powers to ensure that the investment policy or trading strategy, specifying authorized investments that the CIS is able to undertake, is being followed. The mechanism for issue and redemption has to be specifically laid down in the constitutive documents (and the offering document), and the price of the CIS has to be disclosed or published on a regular basis to investors or prospective investors.

D. Material disclosures requirements by listed companies

The regulatory framework of member's states regarding clear, accurate and timely disclosure is provided in the table below:

Table 1

Disclosure mandatory for Corporate Governance Reporting								
	Bangladesh	Iran	Iraq	Kuwait	Malaysia	Maldives	Pakistan	Turkey
Independent directors	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Executive and non-executive directors	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Number of directorship	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Training of board of directors	No	No	No	Yes	Yes	Yes	Yes	No
Remuneration of directors	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Board Committees	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Meetings of board	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Disclosures regarding chief executive, CFO and company secretary	Yes	Yes	Yes	Yes	No	Yes	No	Yes

Table 2

Timely Disclosure Requirements (country-wise)

Timely Disclosure Requirements for the following								
	Bangladesh	Iran	Iraq	Kuwait	Malaysia	Maldives	Pakistan	Turkey
Events material to the price and value of securities	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Significant risks of investing in securities	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
financial results	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Price sensitive information	Yes	No	No	Yes	Yes	Yes	Yes	Yes
Related party transactions	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Difference between Shariah based products and conventional form	No	na	Yes	No	No	No	Yes	No
Risks in respect of Islamic products	No	na	No	No	No	Yes	Yes	No
Executive compensation	Yes	No	No	No	Yes	Yes	Yes	Yes
Key executive profile	Yes	No	No	Yes	Yes	Yes	Yes	Yes
Shareholder voting decisions	Yes	No	Yes	Yes	Yes	No	Yes	Yes
Corporate announcements	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Information about significant shareholders	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Profile of board members	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes

Table 3

Legal Basis of Disclosure

Information	Code	Statute	Regulations/Rules	Other
Events material to the price and value of securities		✓	✓	
Significant risks of investing in securities			✓	Prospectus
financial results		✓	✓	
Price sensitive information		✓	✓	
Related party transactions	✓		✓	Standards
Executive compensation		✓	✓	General Assembly
Key executive profile	✓		✓	
Acquisition and divestiture		✓	✓	
Shareholder voting decisions		✓	✓	General Assembly
Corporate announcements		✓	✓	
Information about significant shareholders		✓	✓	Circular
Profile of board members	✓		✓	
Directors report		✓	✓	
Corporate governance reporting	✓		✓	

Table 4

Mode of Mandatory Disclosure

Events material to the price and value of securities	Website of stock exchange, newspapers, public disclosure platform
Significant risks of investing in securities	Website – disclaimer, Prospectus
financial results	Annual and quarterly reports, website
Price sensitive information	Website of stock exchange, newspaper
Related party transactions	Annual report
Executive compensation	Annual report
Key executive profile	Annual report and Website
Acquisition and divestiture	Newspapers and Website
Shareholder voting decisions	Website and register maintain by company
Corporate announcements	Website of Stock Exchange, newspapers
Information about significant shareholders	Annual report and company's website
Profile of board members	Annual report and company's website
Directors report	Annual report
Corporate governance reporting	Annual report

Listed companies in OIC Member States are mandatorily required to prepare financial reports on quarterly and annual basis. The periodical and annual financial statements of listed companies are subject to an independent audit in accordance with international auditing standards. Furthermore, directors' report has to be annexed with the financial statements which contain disclosure regarding material changes and commitments affecting the financial position of the company. In addition, the following information has to be provided:

- explanation regarding any reservation, observation, qualification and adverse remarks in the auditor's report;
- name and country of incorporation of its holding company;
- earnings per share;
- information about default in payment of debts (if any); and
- reasons for incurring losses and a reasonable indication of future prospects of profit.

Listed companies are also required to disclose shareholding of associated companies, related parties, directors and their family members and shareholders holding five percent or more voting rights are mandatory. Under corporate governance reporting information regarding independent directors, executive and non-executive directors, number of directorships, remuneration of directors, board Committees, meetings of board, disclosures regarding chief executive, CFO and company secretary is mandatory. Disclosure regarding credit risk, liquidity risk and market risk are mandatory. In case of acquisition of listed companies, disclosure for more than 10% and 25% acquisition of shares, public announcement of intention and public announcement of offer is mandatory.

E. Requirements regarding timely disclosure of material non-public information

The regulatory framework requires the listed companies to immediately disseminate all material information relating to the business and other affairs that will affect the market price of their shares. Disclosure of such information is provided to the stock exchange which is presented as an announcement on the website of the stock exchange. Administrative fines and criminal proceedings are initiated in case of non-compliance and the following are characterized as price-sensitive information:

- any material change in the nature of business of the company
- information regarding any joint ventures, merger or acquisition
- any material contract entered into or lost
- purchase or sale of significant assets including franchise, brand name, goodwill etc.
- any unforeseen or undisclosed impairment of assets due to technological obsolescence, etc.
- delay or loss of production due to strike, fire, natural calamities, major breakdown, etc.
- issue or redemption of any securities
- a major change in borrowings of the company
- any default in repayment or rescheduling of loans
- change in directors, Chairman or CEO of the company

- information regarding any inquiries/investigations against the company

Listed company is required to disclose all trades in its shares carried out by its directors, executives and their spouses and minor children in the directors' report. In addition, they are required to immediately notify the company whenever they buy/sell or transact in the company's shares directly or indirectly with information including price of share, number of shares and nature of transaction. This information is required to be presented by management at the subsequent meeting of the Board of Directors of the company. Penalties are imposed in case of non-disclosure.

The listed companies have to declare a closed period prior to the announcement of interim/financial results and prior to any business decision which may materially affect the market price of the company's shares during which the directors/CEOs/executives of such company are not allowed to deal/trade in its shares. The duration of closed period varies among countries, and companies are required to inform their directors about the closed period at the time of circulating agenda and working papers for the board meetings. Penalties are imposed in case of non-compliance.

F. Disclosure Requirements within the Alternative Market (SME)

Alternative markets exist in all OIC members states except Maldives. In case of Pakistan, SME market has yet to take off with the new listing (s); however, regulations for the same have been approved at the Karachi and Islamabad Stock Exchanges. Disclosure requirements within the alternative markets are mandatory and are issued through an information memorandum/prospectus at the time of listing. Some countries have similar disclosure requirements for SME as have been prescribed for the securities market; however, in other countries the requirements vary. Quarterly and annual disclosures are required and accounts of the companies on the alternative market are required to be audited. Future plans and performance forecasts are laid out in the prospectus, and price sensitive or material information is disclosed to the public.

In some jurisdictions including Pakistan, companies listed on the alternative market are required to maintain a website for disclosure. To avoid conflicts of interest, companies have to disclose related parties as well as information on corporate actions. Companies within the alternative market follow a code for disclosure and International Accounting Standards are used when disclosing information. The responsibility for regulating and maintaining the disclosure criteria primarily rests with the regulator and the exchange. In case of non-compliance, fines may be imposed.

G. Financial Instruments Disclosure Requirements (Exchange traded securities)

For the purpose of this report, the responding jurisdictions were asked to provide information on exchange traded securities, including Sukuk, debt instruments, Term Finance Certificates (TFCs), Asset Backed Securities (ABS), Commercial Papers (CPs), Participation Term Certificates (PTCs). Not all securities exist in all countries that replied to the questionnaire. In Iran and Maldives, only

regulatory framework for Sukuk exists. Malaysia has regulatory framework for Sukuk and Commercial papers only. Bangladesh currently does not have exchange traded securities.

