

*The Market newsletter addresses topical matters concerning interpretations, standards and regulation, as well as supervisory findings relating to listed companies' disclosure obligation, financial reporting enforcement, securities trading and insider issues. The newsletter is published by FIN-FSA's Supervision of Markets and Conduct of Business Department.*

## In this newsletter, we discuss the following topics:

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## Topical matters at ESMA

### Level 2 and 3 regulation relating to the Markets in Financial Instruments Directive and Regulation

At the end of September, ESMA submitted technical standards relating to the Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR) to the Commission.

ESMA is still preparing the implementing technical standards relating to trading suspensions and reporting of positions in commodity derivatives. In addition, ESMA is finalising level 3 guidelines, among other things, on complex financial instruments and knowledge and competence requirements for investment firms' personnel.

### Level 2 and 3 regulation related to the Market Abuse Regulation

At the end of September, ESMA submitted to the Commission technical standards relating to the Market Abuse Regulation.

In addition, ESMA is preparing level 3 guidelines, among other things, on market soundings and delaying the disclosure of inside information.

### Level 2 regulation related to the CSD Regulation

At the end of September, ESMA submitted to the Commission technical standards relating to the Central Securities Depositories Regulation.

### Technical standards relating to the Transparency Directive

ESMA has submitted to the Commission technical standards relating to the Transparency Directive concerning the networking of national OAMs. In addition, ESMA is inviting comments on draft technical standards concerning the financial statement reporting by listed companies in electronic format (XBRL reporting). Comments are requested by 24 December.

## Level 2 regulation relating to the PRIIPs Regulation

The Subcommittee on Consumer Protection and Financial Innovation of the Joint Committee of European supervision authorities is preparing a consultation request on technical standards related to the Packaged Retail Investment and Insurance Products Regulation (PRIIPs). The consultation is intended to be published sometime in November.

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## Changes to the periodic disclosure obligation and availability of information – entry into force on 26 November 2015

Amendments to the Securities Markets Act (SMA) will enter into force on 26 November 2015. These amendments will implement, among other things, revisions of the Transparency Directive concerning the periodic disclosure obligation. Changes in the issuer's disclosure obligation concern, among other things, giving up the requirement to disclose quarterly reports and interim management statements, the required period of availability of information and the introduction of a requirement for listed companies to annually disclose payments made to national governments of the countries in which they operate, country by country. In addition, the requirement to make sufficient information consistently available to investors was added to the general principles of the Act.

### Requirement of consistency introduced alongside equality

Chapter 1, section 4 of the SMA was supplemented by a requirement to make sufficient information consistently available. Previously, the Act only referred to making information equally available. The amendment highlights the principle of consistency in disclosing information to the securities markets. Consistency is assessed relative to the issuer's previous disclosure practice.

It is noteworthy that the consistency requirement does not prevent an issuer from changing its practice of disclosing financial reports. For example, if an issuer changes to the disclosing of only half-yearly reports, it can later resume disclosing financial reports more frequently than half-yearly. If an issuer decides to disclose also quarterly financial reports, FIN-FSA considers it consistent that the disclosure practice is not changed during a financial period without a proper reason. FIN-FSA recommends that changes in financial reporting practices be disclosed in advance.

### Going forward, only half-yearly reports will be required

As a consequence of these changes, the requirement to disclose an interim report for the first three and nine months of the financial period, as well as the requirement to dis-

close a financial statement release will be removed from the Act. In the same vein, there is no need to disclose interim management statements in lieu of the interim reports for the three and nine-month periods.

The changes in the regulation do not prevent issuers from continuing to disclose interim reports or other financial reports in accordance with the present practice. The issuer may determine the content of a report being disclosed for example based on the special characteristics of the business. However, reporting must account for the requirement of consistency added to the general provisions of the Act, and the content of the reports should not vary materially during a financial period, the reason being that investors should be able to follow the company's reporting in a reliable manner.

