Dealing with corporate information: problems and prospects

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Types of corporate information and channels of its distribution

The goals of corporate information disclosure

Corporate information disclosure system

Corporate information to be disclosed to the supervisory authority

Collection, processing and dissemination of corporate information by NDC

Collection, processing and dissemination of corporate information by stock exchange

Confidential information and its disclosure

Problems and restrictions related to corporate information dissemination

Prospects of more efficient dissemination of corporate information
Types of corporate information and channels of its distribution

**Issuers**
- Information required to be disclosed by law
  - Supervisory Authority (FIMSA)
    - Information disseminated by FIMSA
  - National Depository Center (NDC)
    - Information disseminated by NDC according to the service agreement
  - Baku Stock Exchange (BSE)
    - Information disseminated through BSE and its members

**Direct channels**
- Information transferred to NDC according to the service agreement
- Information on securities listed on BSE

**Investors**
The goals of corporate information disclosure

**GOALS:**

- Investor protection
- Efficient capital allocation

**OUTCOMES:**

1. Investors’ ability to make decisions on valuation, possession and voting
2. Investors’ ability to assess the performance of management

1. Lowering the cost of capital for issuers
2. Optimal allocation of funds
The goals of corporate information disclosure (cont.)

**GOALS:**
- Elimination of information asymmetry
- Investors confidence in capital market

**OUTCOMES:**

1. Timely and complete disclosure of corporate information facilitates elimination of information asymmetry between issuers and investors. As a rule, managers are more informed about company than shareholders or bondholders.

1. Rising confidence in capital markets
2. Attracting new investors
Corporate information disclosure system

Company:
- Board of directors
- Managers
- Internal control systems
- Accountants

Financial statements of a company

Audit committee

External auditor

Supervisory authority

Shareholders

Creditors

Potential investors
Corporate information to be disclosed to the supervisory authority

Issuers

The types of information that issuers must disclose according to the legislation

Information concerning issuance of securities
1. Securities issuance information;
2. Prospectus or amendments to the prospectus;
3. Report on results of issuance as well as report on suspension of issuance or incomplete issuance

Inside information
1. Information about insiders;
2. Information on transactions performed by insiders.

Other information
1. Information on replacement of collateral used as security for corporate bonds
2. Information about general meeting of shareholders

Supervisory Authority (FIMSA)
Corporate information to be disclosed to the supervisory authority (cont.)

Supervisory Authority (FIMSA)

Investors

Information disseminated by FIMSA

DISCLOSURE.AZ

Starting from 2015 all the corporate information that must be disclosed according to the provisions of “Capital Market Law of the Republic of Azerbaijan” should be published on the special web site.

The web site has been created as a result of implementation of “State Program for the Development of Securities Market in Azerbaijan during the period 2011-2020”

The web site is managed by FIMSA and its main goals are the following:

- Disclosure of full and fair corporate information to investors and financial market intermediaries;
- Collection and store of corporate information on a single web site;
- Provision of free access to corporate information;
- Strengthening supervision on information disclosure and elimination of information asymmetry

The procedure by which the information is collected, published and disclosed is stipulated by the special bylaw
Collection, processing and dissemination of corporate information by NDC

Issuers

Information transferred to NDC according to the service agreement

National Depository Center (NDC)

Information disseminated by NDC according to the service agreement

Investors

The types of information that is disseminated to investors through NDC according to service agreement between NDC and issuer

1. Date, venue and other information with respect to general annual meeting of shareholders;
2. Information on redemptions, dividend and coupon payments;
3. Information on merger, split and conversion of stocks
4. Information on buyback of callable bonds;
5. Information on bonds to stocks and preference share to ordinary shares conversion
6. Information on additional issuance of stocks
7. Information on defaults of issuers and etc.

The abovementioned information can be only disseminated by NDC if there is a special agreement concluded between NDC and issuer. In general, the agreement stipulates the procedure of collecting information from issuer and methods of its dissemination. Regular and express mail service, as well as SMS are frequently used as the means of message delivery. For the first time in the history of local capital market NDC has developed and provided special IT platform in order to facilitate real time collection and processing of SOCAR bonds subscription data.
Collection, processing and dissemination of corporate information by stock exchange

Issuers

Information from listed companies and securities

Baku Stock Exchange (BSE)

Information disseminated through BSE and its members

Investors

Information published on the BSE’s web site and communicated to clients its members

1. Price of securities and market capitalization of companies;
2. Information on payment of dividends and coupon;
3. Corporate actions

Information, disseminated by BSE and its members is presented by issuers at the time of issuance and also transmitted to BSE by NDC through the electronic link.
The core information function of BSE is to make available market price of securities and market capitalization of listed companies. This information is generated by its information system and automatically is published on its website.
Confidential information and its disclosure

What is confidential information?

According to the “Law on securities market of the Republic of Azerbaijan” confidential information is any information related to the identification of the beneficiaries of securities.

Where is confidential information stored?

All the information related to the dematerialized securities including the beneficiaries of these securities is stored by NDC.

In what cases can confidential information be disclosed?

According to the “Law on securities market of the Republic of Azerbaijan” confidential information can be disclosed only to the supervisory authority and court. In other cases, confidential information can be presented only to issuers and investors at their request.
Problems and restrictions related to corporate information dissemination

**Problem**

Issuers unwillingness to disclose corporate information on timely basis

**Corrective measures**

The types of information and the procedure of its disclosure is determined by regulations adopted in 2015-2016

Since disclosed corporate information can disseminated through many channels, there is a chance that investors will not receive the necessary information

Centralized government web site for corporate information disclosure has been created (disclosure.az)

The fairness and completeness of disclosed information is not at appropriate level

Strengthening regulation on qualities of disclosed information by enforcing the adoption of IFRS and other standards (corrective measures have not been fully implemented to date)
Prospects of more efficient dissemination of corporate information

Opportunities

Expected impact

Rating Agencies

In general, rating agencies are considered to be very important sources of information about credit quality of bonds and their issuers. Development of market for rating agency services can positively contribute to the process of corporate information disclosure and dissemination.

Custodian Banks

Establishing of custodian banks and creation of market for custodian services will make the process of corporate information disclosure and dissemination more efficient.
Thank you!