Where exchange traded securities exist, the regulatory framework sufficiently covers the following disclosures in the prospectus:-

- Information on share capital and related matters including issue size and allocation of capital
- Risk factors
- Mechanism of offer: Whether fixed price or book building. In case of book building the detailed procedure in a book building issue.
- Expenses to the issue, i.e. underwriting commission, bankers to the issue commissions, lead managers, book runners and consultants fees, stamp duty, fee charged by the regulator, the stock exchanges and other expenses.
- Detailed purpose of the issue
- Complete detail of the project (if applicable) for which the funds are being raised
- Overview, history and prospects of the issuer, sponsors profiles
- Dividend policy
- Details of previous issues
- Tax treatment
- Financial information
- Detailed credit rating report (in case of debt issues)
- Statements on issuer's absolute responsibility for all disclosures made in the prospectus
- Relevant regulatory approvals
- Management of the company
- Information on bankers of the Company, bankers to the issue and legal advisors to the company, underwriters, lead manager and issuers, registered office address.
- Material contracts and litigations against the company
- Application & allotment instructions
- Memorandum of association

The regulatory framework in most jurisdictions have sufficiently clear, comprehensive and specific requirements that apply to disclosure of the most significant risks of investing in the security, and in most jurisdictions they cover at least the following risks:-

- Operational risk
- Foreign exchange risk
- Technological risks
- Obsolescence risk
- Liquidity risk
- Law and order risk
- Business risk

- Competition risk
- Industry risk
- Regulatory risk
- Project specific Risks
- Any other material risk

The regulatory frameworks have sufficiently clear, comprehensive and specific requirements for submitting/disclosing the statement of income and expenses including gains and losses and balance sheet related disclosures, and are based on the latest financial statements. They also state the significance of the financial instrument within the entity's financial position. The regulatory frameworks require periodic information about financial position and results of operations (which may be in summary form) to be made publicly available to investors. Appropriate measures are to be taken (for example, provision of more recent unaudited financial information) when the audited financial statements included in a prospectus for public offerings are not current. Provisions have been made to specify requirements that apply to timely disclosure of events that are material to the price or value of listed securities.

4. INTERNATIONAL STANDARDS ADOPTED BY DEVELOPED ECONOMIES

The international standards adopted by developed economics are based on a review of the following:

- IOSCO Standards on Disclosure (Principles 16, 18 & 26)
- The G20 High Level Principles for financial consumer protection, Principle 4: Disclosure and Transparency.
- Transparency Directive of European Union
- Disclosure Systems in the United States – EDGAR/ IDEA/XBRL
- Disclosure Systems in Canada – SEDAR

A. IOSCO standards on disclosure (relevant Principles 16, 18 & 26)

The International Organization of Securities Commissions (IOSCO) is recognized as the global standard setter for the securities sector. IOSCO develops, implements, and promotes adherence to internationally recognized standards for securities regulation which is grounded on the principle of disclosure and transparency. Currently, eight out of the 38 IOSCO Principles—directly or indirectly—refer to disclosure and transparency related issues highlighting the role they play in the capital markets. The IOSCO Principles are among the key international standards and codes that the G20 leaders have committed to implement for effective regulation of markets. The principles most relevant to the subject report are 16, 18 and 26. A brief overview of the principles is provided below:-

i. IOSCO Principle 16

“There should be full, accurate and timely disclosure of financial results, risk and other information which is material to investors’ decisions.”

Principles 16, 17 and 18 are closely interrelated. While Principle 16 focuses primarily on full, timely and accurate disclosure of financial and non-financial information, these same qualities of disclosure are essential for the purposes of Principles 17 and 18. These Principles focus on the information that issuers should disclose to investors when they invest in securities..

Principle 16 is intended to apply to issuers making “public offerings” of securities and also to issuers whose securities are “listed and/or publicly traded”. Adequate disclosure of the risks that the underlying assets of these securities face and the possible effect that these risks may have on the security itself is particularly important. **Issuer’s disclosure should also include checks, assessments, duties and risk practices performed by underwriters, sponsors and originators; and asset pool performance.**

Issuers should disclose to investors current and reliable information necessary to make informed investment decisions on an ongoing basis. The principle of full, timely and accurate disclosure of current and reliable information material to investment decisions is directly related to the objectives of investor protection and fair, efficient and transparent markets. This Principle requires consideration of the adequacy, accuracy and timeliness of both financial and non-financial disclosures as well as disclosure of risks that are material to investors’ decisions. These disclosures may pertain to specified transactions, periodic reports and ongoing disclosure and reporting of material developments.

ii. IOSCO Principle 18

“Accounting standards used by issuers to prepare financial statements should be of a high and internationally acceptable quality. “

This Principle supports the objectives of investor protection and fair, efficient and transparent markets. It does this by requiring that financial statements are prepared in accordance with high quality and internationally acceptable accounting standards. Use of these standards, in turn, seeks to ensure that information provided in financial statements is comprehensive, consistent, relevant, reliable and comparable, and supports investors in making investment decisions, regardless of the geographic location of the entity concerned.

Regulation should seek to ensure the following:

- Financial statements are prepared by issuers in accordance with accounting standards which are of a high quality and are internationally acceptable.
- An appropriate mechanism exists for the setting of these standards for use in preparing financial statements such that where there is some dispute or uncertainty; standards can be the subject of authoritative and timely interpretation that fosters consistent application.
- A regulatory framework for enforcing compliance with accounting standards.

This Principle should be considered (and assessed) in conjunction with Principle 16, which requires full, timely and accurate disclosure of financial information material to investment decisions

iii. IOSCO Principle 26

“Regulation should require disclosure, as set forth under the principles for issuers, which is necessary to evaluate the suitability of a collective investment scheme for a particular investor and the value of the investor’s interest in the scheme.”

This Principle is intended to ensure that matters material to the value of investing in a CIS are the subject of disclosure to investors and potential investors. **Disclosure about a CIS should assist investors in understanding the nature of the investment vehicle and the relationship between risk and return**, so that investors evaluating CIS performance do not focus solely on return, but also on the risk assumed to produce the return. However, investors should be free to choose the level of market risk to which they are exposed. The goal of disclosure should be to provide investors with sufficient information on a timely basis, in a language and a format that are easy to understand having regard to the type of investor, to evaluate whether, and to what extent the CIS is an appropriate investment vehicle for them. Additionally, disclosure should promote comparability among various CIS.

One particular aspect of disclosure requiring close attention is the disclosure of all fees and other charges that may be levied under the CIS. Information on fees and charges should be disclosed to both prospective and current investors in a way that enables the investors to understand their nature, structure and impact on the CIS’s performance. There should also be clear disclosure of investment policies. Advertisements concerning CIS should not contain inaccurate, untrue or misleading statements.

B. G-20 High Level Principles (HLP) on Financial Consumer Protection related to Disclosure and Transparency

G20 High Level Principles on Financial Consumer Protection were developed by the Task Force on Financial Consumer Protection of the OECD Committee on Financial Markets (CMF), in close co-

operation with international organizations and standard setter bodies and consumer and industry associations.

The principles are primarily addressed to G20 members; however they provide guidance to interested economies to assist the efforts to enhance financial consumer protection. They are voluntary principles, designed to complement, not substitute for, existing international financial principles or guidelines. In particular, they do not address sector specific issues dealt with by the relevant international organizations and the financial standard setters (such as IOSCO). Different kinds of transactions present different risk profiles. The principle most relevant to the subject of the report is the High Level Principle (HLP) 4: Disclosure and Transparency. Brief about the principle is provided below:

HLP 4: Disclosure and Transparency

Financial services providers and authorized agents should provide consumers with key information that informs the consumer of the fundamental benefits, risks and terms of the product. They should also provide information on conflicts of interest associated with the authorized agent selling the product.

In particular, information should be provided on material aspects of the financial product. **Appropriate information should be provided at all stages of the relationship with the customer.** All financial promotional material should be accurate, honest, understandable and not misleading. Standardized pre-contractual disclosure practices (e.g. forms) should be adopted where applicable and possible to allow comparisons between products and services of the same type. Specific disclosure mechanisms, including possible warnings, should be developed to provide information commensurate with complex and risky products and services. Where possible consumer research should be conducted to help determine and improve the effectiveness of disclosure requirements.

The provision of advice should be as objective as possible and should in general be based on the consumer's profile considering the complexity of the product, the risks associated with it as well as the customer's financial objectives, knowledge, capabilities and experience. Consumers should be made aware of the importance of providing financial services providers with relevant, accurate and available information.