Furthermore, attention should be paid to the headlines of the releases. If an issuer continues to disclose an interim report under the present practice, the condensed financial statements should indicate whether they are made in accordance with IAS 34. This obligation is based on the IFRS standards. The so-called abridged condensed financial statements, the content of which was previously defined in a decree of the Ministry of Finance, no longer exist. The content requirements for a half-yearly report will not change. The condensed financial statements in the report are to be made in accordance with IAS 34.

Although issuers are no longer bound by the obligation to disclose a regular report called the financial statement release under the periodic disclosure obligation, they remain bound by the ongoing disclosure obligation, under chapter 6, section 4 of the SMA, to disclose, without undue delay, any information having a material effect on the value of securities included in the annual financial statements and management report. This financial result release must give a true and fair view of the issuer's financial performance and financial position. According to the Government Bill, the information to be disclosed in the release includes, among others, the proposal on the distribution of profit and near-term outlook, if these have been agreed on.

The Helsinki Stock Exchange is likely to keep in its rules the requirement to disclose a financial statement release in the present format. According to FIN-FSA's interpreta-

tion, the above-mentioned disclosure obligation under the SMA is fulfilled by disclosing a financial statement release as required by the Helsinki Stock Exchange. However, it is noteworthy that the disclosure of a financial statement release does not eliminate the issuer's obligation to issue for example a profit warning when necessary.

### **Release period of financial reports extended**

The deadline for disclosing the annual financial statement and management report is extended to four months from the previous three months. The change will take effect immediately after the entry into force of the Act, meaning that the new deadline may be applied to the annual financial statements and management report for the 2015 financial period. The change of the deadline means that FIN-FSA can no longer grant exemptions to postpone the release date of the annual financial statements and management report, since the provisions of the Accounting Act require the compilation of financial statements within the same four-month deadline.

Going forward, the half-yearly report must be disclosed without undue delay, however no later than within three months of the end of the reporting period, as opposed to the previous deadline of two months. FIN-FSA considers it appropriate that issuers apply this disclosure practice also to interim reports or other financial reports disclosed on a voluntary basis.

### **The period for making regulated information available to be extended**

Following the amendment of the Act, the annual financial statements, management report, corporate governance statement, audit report and half-yearly report must be made available on the issuer's website for at least 10 years. Other regulated information, such as stock exchange releases, continues to be subject to the five-year availability requirement. It would also be warranted to make any interim reports for three or nine months and other financial reports available on the issuer's website for at least 10 years, although they are only subject to a five-year availability requirement. However, an issuer need not retroactively post information older than five years on its website upon the entry into force of the Act.

The operator of the officially appointed mechanism (OAM, In Finland, NASDAQ OMX Helsinki Oy) must make the above-mentioned information delivered to the OAM and disclosed by the issuer available for ten years. The internet address of the OAM is: [www.tiedotevarasto.com](http://www.tiedotevarasto.com).

### **Report on certain payments to national governments of countries**

Issuers active in the extractive industry or logging of primary forests will be under a new obligation to disclose in a separate annual report all payments made to national governments.

The report is to be disclosed within six months of the end of the financial period. The report is subject to the same distribution and availability requirements as other regulated information.

The detailed content of the report will be determined in a new separate act, which is intended to enter into force on 1 January 2016. The first report is to be made for the financial period commencing on 1 January 2016 or thereafter, in practice in early 2017.

### **Electronic reporting format for annual financial statements and management report**

A requirement to disclose the annual financial statements and management report in accordance with the regulatory technical standards of the Commission was added in chapter 7, section 5 of the SMA. These standards require that the annual financial statements and management report are disclosed in an electronic reporting format (for example XBRL). The standards are presently subject to a consultation round ending on 24 December 2015. ESMA must present the standards to the Commission for approval by the end of 2016. The standards are intended to enter into force on 1 January 2020.

