Best practice disclosure guide for ASAF Asian region

The Institute played a role in preparing a regional guide to corporate disclosure, the principal policy issue addressed by the ASAF Advocacy Committee in 2002.

ASAF POSITION PAPER ON CORPORATE DISCLOSURE OF MATERIAL PRICE-SENSITIVE INFORMATION

Based on responses from Asian Securities Analysts Federation (ASAF) member societies to a questionnaire on the types of corporate disclosure policy, access to information and compliance with existing disclosure requirements operating in their respective countries/regions, the Securities Institute as the 2002 Chair of the ASAF Advocacy Committee prepared a regional position paper advocating best practice recommendations for effective corporate disclosure practice in Asia.

The ASAF Advocacy Committee Chair and former Institute President, Michael Willis, presented the final draft to the ASAF Annual General Meeting held on Queensland’s Gold Coast on 27 October 2002. ASAF member societies endorsed the position paper, Guidelines on Corporate Disclosure of Material Price-Sensitive Information as the ASAF regional standard.

The ASAF paper (available on the Institute’s website) advocates the merits of continuous disclosure and looks at a company’s obligation to promptly inform the market of material price-sensitive developments that occur outside the periodic disclosure reporting structure.

The Institute took the lead role in preparing the disclosure recommendations guidelines for ASAF, because Australia has a highly developed and effective reporting framework of continuous disclosure to recommend to the region and the Institute was already undertaking a comprehensive policy analysis of continuous disclosure practices to incorporate in its detailed submissions on ASX ‘Enhanced Disclosure’ and CLERP 9 proposals.

Recognising that disclosure practices vary widely among ASAF member societies and that some practices are either still evolving or currently under review, the guidelines present high-level principles of general application. They aim to encourage a best practice approach to corporate disclosure in the ASAF region and to foster a strong corporate culture of continuous disclosure that focuses on shareholders’ information needs, not just on meeting minimal regulatory compliance requirements.

The paper encourages ASAF member societies to advocate the recommended disclosure practices to the securities regulators, exchanges, industry associations and listed companies operating in their market.

Main features of the ASAF disclosure guidelines:

- **Principles and premises of continuous disclosure**
  Disseminating material price-sensitive information as and when it occurs is the most effective way to reduce the potential for negative surprises and to advance investors’ interests.

- **Determining whether information is material and price-sensitive**
  Determining what information is price-sensitive and whether it is material or significant enough to be immediately disclosed is always a matter of judgment for each company, based on its own unique circumstances.

- **Managing continuous disclosure in practice**
  Several practical procedures for responsibly managing disclosure of material price-sensitive information are recommended:
  - ensure that the information is kept strictly confidential until properly
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disclosed to the market after informing the stock exchange;
• ensure that the information released is complete, accurate, current, timely and balanced;
• Disclose immediately if the necessary degree of security or confidentiality is not/cannot be maintained or if the information is inadvertently or unintentionally disclosed;
• employ an effective wide means of market dissemination to the market and provide uniform or simultaneous access to the same information for all market participants;
• disclose bad news in the same way as good news;
• for any outstanding uncertainty, state the conditions and anticipated date for resolving the uncertainty;
• promptly respond to any exchange queries regarding unusual share price or trading movements, market rumours, leaks or media reports and make immediate disclosure of any relevant information by way of explanation;
• limit the number of company spokespersons authorised to make disclosures;
• devise, document, implement, monitor and review internal company policies and formal procedures for handling disclosure. A useful appendix from the Hong Kong Exchanges and Clearing Ltd’s paper, Guide on Disclosure of Price-Sensitive Information (January 2002), provides an excellent practical guide on handling specific continuous disclosure issues and situations. These include addressing questions from analysts or journalists, dual-listed companies, incomplete negotiations, inadvertent leaks, profit forecasts and warnings.

Improving continuous disclosure practices

As continuous disclosure obligations involve a disciplined process of ongoing communication and review, the guidelines call for listed companies to:
• be proactive in improving their disclosure practices;
• carefully consider what, when, and how to effectively disclose to the market and preview content of presentations to analysts;
• monitor disclosures closely to ensure that the information published is current, factual and complete;
• avoid inadvertent selective disclosure by ensuring the same information is distributed at the same time;
• develop responsible, practical procedures and policies for responding to market rumour and speculation and for identifying and remedying inadvertent, unauthorised or selective disclosures.

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There are a plethora of business and finance news sites, but we are focusing here on those Australian services that have an email alerting service: the so-called push type of web service.

Fairfax sites are well represented: AFR (http://afrc.com), Sydney Morning Herald, (http://www.smh.com.au) and BRW (http://brw.com.au) in particular. Apart from the email alert service, the BRW site includes the useful features of Magazine, Lists, Resources, Tools and Services, which are well worth exploring.

News Limited (http://www.news.com.au) is also a good source of email alerts (News by email), in particular The Australian (http://theaustralian.news.com.au) and the Newstext service (http://newstext.com.au), which includes over 150 News Ltd papers available by subscription or PAYG.

Among the broadcast media websites, the ABC business news service offers good value news alerting (http://www.abc.net.au/news/business/default.htm), and there are many reasons for exploring this site. The commercial broadcast media sites include NineMSN (http://ninemsn.com.au/finance), Channel Seven (http://i7.aol.com.au/), Channel Ten (http://www.ten.com.au/default.aspx) and Special Broadcasting Service (http://www.sbs.com.au/sbs_front/index.html). However, the latter does not appear to have an email alert service.

ASIC’s consumer news archive is at http://www.asic.gov.au/asic/asic.nsf, and the Company Alert service is to be found at http://www.search.asic.gov.au/misccgi/alert.html. This allows you to establish up to five profiles of 25 companies each.

ASIC’s consumer news website, FIDO (http://fido.asic.gov.au/fido/fido.nsf), offers a free FIDO news online service, which warns you about recent scams, tells you when ASIC has issued consumer alerts, and links you to the latest tips and info on the FIDO website.


Apart from Newstext, which includes a range of regional newspapers from News Limited, there are services from