Consumers can be at a particular disadvantage when purchasing financial products or services, as these are widely marketed but purchased infrequently. Behavioural finance provides insights that support the view that traditional approaches to disclosure do not always match consumers' information needs for decision-making. Moreover, consumers' decision making processes may be influenced or constrained by a number of inherent factors, which may result in poor financial choices. Effective disclosure and transparency should, therefore, aim to mitigate the effect of these factors by providing appropriate and adequate information and opportunities for consumers to process information with ease and clarity. This can be achieved by disclosing information in the format, time, medium and volume that best facilitates informed decision-making by consumers. Since transparency is not always sufficient, **effective consumer protection through disclosure is**

best complemented with measures that ensure responsible business conduct and improve financial education.

Key areas of disclosure are:

- A. Key information about the product or service
- B. Conflicts of interest
- C. Provision of advice
- D. Promotional material
- E. Specific disclosure measures
- F. Consumer research
- G. Consumers' awareness

4. The approaches used by G20 countries:

Sr. #	Key Areas	Effective Approaches
1	Key Information about the Product or Service	<ul style="list-style-type: none"> • Financial services providers and authorized agents should provide information that is <ol style="list-style-type: none"> 1. Adequate 2. Not misleading 3. Covers all areas (including risks, terms, conditions) 4. Layered to make it easier for consumers to differentiate between essential facts and less important data 5. appropriate and consistent 6. Provided free of charge, according to the type of product and other circumstances 7. Relevant to all stages of the relationship with the customer • Consumers are allowed a period of reflection to study, question and understand the information they are provided with, to enable them to make an informed decision about the product or service they are buying and the consequences of their purchase. • After buying the product or service, consumers are granted a sufficiently long cooling-off period, allowing them to withdraw from the contract without suffering any inconvenience. The implementation of this cooling-off period is adapted according to the nature of the product, clientele and marketing and distribution practices, such as distant or door to door sales, and as far as it is compatible with the kind of financial transaction. • Information for consumers is displayed on the websites of financial services providers and is made available in branches, offices and other client or consumer areas. • The consumer receives reasonably advanced written notice before any changes in the terms of a product or service are enacted, according to the conditions laid down in the law and agreed in the contract. • Standardized forms with essential information are used to reflect the nature, key features, risks and costs of the products and services offered, how such products and services may be paid for and the key information of the financial services provider, so that the consumer can easily compare products and providers. • Any information provided is tailored to the specific groups of consumers

		<p>who form the target market of the product or service, taking into account the potential consumer's level of financial capability, and with a specific consideration for vulnerable consumers.</p>
2	Conflicts of Interest	<ul style="list-style-type: none"> • Financial services providers and authorized agents make certain that if a particular potential conflict of interest is not prohibited and cannot be avoided, then consumers are adequately informed about how the conflict of interest affects the services provided to the consumer and its possible consequences. • Financial services providers and authorized agents make consumers aware of the impact on their marketing or advice of any remuneration, commission, fee, rebate or other benefit or incentive receivable by them or, where applicable, their authorized agent as the primary basis for selling or recommending particular financial products to consumers.
3	Provision of Advice	<ul style="list-style-type: none"> • When providing advice, financial services providers and authorized agents must give priority to helping the consumer purchase a product which is fit and sustainable according to his/her financial needs. They also inform consumers about the costs of getting the advice. • Recommendations made by financial services providers or authorized agents across sectors are objectively justified, clearly explained to consumers and properly documented. If the requested products are of a higher risk rating than a consumer's risk tolerance assessment results or of a nature that does not match the consumer's needs, financial services providers and authorized agents draw this mismatch to the consumer's attention. • The provider of financial advice properly assesses the financial objectives, knowledge and experience of the consumer and the affordability of the product to the consumer against the specific risks and other features of the product by requesting the customer to provide information on his/her financial needs, situation and risk profile. Due care must always be given to confidentiality when requesting and managing information as well as to proportionality when asking for information. • The provider of advice gives the consumer a document that summarizes advice provided and sets out how the product recommended meets the needs of the consumer and is appropriate for his/her personal circumstances and financial situation. The basic information contained in this document is standardized and helps the consumer make an informed decision about whether to act on the advice given or not.
4	Promotional Material	<ul style="list-style-type: none"> • Advertising is fair, clear, comprehensive, concise, accurate, simple, understandable, balanced, proportionate and visible/audible. It highlights key information, which is prominent and not obscured. The print is of a sufficient size and clearly legible. Special attention should be paid to the legibility of information developed for electronic devices. • Financial services providers and authorized agents comply with general and product-specific advertising legislation and guidelines, which provide detailed guidance on what and how information should be presented in advertisements, including the use of language and graphics, performance information, illustrations, forecasts and warning statements. • Regulators and supervisors monitor advertisements for financial products and services and enforce relevant rules, including the requirement to

		<p>withdraw inappropriate advertisement, in order to deter the use of misleading statements to consumers. Information is withdrawn or amended with immediate effect when it is not accurate and clear or misleading. There are clear penalty processes to deter misleading and false advertising.</p> <ul style="list-style-type: none"> • There are regulatory restrictions on unsolicited communications between the financial services provider and the consumer, especially once their relationship has ended. • Promotional material is adapted to the communication channels employed and appropriately targeted according to the specific groups of consumers to whom products are marketed, taking into account the potential consumer's level of financial capability.
5	Specific Disclosure Measures	<ul style="list-style-type: none"> • Enhanced disclosure requirements are established for more complex products that highlight specific costs and risks involved for the consumer. These requirements include the provision of a clear, concise and easily understandable standardized form that contains information enabling the consumer to comprehend the key features and risks of the product, and is prepared in a format that facilitates comparison with other products. This document is provided free of charge to consumers prior to or at the point of sale. • Risk warning systems, including the use of statements by regulators, keep consumers aware of the issues or problems with specific products. These systems are best developed through consumer testing and prominent in promotional material or advertising used by the financial services provider or authorized agents. Regulators and supervisors may issue public risk warnings on their websites or through other appropriate media.
6	Consumer Research	<ul style="list-style-type: none"> • Consumer research helps better understand the diversity of consumers' information needs and preferences. Consumer research is one of the tools for regulators to gain a better understanding of consumers' attitudes, reluctance, vulnerabilities and decision-making. • Consumer surveys, in particular post-sale surveys, are conducted by financial services providers or authorised agents and regulators as one of the ways to collect consumer insights on the effectiveness of disclosure documents and to help identify ways for their improvement. In order to avoid conflicts of interest, the design of the survey and the analysis of the results are done by an independent organisation or a public body. • As far as possible under national law, mystery shopping, even if it cannot serve as a direct basis for sanctions, helps assess financial services providers' and authorised agents' compliance with regulatory requirements and industry codes of practice from the consumer's perspective as well as the quality of information and advice provided by sales staff. • In new delivery channels, such as mobile payment systems or electronic banking, consumers' needs are taken into account in an inclusive approach when developing approaches to consumer research, paying due attention to the needs of vulnerable groups. • Additionally, research on the behaviour of providers and advisors gives useful insights into possible biases that lead to potential consumer detriment.

7	Consumers' Awareness	<ul style="list-style-type: none"> • Regulators remind consumers to provide the financial services provider or authorised agent with as much relevant information as necessary about their circumstances and not to withhold relevant information so that the latter can fully assess their financial situation, risk appetite and expectations, appropriately characterize them, and understand what the consumer really needs and wishes. Consumer's responsibility to provide information is balanced by a regulatory requirement for financial service providers to seek all relevant information from the consumer. • Incentives are developed to improve financial education, literacy and capability so as to help consumers understand the importance of providing accurate information to their financial services providers or advisers. • Consumers are made aware of their right to receive sufficient information to make an informed decision as well as of the types of information they are entitled to. They are also advised to insist on receiving this information and to understand it. • Consumers are reminded of the importance of providing adequate information to the financial services provider, authorised agent or financial advisor. via SMS, TV and web campaigns.
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C. Transparency Directive of European Union

The **Transparency for Listed Companies Directive** is an European Union (EU) Directive, which improves the harmonization of information duties of issuers, whose securities are listed at a regulated market at a stock exchange within the European Union.. The directive adopted by all EU member states, aims to establish minimum requirements regarding the financial information distribution all over the EU and an increase in transparency at the capital markets and in investor protection to meet information deficits in a developing financial market environment.