### **Changes to the rules of the Helsinki Stock Exchange**

The Helsinki Stock Exchange is in the process of reviewing its rules. According to the draft rules of the stock exchange, the mandatory disclosure of the three and nine month interim reports would be revoked, but the stock exchange

would continue to require the publication of the financial statement release according to the present practice.

The rule changes are intended to enter into force, as regards financial reporting, on 26 November 2015. The changes in the rules require the approval of the Ministry of Finance.

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## Significant changes in the obligation to notify of changes in major shareholdings as from 26 November 2015

The revisions to the Securities Markets Act (SMA) materially change the provisions on the obligation to notify of changes in major shareholdings (flagging obligation). The changes are based on the amending Directive of the Transparency Directive. The legislative amendment will enter into force on 26 November 2015. Key changes to the notification obligation are as follows:

The notification obligation will be removed with respect to

- certain agreements and arrangements which, if effected, lead to crossing a notification threshold (see below for more detail)
- financial instruments which lead to disposal of holdings or voting rights
- financial instruments carrying entitlement to acquire new shares to be issued later.

The notification obligation will be extended to

- so-called cash-settled derivatives contracts
- the amount of "future holdings" (= financial instruments) in addition to the combined amount of existing and future holdings.

The notification thresholds and deadlines for submitting notifications remain unchanged. The notification obligation continues to hold separately for proportional holdings and voting rights. In addition, the exceptions to the notification obligation remain largely unchanged. However, the technical standards issued under the Transparency Directive specify the calculation rules for the exceptions<sup>1</sup>. A new exception relating to stabilisation of securities has been introduced.

FIN-FSA will publish a new notification template on its website before the legislative amendments enter into force

### Proportions giving rise to the notification obligation

Going forward, the notification obligation may arise in three separate "baskets":

*Basket 1:* Existing proportion of holdings and voting rights (SMA, chapter 9, sections 5 and 6). In this respect, the notification obligation remains unchanged.

*Basket 2:* Financial instruments (SMA, chapter 9, new section 6 a). This basket includes financial instruments carrying entitlement to acquire shares already issued or leading to a similar economic effect. Thus far, financial instruments in themselves have not constituted grounds for a notification obligation.

*Basket 3:* Combined amount of existing proportion of holdings and voting rights and financial instruments (that is, baskets 1 and 2 combined, new chapter 9, section 6 b of the SMA). In this respect, the scope of the notification obligation changes due to the repeal of the presently valid chapter 9, section 5, subsection 2 of the SMA.

The notification obligation arises whenever the proportion of holdings or voting rights in any basket reaches, exceeds or falls below a disclosure threshold. Hence, the scope of the notification obligation also includes for example circumstances where financial instruments belonging to basket 2 are exercised as share delivery and holdings or votes are moved from basket 2 to basket 1, crossing the notification threshold in either basket.

The proportion of holdings and voting rights belonging to a shareholder or person comparable to a shareholder will continue to include the holdings and votes in any basket, of all persons within its sphere of control (chapter 9, section 7 of the SMA).

### Notification of financial instruments

Going forward, the notification obligation pertaining to financial instruments will only apply to such financial instruments as carry entitlement to acquire shares already issued or leading to a similar economic effect. As opposed to the provision in chapter 9, section 5, subsection 2 of the SMA (which is to be repealed), the notification obligation is extended to cover financial instruments which can be exercised only as cash settlement (cash-settled derivatives). On the other hand, all such financial instruments carrying entitlement to sell shares or relating to shares to be issued later, are left outside the scope of the notification obligation.

In addition, such agreements and arrangements are also left outside the notification obligation which carry entitlement

<sup>1</sup> Commission's Delegated Regulation (EU) 2015/761.

to acquire shares already issued but which are not considered financial instruments. Examples of such arrangements remaining outside the scope of the notification obligation include convertible bonds carrying entitlement to new shares and acceptances received in a takeover bid.

