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Press Release

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FSS to Renew Focus on Corporate Disclosure Filings

The Financial Supervisory Service plans to take steps to strengthen the role of underwriters in public offerings and at the same time facilitate market discipline in the securities underwriting market. The FSS also plans to give a more balanced regulatory focus between periodic corporate filings and share issue-related filings.

A number of regulatory steps have been taken in response to investor harm caused by certain abusive new share issue practices known as “third-party share issue” by publicly traded companies that increased noticeably since 2006.¹ The measures included tougher disclosures and lock-up periods for shares acquired from these transactions. With further stepped-up regulatory scrutiny and fine-tuning, more companies are expected to opt for underwriter-led stock offerings going forward. As such, the FSS plans to put more emphasis on the review of the periodic corporate filings and encourage underwriters to assume greater responsibility for compliance with registration filings and other security issue-related disclosure filings.

Emphasis on the role of underwriters

A new set of best practice guidelines on underwriting execution, disclosure preparation, and verification procedures is currently in the works by a task force led by the securities industry. One key objective of the new guidelines is to instill the practice of rigorous checks and reviews by underwriters before registration statements and other disclosures are filed for regulatory review. The task force is expected to hold a workshop for securities underwriters and finalize the best practice guidelines in March this year.

Regular evaluation of securities companies’ underwriting

A scoring system along with periodic evaluation is planned for an objective appraisal of securities companies’ underwriting performance. Securities companies receiving high marks on the appraisal are to be put on fast track for accelerated regulatory review as a way to help them enhance their market reputation. Preparatory work on the new evaluation system and the formation of an outside advisory board for implementation are tentatively set to begin in May.

¹ These transactions are often undertaken as a capital increase by financially distressed companies (some under review for possible delisting) to a designated outsider who disposes of its shares for quick profit after becoming the controlling shareholder of the company.



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Best practice guidelines on subscription solicitation

New best practice guidelines on soliciting subscribers for public offerings are also planned with the goal of instilling the practice of fully informing prospective investors of the securities investment solicited and potential risks associated with it.

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