This Directive is aimed at issuers whose securities are admitted to trading on a regulated market situated or operating within a Member State, and regulates requirements regarding the disclosure of periodic and ongoing information. The directive can be summarized in the following sections:

- A. Periodic information
- B. On-going information
- C. General obligations
- D. Competent authorities and their power

A. Periodic information

1) Annual Accounts

The issuer shall make public its annual financial report at the latest, four months after the end of each financial year, and shall ensure that it remains publicly available for at least 10 years. The annual financial report has to include the audited financial statements, audit report, a management report, and a statement by officials that the financial statements were prepared in compliance with the applicable accounting standards. Half-yearly financial reports

The issuer of shares or debt securities shall make public a half-yearly financial report covering the first six months of the financial year as soon as possible after the end of the relevant period, but at the latest three months thereafter. The issuer shall ensure that the half-yearly financial report remains available to the public for at least 10 years.

B. On-going information

1) Major holdings of voting rights

A shareholder, acquiring or selling shares, has to notify the issuer of such transactions, as soon as the acquisition or disposal of shares results in an amount of voting rights, that exceeds, falls below or reaches the threshold of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the total amount of voting rights issued.

2) Information requirements for issuers

Issuers are obliged to treat all shareholders who are in the same position equally. Furthermore, issuers have to make available all kinds of information that is necessary for the shareholders to ensure the exercise of their voting and/or financial rights, either in paper or electronic form. After the annual general meeting the issuer has to publish decisions made at the annual general meeting, if applicable, which may include : payment of dividends and issue of new shares, allotment, subscription, cancellation and conversion rights of the new shares.

D. Disclosure Systems in the United States – EDGAR/ IDEA/XBRL

EDGAR, the **Electronic Data Gathering, Analysis, and Retrieval** system, performs automated collection, validation, indexing, acceptance, and forwarding of submissions by companies and others who are required by law to file forms with the U.S. Securities and Exchange Commission (US SEC). The electronic filing system was created for the purpose of increasing efficiency and accessibility to corporate filings.

Corporate documents filed with the SEC through EDGAR include annual and quarterly statements, information regarding the holdings of institutional investors and many other forms. These filings include some of the most important information used by investors and analysts. EDGAR makes company information more accessible than it was before, and the application of data tagging to EDGAR documents promises even greater access. The access is available to all (online), free of cost.

However, as EDGAR is still a document-based system, users often must search through lengthy documents to find the information they want. EDGAR does not, for example, allow a user to easily compare fiscal periods for a single company or information between companies or groups of companies, or develop long-term analyses.

In view of the fact that EDGAR is essentially document-based disclosure system containing information that is searchable but not interactive, it is no longer the leading edge technology. Recognizing the need to bring its systems more in line with modern business technology, the US

SEC has started to move to **IDEA (Interactive Data Electronic Applications)**, a platform that will allow it to make major advances in its disclosure system. This Initiative focuses on developing a system that will take advantage of the IDEA platform.

Data tagging is a technology applied to business reporting and disclosure to make information more accessible and easier to use. Data tagging refers to the use of standardized electronic labels, or data tags, to identify individual components within an electronic document or a larger set of data, similar to the use of bar codes to track merchandise. After tags are applied, the data is said to be interactive. Interactive data can be automatically processed by software applications that interface with databases, financial reporting systems, spreadsheets, and rendering tools.

Data tagging relies on standardized sets of tags called markup languages. The markup language **XBRL (eXtensible Business Reporting Language)** was first designed for the specific purpose of tagging financial disclosure information. XBRL tags have also been developed for some types of non-financial disclosure information. XBRL tags correspond directly to components of financial statements or narrative disclosures. When disclosure information is converted into interactive data using XBRL or another markup language, investors and other market participants can easily search for, analyze, and compare entire disclosure submissions as well as discrete pieces of information formerly trapped within paper or electronic disclosure documents. All of these features mean greater transparency in disclosures for both financial and nonfinancial information.

XBRL is a freely available and global standard for exchanging business information. It allows the expression of semantic meaning commonly required in business reporting. The language is XML-based (Extensible Markup Language). XML is a markup language that defines a set of rules for encoding documents in a format which is both human-readable and machine-readable. Common functions in many countries that make use of XBRL include regulators of stock exchanges and securities, banking regulators, business registrars, revenue reporting and tax-filing agencies, and national statistical agencies. XBRL aims to become a world-wide standard for electronic business reporting.

E. Disclosure Systems in Canada – SEDAR

SEDAR, the System for Electronic Document Analysis and Retrieval, is being used for electronically filing securities information with the authorities concerned with securities regulation in Canada, since Jan. 1, 1997. The statutory objective in making public this filed information is to enhance investor awareness of the business and affairs of public companies and investment funds and to promote confidence in the transparent operation of capital markets in Canada. Achieving this objective relies heavily on the provision of accurate information on market participants. SEDAR helps the Canadian Securities Administrators to:

1. facilitate the electronic filing of securities information as required by Canadian Securities Administrator;

2. allow for the public dissemination of Canadian securities information collected in the securities filing process; and
3. provide electronic communication between electronic filers, agents and the Canadian Securities Administrator

SEDAR has three main benefits:-

1. It saves time and money (by allowing companies to electronically file securities information, such as prospectuses and continuous disclosure documents, and make associated payments in electronic form.
2. It facilitates market efficiency by enabling investors to promptly access securities information found in the public domain.
3. It speeds up communication between reporting issuers and securities regulators in Canada.

SEDAR was established by the Canadian Securities Administrators (CSA) and is operated and administered by CDS Inc, which is the filing service contractor appointed by CSA, and a subsidiary of the Canadian Depository for Securities. SEDAR is the Canadian version of EDGAR, the U.S. electronic system for filing securities information. Searches of the database can be made by company name, industry group, document type or date filed. Through registered filing agents, public companies file documents such as prospectuses, financial statements and material change reports. In the interest of transparency and full disclosure these documents are accessible to the public.

5. KEY CHALLENGES AND ISSUES ON DISCLOSURE IN OIC REGION

As an important public policy instrument in securities regulation, disclosure is designed to provide timely, accurate and complete information to the market. It is contrasted with the merit based regulation under which regulators assess the appropriateness and fairness of all issues of securities to the public and either approves or rejects them accordingly.

Disclosure is critical for transparency in capital markets, being one of the fundamental pillars of securities regulation and an essential component for the operation of securities markets. Disclosure, in particular, serves to enable:

1. an understanding of the nature of the investment; and
2. an appreciation of the risks and rewards of the investment

There appears to be general consensus that the lack of public information about the level and distribution of risk in the financial system was the major contributing factor in the global financial crisis. The importance of corporate disclosure practices has been of major interest both in theory and in practice. Effective investor protection mechanisms play an indispensable role in bolstering investor confidence and retention. Although the disclosure philosophy is the most pervasive investor protection mechanism in many jurisdictions with many advantages including simplicity, its effectiveness in developing securities markets is severely limited by prevailing market realities. A brief on the issues and accompanying challenges observed in OIC region is presented below:-

i. Lack of control on timely reporting of mandatory disclosure:

Although the requirement for mandatory disclosure of price-sensitive information by the listed companies to the public exists across all jurisdictions, it has been observed that this requirement is not effectively practiced in some jurisdictions which may undermine the ability of investors in making effective investment decisions.

ii. Lack of a web-based centralized database:

Most member countries lack a web-based centralized database that contains information on securities and filings by public companies. The statutory objective in making public such information is to enhance investor awareness of the business and affairs of public companies and to promote confidence in the transparent operation of capital markets. As previously stated, EDGAR and SEDAR in the US and Canada, respectively, provide a central database where all public companies have to file their reports with the regulator. These databases provide access to most public securities documents and information filed by public companies and investment funds in the United States and Canada.

iii. Issues with Mandatory Disclosure:

Although mandatory disclosure is the esteemed methodology of securities regulation, it has numerous challenges to contend with. On the one hand it is based on diverse material assumptions. First, it assumes that the information is disclosed in a usable manner. Typically, disclosure in the primary market is by way of a prospectus containing the mandated information. It is a lengthy and detailed booklet with diagrammatic illustrations and financial

information which seldom inspires ordinary investors and can be confusing. In addition, the language used is technical. Abridged prospectuses are equally technical and largely unappealing. Second, it presumes that investors have the capacity to comprehend, synthesize and apply the information to their decision making. It may be noted that ordinary investors can neither comprehend nor synthesize or apply the information. Limited cognitive abilities and a host of biases interrupt their decision making process, thus undermining the utility of the information disclosed.

iv. Issues with Key Material Disclosure:

- **Financial disclosure:** In the area of financial disclosure all countries have requirements for the disclosure of the enterprise's financial and operating results, related-party transactions and critical accounting policies. However, even with detailed disclosure requirements, not all enterprises actually disclose the financial information necessary for *both* shareholders and other stakeholders to properly understand the nature of the business. In some countries, local accounting standards are simply not suited to the task. In other countries, enterprises may comply with the letter of the law while subverting its spirit. In others still, disclosures may be so convoluted that they are incomprehensible even to the most sophisticated reader. Accounting policies are generally disclosed in all of the countries, although the impact of alternative accounting approaches is generally not discussed.
- **Transparency in ownership and control:** In most of the countries reviewed, transparency in ownership and control structures could be considerably improved. In many cases, beneficial ownership remains difficult to ascertain, and pyramid structures and interlocking board directorships may make conflicts of interest difficult to detect.
- **Disclosures regarding material risks:** Material foreseeable risk factors are usually discussed in filings for initial public offerings. In addition, certain risk factors must be disclosed in the financial statements in accordance with applicable accounting standards if there is a reasonable presumption that they could occur. Management is generally responsible for reporting that appropriate internal control systems are in place. However, the extent to which the board is responsible for disclosing the mitigation of negative effects of risk-bearing activities could not be ascertained.

v. Lack of standardization in disclosure:

Companies have different ways of providing their disclosures. In the absence of standard formats, each firm will naturally choose the format that is the most favorable to its data, consequently, impairing investors' ability to make comparisons across firms. For example, in the mutual fund industry different categories of funds choose diverse methodology when reporting their performance. This difference in the way returns are reported leads to significantly different results thereby impairing the process of capital allocation to fund managers producing the best returns.

vi. Lack of continuous disclosure:

In certain cases, continuous or updated information is required beyond the initial disclosure. For example, in the case of Sukuk, the main question of continuing compliance with Shariah relates to the activities of the originator, and the uses to which the funds are put. These can,

in principle change during the lifetime of the Sukuk in ways that affect Shariah compliance; for example, the originator may buy a brewery, or rent its real estate to a conventional bank.

vii. Lack of XBRL:

None of the jurisdictions has responded to the questionnaire regarding applicability of Extensible Business Reporting Language (XBRL). However, Iran encourages filing by companies using XBRL. Similarly, in Turkey there is an ongoing XBRL project at the Public Disclosure Platform. XBRL is a new way to present core financial information, and has revolutionized the way that publicly traded companies generate, report and analyze their financial results, allowing for interactive uses of financial data. Interest in XBRL continues to grow as regulatory bodies around the world further embrace it as a reporting standard. Due to the homogeneity in the way financial information is presented, XBRL has an indirect effect on the reduction of information asymmetries on financial markets.

viii. Issues involving Cross-border listings

There are certain material differences between IPO laws and regulations governing pre-IPO and post-IPO requirements on disclosure obligations. These can result in compliance challenges for the issuer, especially when cross-border listings are involved. Additional compliance requirements for dual-listed issuers have resulted in higher compliance costs than companies with a single listing.

While most dual-listed issuers have managed to struggle through the regulatory gaps without recording any unusual frequency or extent of compliance failures or deviations that would alarm the regulators, there have nevertheless been concerns about inconsistency and imbalance in compliance under some circumstances, particularly with regard to post-IPO continuing disclosures. Accordingly, regulators have to face the practical risk of unequal treatment of shareholders of dual-listed companies.

6. CONCLUSION AND RECOMMENDATIONS

The objective of the report is the development of a harmonized regulatory framework for COMCEC member countries which will facilitate regional financial integration and development of appropriate disclosure and reporting standards amongst COMCEC member states. Keeping in view the objective, study of the current requirements in OIC region, international practices and issues regarding disclosures described in previous chapters, it can be safely concluded that the countries that responded to the questionnaire have similar requirements regarding disclosure. However, certain gaps exist between OIC region and the international best practices. Accordingly, we are making the following recommendations:-

1. There is need for developing an online central database / dedicated web portal, for storing financial statements and other disclosure documents that may be accessed by the general public. This will also ensure continuous disclosure for issuers, not just before or during IPO but also post listing of the security. The use of technology, especially use of data tagging and interactive data can enhance transparency, while allowing the general public to analyze available information and make informed decisions.
2. The challenges in developing countries are greater than in countries with established markets. However, it may be noted that the benefits of enhanced disclosure can also be expected to be proportionally greater. By improving disclosure systems, developing countries within OIC region have the opportunity to increase transparency and access to information within their respective jurisdictions. In addition, improved disclosure systems and transparency will help regional financial integration and cross border listings. To constitute an effective communication tool, disclosure methodology must pay attention to the discloser and recipient of the information. The information presented to the recipient must be clear and concise, and it must be comprehensible and usable for prudent investment decision making. Therefore, the language and methodology of disclosure should be meticulously prepared, by eliminating sophisticated financial terminologies, keeping in perspective the target audience. It is important to note that OIC has very low levels of financial literacy resulting in most retail investors lacking the knowledge required for accessing and benefiting from investor protection advice provided by the regulators..
3. Any document delivered electronically must be prepared, updated and delivered in compliance with applicable laws pertaining to issue of securities, and must contain all of the information otherwise required, in substantially the same order and manner as a paper document contains.
4. In the context of Islamic mutual funds, it is imperative that the funds disclose detailed information on their screening methods (e.g. source of data, benchmarks, frequency of screening, exact definitions of black list criteria). This will assure investors in Islamic funds about compliance with the principles of Shariah

5. For cross border listings, in addition to the standardization as well as convergence of regulatory requirements, there is need to further improve the quality of financial information disclosure by companies undertaking an IPO. In this context, the following recommendations are proposed:
- A. If the entity is listed in more than one jurisdiction, the information released under the ongoing disclosure obligation of one jurisdiction where it is listed should be released on an identical basis and simultaneously in all the other jurisdictions where it is listed keeping in view factors such as different time zones and trading hours. This obligation should not be dependent on where the listed entity is principally listed.
 - B. There is need to devise mechanism by the regulator for conducting due-diligence with respect to the claims made by the issuer regarding its land, plant & machinery, its functioning status etc. to ensure validity of disclosures, business condition of a company in an authentic, accurate and complete manner, as made in prospectus. This will help reduce post issue incidence of misstatement of information by the company.

7. ANNEXURE

QUESTIONNAIRE



STANDING COMMITTEE FOR ECONOMIC AND COMMERCIAL
COOPERATION (COMCEC)

CAPITAL MARKET REGULATORS FORUM

Market Development Task Force

SURVEY QUESTIONNAIRE

Transparency Requirements-Public Disclosure Systems

Prepared by:

Chair

Vice-Chair

Securities and Exchange Commission of Pakistan

Securities and Exchange Organization Iran

Country:

Name of the Authority:

Name of contact person:

Phone number:

Email address:

INTRODUCTION AND BACKGROUND

As Chair of the Task Force, Securities and Exchange Commission of Pakistan in co-operation with Task Force Vice-Chair, Securities & Exchanges Organization of Iran and the CMR Forum Secretariat, Capital Markets Board of Turkey, aims to support the capital markets of the COMCEC CMR Forum members to operate effectively for the best interests of investors and market participants. The Task Force recognizes the diverse nature of capital markets conditions in OIC local capital markets and agrees that OIC markets integration into the world financial system entails establishing effective reporting and disclosure standards.

Background

Transparency and disclosure are the two most fundamental requirements for ensuring sustainable market development and maintaining the confidence of the investors. Regulations should pave the way for development of markets by providing a market disclosure environment that ensures specific, timely, and comprehensive disclosures that enable concurrent and equal flow of information to all market participants. Regulation should also ensure market discipline and transparency which is a key element towards establishing and maintaining investor confidence.