A financial instrument is defined in chapter 1, section 10 of the Act on Investment Services (747/2012). The definition covers, among other things, securities as referred to in the SMA and various derivatives contracts, such as options, forwards, repos and contracts for difference. FIN-FSA emphasises that agreements between individual shareholders may in their financial nature also fulfil the definition of a financial instrument and thus fall within the scope of the notification obligation. ESMA has published an indicative list of financial instruments falling within the scope of the notification obligation.<sup>2</sup>

Where a financial instrument can be exercised by means of physical delivery, the number of holdings and voting rights based on a financial instrument is calculated on the basis of the full nominal amount of shares. In contrast, the proportion of holdings and votes based on cash-settled derivatives is calculated on the basis of the delta-adjusted number of shares. The principles to be used in the delta adjustment are provided in the technical standards issued by virtue of the Transparency Directive<sup>3</sup>. The delta of a financial instrument is calculated via derivatives pricing models commonly used in the financial markets. According to the technical standards, the delta of a financial instrument must be monitored, and the delta-adjusted number of shares and votes must be calculated on a daily basis based on the closing price of the share. If the delta-adjusted number of shares and voting rights held through financial instruments crosses a notification threshold relative to a previously notified number, notification of the crossing is mandatory.

According to the technical standards issued by virtue of the Transparency Directive, financial instruments falling within the scope of the notification obligation also include those referenced to a basket of shares or an index, where

- the shares included in the basket of shares or an index represent 1% or more of voting rights (or shares) of the target company; or

2 Link: [http://www.esma.europa.eu/system/files/esma-2015-1598\\_indicative\\_list\\_of\\_financial\\_instruments.docx](http://www.esma.europa.eu/system/files/esma-2015-1598_indicative_list_of_financial_instruments.docx)

3 Commission's Delegated Regulation' (EU) 2015/761.

- the weight of the target company's shares in the basket of shares or an index is at least 20%.

### Notifications in connection with the change of regulation

When the provisions of the SMA change, the proportion of holdings or voting rights belonging to a shareholder or a comparable person may reach, exceed or fall below a notification threshold in basket 2 or 3. If a notification threshold is crossed due to the Act entering into force, this gives rise to the notification obligation. In accordance with the transitional provision of the SMA, the notification must be made within a month of the entry into force of the Act (by 27 December 2015 at the latest), if the proportion has not been disclosed earlier.

If a shareholder's proportion in basket 3 falls below a notification threshold solely because the obligation to notify of agreements or other arrangements (presently chapter 9, section 5, subsection 2 of the SMA) is removed in connection with the amendment of the SMA, FIN-FSA considers that there is no need to notify of such a falling below a threshold. Hence, for example a convertible loan carrying entitlement to new shares of the issuer previously notified as a potential future holding does not need to be notified downwards.

The transitional provision of the SMA is only applicable to proportional holdings existing at the time of the entry into force of the Act. Any crossings of notification thresholds taking place after the entry into force of the Act must be notified in accordance with the Act without undue delay, however at the latest during the next trading day.

### Examples of notification obligation concerning financial instruments

*Example 1 – derivatives with physical settlement:* A shareholder has 6% of shares and voting rights in a target company. He acquires a call forward settled in shares, referenced to 6% of shares in the target company.

- Since the forward is exercised as a share delivery, the number of shares and voting rights is calculated on the basis of the nominal amount of shares underlying the derivative contract. Hence the shareholder's proportional holdings and voting rights amount to 6% in basket 1, 6%

in basket 2 and 12% in basket 3. The shareholder will be under the notification obligation regarding the crossing of a notification threshold in baskets 2 and 3.

*Example 2 – cash-settled derivatives:* A shareholder holds 6% of the shares and voting rights in a company. He acquires a cash-settled call option referenced to 10% of the shares in the company. The delta of the option on the date of entering the derivative contract is 0.2.

- The delta-adjusted amount of shares underlying the cash-settled option right on the date of entry into the derivative contract is  $0.2 * 10\% = 2\%$ . Hence the shareholder's proportional holdings and voting rights amount to 6% in basket 1, 2% in basket 2 and 8% in basket 3. Since new notification thresholds are not crossed in any of the baskets, no notification obligation arises at the time of entry into the derivative contract. If the delta of the derivative contract increases during its validity to 0.4, the shareholder's proportional holdings and voting rights increase to 4% in basket 2 and reach the notification threshold of 10% in basket 3, which triggers the notification obligation.

*Example 3 – cash-settled derivatives:* A shareholder holds 4 % of the shares and voting rights in a company. He enters into a Contract for Differences (CfD) referenced to the shares in the company, which carries entitlement to cash settlement when the value of the shares rises. The CfD covers 2% of the shares in the target company.

- The CfD has a linear and symmetrical payment profile, so its delta is 1. Hence the shareholder's proportional holdings and voting rights amount to 4% in basket 1, 2% in basket 2 and 6% in basket 3. Therefore, a notification obligation arises for the shareholder for crossing the 5% threshold in basket 3.

### Examples of notifications during the transitional period

*Example 1* The shareholder has submitted a notification before the entry into force of the amendment to the Act.

- Existing shareholdings and voting rights 8%
- Combined amount of existing and potential future holdings and voting rights 12%; potential future holdings (4%) based on share forwards.

- If the proportion of the forwards is still below 5% at the time of entry into force of the Act, no notification obligation arises for the shareholder as a consequence of the entry into force of the Act, since the holdings in baskets 1 and 3 have been disclosed previously.
- If the proportion of financial instruments at the time of entry into force of the Act has exceeded 5% (for example an increase of 2% in forwards or 2% in cash-settled derivatives), the exceeding of notification threshold in basket 2 has not been disclosed previously. The shareholder must notify of its holdings as at entry into force of the Act within a month of such entry into force.

*Example 2:* The shareholder has submitted a notification before the entry into of the amendment of the Act.

- Existing shareholdings and voting rights 8%
- Combined amount of existing and potential future holdings and voting rights 19 %; potential future holdings (11 %) based on a convertible bond carrying entitlement to new shares in the issuer.
- After entry into force of the Act, the notification obligation does not extend to financial instruments carrying entitlement to new shares. Hence the shareholder only has shareholdings and voting rights in basket 1. These proportions have been notified previously, and therefore no new notification obligation arises.

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## Networking of national OAMs

ESMA will establish a portal (European Electronic Access Point, EEAP) on its website, enabling one to retrieve stock exchange releases of listed companies from the national officially appointed mechanisms (OAM) of the member states. The releases will be available in the languages in which they have been disclosed. One of the aims of networking the OAMs is to provide users with quick access to regulated information disclosed by issuers and to improve the visibility of small issuers to investors, thus facilitating investment across borders. The portal is set to be available at the beginning of 2018.

ESMA has submitted a draft standard to the Commission on the networking of national OAMs. The draft is available at the ESMA website at [http://www.esma.europa.eu/system/files/2015-1460\\_-\\_esma\\_final\\_report\\_on\\_draft\\_rts\\_on\\_eeap.pdf](http://www.esma.europa.eu/system/files/2015-1460_-_esma_final_report_on_draft_rts_on_eeap.pdf). The draft standard is mainly concerned with the technical requirements posed to the national OAMs, but some of the requirements of the standard also affect stock exchange disclosure by the issuers.

According to ESMA's proposal, the requirements of the standard concerning the identification of the issuer (LEI)<sup>1</sup> and the classification of regulated information would enter into force already on 1 January 2017 in order to ascertain the appropriate operation of the network of the OAMs as of 1 January 2018.

More detailed guidance on matters affecting stock exchange disclosure by issuers will be provided later.