A central public disclosure system for use by investors in stocks and corporate bonds is particularly important. Web-based electronic disclosure platform for disclosing ad-hoc information, quarterly and annual reports via the system is useful for investors and market participants.

Regulatory framework as well as technological infrastructure for comprehensive, relevant and timely information collection and dissemination of transactions in financial institutions are particularly relevant.

Besides, non-financial disclosures (such as corporate governance structures and practices, education and professional experience of board members, key executives, total and individual remuneration of directors and key executives) also contributes to the transparency level of the markets.

Objectives

The mandate amongst other things will focus on:

- The use of technology to enhance transparency and aid public disclosure and the issues it creates in the context of confidentiality requirements and accuracy of the information disseminated
- Disclosure requirements at the time of initial public offering
- Disclosure requirements pertaining to asset management companies
- Material disclosure requirements in accounts of companies
- Requirements regarding timely disclosure of material non-public information
- Requirements regarding disclosures at the time of or prior to trading (by director, sponsors or related parties)
- International and national disclosure and transparency standards

- Benefits of a central public disclosure system
- Establishing standards-based systems and methodologies such as eXtensible Business Reporting Language (XBRL) and Electronic Data-Gathering, Analysis and Retrieval (EDGAR).

Keeping in view the objectives mentioned above, the emphasis of the mandate will be:

1. to assist the members of the COMCEC Capital Markets Regulators Forum understand different practices and regulations concerning transparency and disclosure requirements in place in member jurisdictions;
2. to identify useful regulatory elements that could be adopted by members, that may intend to improve their regulatory frameworks and different approaches used by members keeping in to account the evolving technological spectrum and how it effects or aids transparency and disclosure requirements as well as requirements for confidentiality; and
3. to develop recommendations or best practices for appropriate disclosure requirements which will lead to enhanced investor protection and access to all relevant information for the general public.

The focus will be on development of a harmonized regulatory framework for COMCEC member countries which will facilitate regional financial integration and development of appropriate disclosure and reporting standards amongst COMCEC member states.

Scope of Questionnaire

The questionnaire primarily focuses on the following areas of appropriate requirements for transparency and disclosure:

- **Disclosure systems in place within OIC member jurisdiction**
- **Disclosure requirements at the time of initial public offering**
- **Disclosure requirements pertaining to aAsset management companies**
- **Material disclosures requirements by companies**
- **Disclosure requirements within alternative markets (OTC/SME)**
- **Financial instruments disclosure requirements (Exchange traded securities)**

List of Abbreviations

CGT: Capital Gains Tax

QIB: Qualified Institutional Buyer

CIS: Collective Investment Scheme

AGM: Annual General Meeting

IMPORTANT DEFINITIONS OF TERMS & EXPRESSIONS

Alternative Markets

A market which is separate to the main market or a sub-market of the main market within a jurisdiction, usually for smaller and growing companies.

Closed Period

The period prior to the announcement of interim/ final results and any major business decision, which may materially affect the market price of its shares, where trading in a security is restricted to prevent trading by insiders.

Data Tagging

Interactive data which allows investors and others to pinpoint facts and figures within lengthy disclosure documents

Data Warehouse

A large store of collated data which includes detailed and summarized historical data for companies

Material Information

Information pertaining to a certain aspects of a company which will have an impact on its share price or investment decisions

Material Non-Public Information

Information which is not yet made public but may have an impact on a company's share price

Prospectus

means any document described or issued as prospectus, and includes any notice, circular, advertisement, or other communication, inviting offers from the public for the subscription or purchase of any shares in, or debentures of, a body corporate

Questions for COMCEC Questionnaire

A. Disclosure systems in place within OIC members

1. Does the Regulatory Framework prescribe clear, comprehensive and reasonably specific disclosure requirements?
 - a) Yes
 - b) No

 2. Are disclosure requirements mandatory or voluntary?
 - a) Mandatory
 - b) Voluntary

 3. Are disclosure requirements provided for in the Law?
 - a) Yes
 - b) No

 4. Is disclosure information and other data stored and submitted in electronic or paper based form?
 - a) Electronic
 - b) Paper based
 - c) Both

 5. Who is responsible for maintaining and regulating the disclosure criteria that firms are to follow?
 - a) Regulator
 - b) Exchanges
 - c) Others (please specify)

 6. Are companies required to have compliance officers to ensure appropriate disclosure takes place?
 - a) Yes
 - b) No

 7. Are international accounting standards used for financial disclosure?
 - a) Yes
 - b) No (if no, please specify)
-

- 8.** Is there a data warehouse for collection of data?
- a) Yes
 - b) No
- 9.** Can the regulator comply with demands for disclosure from other domestic authorities?
- a) Yes
 - b) No
- 10.** Can the regulator comply with demands for disclosure from foreign authorities?
- a) Yes
 - b) No
- 11.** Is there any portal or website for filing disclosure information within your organization?
- a) Yes
 - b) No
- 12.** Forms of dissemination being used:
- a) Paper based
 - b) Website
 - c) Other methods (please specify)
- 13.** Where are public documents available:
- a) Head office
 - b) Regional office
 - c) Website
 - d) Other (please specify)
- 14.** Does your organization use data tagging, such as XBRL (eXtensible Business Reporting Language)?
- a) Yes
 - b) No
- 15.** Are companies required or encouraged to file interactive data to make information more accessible?
- a) Yes
 - b) No
- 16.** How long are disclosure documents archived for?

- a) One year
- b) Two years
- c) ;Three years
- d) 5 years
- e) Other (please specify)

17. Are companies required to provide financial information to the public on a:

- a) Monthly basis
- b) Quarterly basis
- c) Biannual basis
- d) Annual basis
- e) Event based
- f) Other (please specify)

18. Are companies required to provide non-financial information to the public on a:

- a) Monthly basis
- b) Quarterly basis
- c) Biannual basis
- d) Annual basis
- e) Event based
- f) Other (please specify)

B. Disclosure requirements at the time of Initial Public Offering

19. Where is a company's prospectus available for access by the general public:

Location	Yes	No
Registered Office		
Stock Exchange		
Bankers to an issue		
Website		
Regulator		
Other (please specify)		

20. Information covered within the prospectus:

Disclosure Requirements within the Prospectus	Yes	No	Remarks
Advice for investors (such as to read the prospectus carefully, particularly the risk factors)			
Summary of the Issue			
Issuer's absolute responsibility for correctness of all disclosures made in the prospectus			
Share capital and related matters			
Offer method			
Book Building procedure, if any			

Business plans, strategies and usage of funds			
Risk Factors			
Dividend policy			
Payment of taxes			
Statement on applicability CGT and tax on cash dividend			
Selected financial data and historical data			
Management and shareholding pattern			
Line of business and work stream			
Shares issued during preceding years			
Financial information, changes in financial condition and credit rating			
Factors considered in price setting			
Conflicts of interest			
Justification of premium (in case shares issued are on premium)			
Pre-IPO Placement (if any)			
Capital structure			
Funding plans and requirements			
List of bankers' to the issue			
Corporate directory			
Underwriting and expenses to the issue			
Application and allotment instructions			
Outstanding litigation against company or directors			
Executive compensation			
Other (please list)			

21. Are shares by investors subscribed electronically or physically?
22. Does the prospectus require the approval of the Regulator?
- a) Yes
- b) No
23. What is the enforcement action/penalty in case of non-compliance with any of the requirements of the prospectus?

C. Disclosure requirements pertaining to Asset Management Companies

24. Is the operator of a CIS subject to a general and continuing obligation to report to the regulatory authority or investors, either prior to or after the event, any information relating to material changes in its management or organization or in the by-laws of the CIS or the CIS operator?
- a) Yes
- b) No
25. Does the regulatory system assign clear responsibilities for maintaining records on the organization and business of the CIS operator?

- a) Yes
- b) No

26. Does the regulatory system provide for the keeping of books and records in relation to transactions involving CIS assets and all transactions in CIS shares or units or interests?