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## Commission action plan on the capital markets union

On 30 September 2015, the European Commission published an action plan on the capital markets union.<sup>1</sup> Creation of the capital market union is one of the main objectives of the Juncker Commission. The publication of the action plan was preceded by a consultation round in spring 2015 on a Commission green book.

The objective of the capital markets union is to promote the funding of corporates, increase and diversify the sources of funding and to foster the efficiency of capital markets. The capital market union also contributes to the EU's jobs, growth and investment programme.

In its action plan, the Commission proposes 33 different measures intended to be implemented during 2015–2018. The measures address the following topics:

- Funding of innovation, start-up companies and non-listed companies
- Facilitating entry into the public capital markets
- Investment into long-term infrastructure and sustainable development projects
- Promoting retail and institutional investments
- Banks' ability to support the economy
- Promoting investment across the borders of the member states.

The action plan also includes non-legislative measures. As part of the action plan, the Commission also makes an assessment of the overall impacts of the regulation of the financial sector in recent years.

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<sup>1</sup> The LEI (Legal Entity Identifier) is an international identification code intended for the identification of corporates and entities operating in the financial markets and using derivative contracts.

<sup>1</sup> Link: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015DC0468>





## The definition of persons closely associated with persons discharging managerial responsibilities

The main amendments of the Market Abuse Regulation (MAR) were addressed in the Market Newsletter published in June, Market Newsletter 1/2015, [http://www.finanssivalvonta.fi/en/Publications/Market/Documents/Market\\_newsletter\\_1\\_2015.pdf](http://www.finanssivalvonta.fi/en/Publications/Market/Documents/Market_newsletter_1_2015.pdf)

Persons closely associated with a person discharging managerial responsibilities are defined in Article 3, paragraph 26) of the MAR. According to the provision, closely associated persons include

- a. a spouse, or a partner considered to be equivalent to a spouse in accordance with national law
- b. a dependent child, in accordance with national law
- c. a relative who has shared the same household for at least one year on the date of the transaction concerned
- d. a legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to above in point a, b or c, which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

There has been debate about the interpretation of the above-mentioned Article 3, paragraph 26 (d) of the MAR. The main issue is whether closely related persons include all companies in which an insider of a listed company discharges managerial responsibilities (as a member of the Board of Directors / Supervisory Board / Executive Board) or whether ownership or another type of financial connection is also required. FIN-FSA has inquired as to the interpretations of the supervision authorities of other member states regarding subsection (d). It has been revealed that there is room for different interpretations across the different language versions of the MAR. According to some language versions, if a manager or a person closely related to such discharges managerial responsibilities in another legal person, trust or partnership, this fulfils the definition of closely associated person under Article 3 (26) (d) of the MAR,

whereas some other language versions would require both managerial responsibilities and direct or indirect control.

FIN-FSA considers it important that the EU Regulation is interpreted uniformly in all member states and it has therefore referred the matter to ESMA for potential actions. The Ministry of Finance has also posed a question to the Commission on the interpretation of the provision. The process is still pending. FIN-FSA will provide further information once the matter has been resolved.

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## ESMA Guidelines on performance measures for financial reporting by listed companies

On 30 June 2015, the European Securities and Markets Authority (ESMA) published Guidelines on Alternative Performance Measures (APM) to be used by listed companies in their financial reporting. The objective of the guidelines is to promote the transparency, reliability and comparability of financial information provided by European issuers. Translations of the Guidelines were published on 5 October 2015 and they are available at the ESMA website at <http://www.esma.europa.eu/system/files/2015-esma-1415en.pdf>.

The ESMA Guidelines will enter into force on 3 July 2016. They will be applicable thereafter to alternative performance measures included in regulated information published by the issuer, such as management reports, interim reports and stock exchange releases as well as prospectuses. However, the guidelines do not apply to alternative performance measures disclosed in financial statements. In the Guidelines, financial statements refer to annual and half-yearly financial statements and to additional periodic financial information prepared in accordance with the applicable financial reporting framework and disclosed by issuers or persons responsible for the prospectus in accordance with the Transparency Directive or the Prospectus Directive.

In accordance with Article 16(3) of the ESMA Regulation, competent authorities and issuers or persons responsible for the prospectus must make every effort to comply with the guidelines. FIN-FSA is currently reviewing the impacts of the ESMA Guidelines on FIN-FSA regulations and guidelines on issuers' disclosure obligation as well as offering or listing securities. FIN-FSA must notify ESMA by 7 December 2015 as to whether it will comply with the Guidelines.

ESMA will instruct national supervision authorities to ensure uniform supervision of compliance with the Guidelines.

### What is an alternative performance measure?

In the ESMA Guidelines, an alternative performance measure is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework (IRFS). Performance measures under the IFRS framework typically include revenue, profit or loss or earnings per share.

Hence, alternative performance measures include for example operating earnings, earnings before non-recurring items, earnings before interest, taxes, depreciation and amortisation (EBITDA), net debt, autonomous growth or similar terms denoting adjustments to line items of statements of comprehensive income, balance sheet or statements of cash flow.

### What information must issuers provide?

According to the ESMA Guideline, alternative performance measures should be defined and labelled clearly and appropriately. The labels should reflect their content and basis of calculation in order to avoid misleading the users. For example, items should not be mislabelled as non-recurring, infrequent or unusual. For example items that affected past periods and will also affect future periods will, according to the Guidelines, rarely be considered as non-recurring, infrequent or unusual (such as restructuring costs or impairment losses).

According to FIN-FSA's interpretation, issuers will continue to have the opportunity to present performance measures adjusted by restructuring costs or similar items. However attention should be paid to the appropriate labelling of the adjustment items, and adjustment calculation should be presented as clearly as possible.

Alternative performance measures should be reconciled with the most directly reconcilable performance measure presented in the financial statements or interim report. If a reconciliation item cannot be extracted directly from these, the reconciliation should show how the figure has been calculated. Where an alternative performance measure is directly identifiable from the financial statements, no reconciliation is needed according to the Guidelines. Alternative performance measures should also be accompanied by comparatives and the definition of alternative performance measures should be consistent.

In the future, the use of performance measures should also be explained. The explanation should cover, among other things, why the company believes an alternative performance measure provides useful information regarding the financial position, cash-flows or financial performance

as well as the purposes for which the specific alternative performance measure is used. Alternative performance measures should not be displayed at the expense of IFRS performance measures, for example diverting investor attention away from performance measures stemming from the financial statements.

### **Compliance by reference is allowed**

Except in the case of prospectuses, disclosure principles set out in the Guidelines may be replaced by a direct reference to other documents previously disclosed, which contain these disclosures on alternative performance measures and are readily and easily accessible to users. For example, a company may refer to financial statements available on their webpage, in connection with which the information required in the ESMA Guideline is presented.

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## **Events for listed companies**

FIN-FSA will organise information events on financial reporting by listed companies on 2 December 2015 and 7 December 2015.

This year's listed company event consists of two separate sections, the first of which addresses IFRS financial reporting and the second matters relate to the disclosure obligation, notification and reporting of managerial transactions as well as notification of major shareholdings.

Invitations to the listed company event will be sent closer to the date of the event to CFOs of listed companies and other representatives of stakeholders.

The Confederation of Finnish Industries, the Federation of Finnish Financial Services, the Central Chamber of Commerce and the Finnish Pension Alliance TELA will hold an event on 18 December 2015 for listed companies; FIN-FSA will participate and inform the guests, among other things, on changes related to listed companies' disclosure obligation, notification and reporting of transactions by listed companies' management and the changes related to the obligation to notify major holdings.

## **Follow the Financial Supervisory Authority on Twitter**

The Financial Supervisory Authority tweets, among other things, on ESMA statements and consultations on its account [Twitter.com/FIN\\_FSA](https://twitter.com/FIN_FSA).

Join the followers!



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