- a) Yes
- b) No

27. Does the regulatory system provide that the legal form and structure of a CIS, as well as the implications thereof for the nature of risks associated with the CIS, be disclosed to investors in such a way that they are not dependent upon the discretion of the CIS operator?

- a) Yes
- b) No

28. Does the regulatory system provide that where material changes are made to investor rights that do not require prior approval from investors, notice is given to them before the changes take effect?

- a) Yes
- b) No

29. Does the regulatory system provide that where material changes are made to investor rights, notice is given to the relevant regulatory authority?

- a) Yes
- b) No

30. Does the regulatory system require that all matters material to the valuation of a CIS are disclosed to investors and potential investors on a timely basis?

- a) Yes
- b) No

31. Does the regulatory system require that the information referred to in the Question above be disclosed to investors and potential investors in an easy to understand format and language having regard to the type of investor?

- a) Yes
- b) No

32. Does the regulatory system require the use of standard formats for disclosure of offering documents and periodic reports to investors?

- a) Yes
 - b) No
-

33. Does the regulatory system include a general disclosure obligation to allow investors, and potential investors, to evaluate the suitability of the CIS for that investor or potential investor?

- a) Yes
- b) No

34. Does the regulatory system specifically require that the offering documents, or other publicly available information, include the following:

	Yes	No
The date of issuance of the offering document?		
Information concerning the legal constitution of the CIS?		
The rights of investors in the CIS?		
Information on the methodology of asset valuation?		
Procedures for purchase, redemption and pricing of units/shares?		
Relevant, audited financial information concerning the CIS?		
Information on the custodial arrangements (if any)?		
The investment policy of the CIS?		
Information on the risks involved in achieving the investment objectives?		
The appointment of any external administrator or investment managers or advisers who have a significant and independent role in relation to the CIS (including delegates)?		
Fees and charges in relation to the CIS, in a way that enables investors to understand their nature, structure and impact on the CIS' performance?		

35. Does the regulatory authority have the power to hold back, or intervene, with regard to offering documents? For example, are there regulatory actions available in the event that the information is inaccurate, misleading or false, or does not satisfy the filing/approval requirements?

- a) Yes
- b) No

If Yes, please elaborate on the actions available

36. Does the regulatory system cover advertising material outside of the offering documents? In particular, does it prohibit inaccurate, false or misleading advertising? Are there regulatory actions available to the regulator with regard to advertising material outside of the offering document?

- a) Yes
- b) No

If Yes, please elaborate on the actions available

37. Does the regulatory system require that the offering documents be kept up to date to take account of any material changes affecting the CIS?

- a) Yes

b) No

38. Does the regulatory system require a report to be prepared in respect of a CIS's activities either on an annual, semi-annual or other periodic basis?

a) Annual

b) Semi-annual

c) Periodic

d) Other

39. Does the regulatory system require the timely distribution of periodic reports?

a) Yes

b) No

40. Does the regulatory system require that the accounts of a CIS be prepared in accordance with high quality, internationally acceptable accounting standards?

a) Yes

b) No

41. Does the regulator have powers to ensure that the stated investment policy or trading strategy, the authorized investments that the CIS is able to undertake or any policy required by regulation, is being followed?

a) Yes

b) No

42. Does the regulatory system require the basis upon which investors may redeem units/shares to be made clear in the constituent documents and/or the prospectus?

a) Yes

b) No

43. Does regulation require the price of the CIS be disclosed or published on a regular basis to investors or prospective investors?

a) Yes

b) No

D. Material disclosures requirements by companies

44. Does the regulatory framework require clear, accurate and timely disclosure requirements for the following mandatorily in your jurisdiction?

Disclosure of:	Yes	No.
Events material to the price and value of securities		
Significant risks of investing in securities		
financial results		
Price sensitive information		
Related party transactions		
Difference between Shariah based products and conventional form		
Risks in respect of Islamic products		
Executive compensation		
Key executive profile		
Acquisition and divestiture		
Shareholder voting decisions		
Corporate announcements		
Information about significant shareholders		
Profile of board members		
Directors report		
Corporate governance reporting		
Any other relevant information:		

If aforesaid disclosures are mandatory please answer questions 42 and 43

45. What is the legal basis of disclosure?

	Code	Statute	Regulations	Other(please specify)
Events material to the price and value of securities				
Significant risks of investing in securities				
financial results				
Price sensitive information				
Related party transactions				
Executive compensation				
Key executive profile				
Acquisition and divestiture				
Shareholder voting decisions				
Corporate announcements				
Information about significant shareholders				
Profile of board members				
Directors report				
Corporate governance reporting				
Any other relevant information				

provided in Q.41				
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46. What modes of disclosure are listed companies required to give mandatory disclosures in?

	Please specify e.g. annual report, website, newspaper etc.
Events material to the price and value of securities	
Significant risks of investing in securities	
financial results	
Price sensitive information	
Related party transactions	
Executive compensation	
Key executive profile	
Acquisition and divestiture	
Shareholder voting decisions	
Corporate announcements	
Information about significant shareholders	
Profile of board members	
Directors report	
Corporate governance reporting	
Any other relevant information provided in Q. 41	

47. What is the frequency of mandatory financial reporting for listed companies?

- Annually/Quarterly (include 3, 6 and 9 interim periods and annual)
- Bi-annually
- Both annually and bi-annually
- Other (.....)

48. Which of the following disclosures are mandatory for information about significant shareholders?

Disclosures	Yes/No
Associated companies , undertakings and related parties	
Directors and their spouse(s) and minor children	
Public sector companies and corporations	
General public	
Shareholders holding five percent or more voting rights	

49. Whether the periodical and annual financial statements of listed companies are subject to an independent audit?

- Annual
- Every Quarter (include 3, 6 and 9 interim periods and annual)
- Bi-annual
- Both annual and Bi-annual
- Other (.....)

50. Whether external audit of listed companies is mandatory if so, what is the legal basis of disclosure for audit reports in your jurisdiction?

- a) International standards for auditing
- b) Statute
- c) Regulation
- d) Other (.....)

51. Is the Directors' report mandatorily annexed with the financial statements? If so which of the following disclosures are mandatory?

Disclosures	Yes/No
Disclosure regarding material changes and commitments affecting the financial position of the company	
Explanation regarding any reservation, observation, qualification and adverse remarks in the auditor's report	
Name and country of incorporation of its holding company	
Earnings per share	
Information about default in payment of debts if any	
Reasons for incurring losses and a reasonable indication of future prospects of profit.	

52. What are the penalties for delayed disclosure or no disclosure in the Directors' report?

- a) Administrative fine
- b) Prison sentence
- c) Temporary suspension of the stock's trading
- d) Permanently suspension of the stock's trading
- e) Other (.....)

53. Which of the following disclosures are mandatory for corporate governance reporting?

Disclosures	Yes/No
Independent directors	
Executive and non-executive directors	
Number of directorship	
Training of board of directors	
Remuneration of directors	
Board Committees	
Meetings of board	
Disclosures regarding chief executive, CFO and company secretary	

54. Which of the following disclosure of risks are mandatory for listed companies?

Disclosures	Yes/No
Credit risk	
Liquidity risk	
Market risk	

Other (please specify)	
------------------------	--

55. Which of the following disclosures are mandatory for acquisitions of listed companies?

Disclosures	Yes/No
Disclosure for more than 10% acquisition of shares	
Disclosure for more than 25% acquisition of shares	
Public announcement of intention	
Public announcement of offer	
Manager to the offer	

E. Requirements regarding timely disclosure of material non-public information

56. Does the regulatory framework require the listed companies to immediately disseminate all material information relating to the business and other affairs that will affect the market price of its shares?

- a) Yes
- b) No

If No, please explain any other timeline that may have been specified for disclosure:

57. Is there a specific mode of dissemination for such information for the listed companies to follow? If yes, please specify?

- a) Yes
- b) No

58. Which of the following is characterized as price-sensitive information in your jurisdiction?

	YES	NO
any material change in the nature of business of the company		
information regarding any joint ventures, merger or acquisition		
any material contract entered into or lost		
purchase or sale of significant assets including franchise, brand name, goodwill etc.		
any unforeseen or undisclosed impairment of assets due to technological obsolescence, etc.		
delay or loss of production due to strike, fire, natural calamities, major breakdown, etc.		
issue or redemption of any securities		
a major change in borrowings of the company		

any default in repayment or rescheduling of loans		
change in directors, Chairman or CEO of the company		
information regarding any inquiries/investigations against the company		
Others (please specify)		

59. What is the enforcement action/penalty in case of non-compliance with the requirements of timely disclosure of price sensitive material information?

Disclosure of conflict of interest

60. Is a listed company required to disclose all trades in its shares carried out by its directors, executives and their spouses and minor children in the Directors' Report?

- a) Yes
- b) No

i. Are the following people associated with a listed company required to notify the company whenever they buy/sell or transact in the company's shares, directly or indirectly?

	Yes	No
Director		
Chief Executive Officer		
Other executives		
Spouses of all of the above		
Any other (Please specify)		

ii. What is the timeline within which the disclosure specified in the question above is required to be made?

iii. Are the persons mentioned in Question 60(i) above required to deliver a written record of the transaction in the company's shares to the public or shareholders?

- a) Yes
- b) No

iv. If yes, does the written record include:

	Yes	No
Price		
Number of shares		
Form of share certificates (whether physical or electronic)		
Nature of transaction		
Any other (please specify)		

v. What is the timeline within which the disclosure specified in Question 60(iii) above is required to be made?

vi. Is the notification by persons mentioned in Question 60(i) above required to be presented at the subsequent meeting of the Board of Directors of the company by the management?

- a) Yes
- b) No

vii. What is the enforcement action/penalty in case of non-compliance with the disclosure requirements as specified in your responses to Question 60 above?

Closed Period

61. Is there a requirement for the listed companies to declare a closed period under any circumstances during which the directors/CEOs/executives of such company are not allowed to deal/trade in its shares?

- a) Yes
- b) No

i. If yes, which of the following events may require the company to declare a closed period?

	YES	NO
Prior to the announcement of interim/final results		
Prior to any business decision which may materially affect the market price of the company's shares		
Others (please specify)		

ii. When does the closed period start and finish?

iii. Are the listed companies required to inform their directors about the closed period?

- a) Yes
- b) No

iv. When is such intimation required to be communicated to the directors by the company?

- a) at the time of circulating agenda and working papers for the board meetings
- b) any other time (please specify) _____

v. Is the Company required to inform the stock exchanges on which they are listed regarding the closed period?

- a) Yes
- b) No

vi. What is the enforcement action/penalty, in case of non-compliance with the requirements specified in the Question above?

F. Disclosure Requirements within the Alternative Market (SME)

62. Does an alternate market exist in your jurisdiction?

- a) Yes
- b) No

63. Are disclosure requirements within the alternate market voluntary or mandatory?

- a) Voluntary
- b) Mandatory

64. Do companies issue a prospectus for listing on the alternate market?

- a) Yes
- b) No

65. Are disclosure requirements within the alternate market different to the main market?

- a) Yes
- b) No

If Yes, please elaborate

66. Do disclosure requirements provide for information on the management and AGM?

- a) Yes
- b) No

67. What is the frequency of financial disclosure?

- a) Monthly
- b) Quarterly
- c) Annually
- d) Biannually
- e) Other

68. Are accounts of the companies on the alternate market required to be audited?

- a) Yes
- b) No

69. Does disclosure account for shareholding structure?

- a) Yes
- b) No

70. Are future plans and performance forecasts laid out in the prospectus?

- a) Yes
- b) No

71. Is price sensitive or material information disclosed to the public?

- a) Yes
- b) No

72. Are companies listed on the alternate market required to maintain a website for disclosure?

- a) Yes
- b) No

73. Are requirements in place for avoiding conflicts of interest for the management?

- a) Yes
- b) No

If Yes, please elaborate

74. Is related party disclosure applicable on firms within the alternate market?

- a) Yes
- b) No

75. Do firms disclose information on corporate actions?

- a) Yes
- b) No

76. Do companies within the alternate market follow a Code for disclosure?

- a) Yes
- b) No

77. Are international accounting standards used when disclosing information?

- a) Yes
- b) No

78. Who is responsible for maintaining and regulating the disclosure criteria?

- a) Regulator
- b) Exchanges
- c) Both
- d) Other

79. What measures are taken in case of non-compliance with the disclosure requirements?

- a) Fine
- b) Penalties
- c) Sanctions
- d) Suspension
- e) Other

Please elaborate on your answer

G. Financial Instruments Disclosure Requirements (Exchange traded securities)

80. Does the regulatory framework have in place appropriate disclosure requirements for the following types of instruments?

Types of Instruments	Yes	No
Sukuk		
Term Finance Certificates(TFCs)		
Asset Backed Securities(ABS)		
Commercial Papers (CPs)		
Participation Term Certificates (PTCs)		

81. Does the regulatory framework sufficiently cover the followings disclosures in the prospectus?

Regulatory requirements for Prospectus	Yes	No
Information on Share Capital and Related Matters including Issue size and Allocation of Capital		
Risk Factors		
Mechanism of Offer: Whether Fixed Price or Book Building. In case of Book Building the details Procedure in Book Building issue.		
Expenses to the Issue, i.e. Underwriting commission, Bankers to the Issue commissions, Lead Managers, Book Runners and Consultants fee, stamp duty, fee charged by the regulator, the stock exchanges and other Expenses.		
Detailed Purpose of the Issue		
Complete detail of the Project (if applicable) for which the funds are being raised		
Overview, History and Prospects of the Issuer, Sponsors profiles		
Dividend Policy		
Details of Previous Issues		
Tax Treatment		
Financial Information		
Detailed credit rating report (in case of debt Issues)		
Statements on Issuer's absolute responsibility for all disclosures made in the prospectus		
Relevant Regulatory Approvals		
Management of the Company		
Information on Bankers of the Company, Bankers to the Issue and Legal Advisors to the Company, Underwriters, Lead Manager and Issuers, Registered office Address.		
Material Contracts and Litigations against the Company		
Application & Allotment Instructions		
Memorandum of Association		

82. Information about the nature and extent of risks arising from financial instruments.

- i. Does the regulatory framework have sufficiently clear, comprehensive and specific requirements that apply to disclosure of the most significant risks of investing in the security?
 - a) Yes
 - b) No
- ii. Does the risk factors section cover at least the following risks along with their mitigations:

Risk Factors	Yes	No
Operational risk		
Foreign exchange risk		
Technological risks		
Obsolescence risk		
Liquidity risk		
Law and order risk		
Business risk		
Competition risk		
Industry risk		
Regulatory risk		
Project specific Risks		
Any other material risk		

- 83.** Do disclosure requirements state the significance of the financial instrument within the entity's financial position?
- a) Yes
 - b) No

84. Statement of income including gains and losses

- i. Does the regulatory framework have sufficiently clear, comprehensive and specific requirements for submitting/disclosing the statement of income and expenses including gains and losses?
 - a) Yes
 - b) No
- ii. If yes to above, is there a requirement that the income and expenses statements should not be older than certain period of time from the date of publication of the prospectus.

85. Balance sheet related disclosures

- i. Does the regulatory framework have sufficiently clear, comprehensive and specific requirements for submitting/disclosing Balance sheet related disclosures?
 - a) Yes
 - b) No
- ii. If yes to above, is there a requirement that the Balance sheet related disclosures should not be older than certain period of time from the date of publication of the prospectus.
- iii. Does the regulatory framework require:
 - a) Periodic information about financial position and results of operations (which may be in summary form) to be made publicly available to investors?

- a) Yes
- b) No
- b) Appropriate measures to be taken (for example, provision of more recent unaudited financial information) when the audited financial statements included in a prospectus for public offerings are not current?
 - a) Yes
 - b) No

86. Rating of the entity

- i. Does the regulatory framework have the requirement of obtaining and disclosing the credit rating for the entity and the instrument?
 - a) Yes
 - b) No
- ii. a) Yes
- iii. b) No
- iii. If yes to above, is there a minimum credit rating requirement?

87. Does the regulatory framework have sufficiently clear, comprehensive and specific requirements that apply to timely disclosure of events that are material to the price or value of listed securities?

- a) Yes
- b) No

----- **End of Questionnaire** -----