



Self-regulation in
the Swedish securities market





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The corporate sector has much to gain by contributing to high ethical standards in the securities market. The confidence of the general public, investors, politicians and companies is crucial to a healthy, well-functioning market.

By allowing the corporate sector and other stakeholders in the securities market to formulate and decide upon its regulation, either as a complement or alternative to legislation, expertise with immense knowledge and practical experience of the conditions to be regulated can be fully utilised. The fact that the actors themselves have been involved in the development of the regulation increases commitment to the observance of the rules. Regulation that is devised in this way can be implemented quickly and efficiently, and, where necessary, it can be changed and adapted as required.

For these reasons, a tradition of self-regulation based on international example has long characterised the Swedish securities market. Modern Swedish self-regulation within securities has worked well since the late 1960s. Even

though some aspects of self-regulation have recently been replaced by or included in European legislation, new ways to use self-regulation have developed within this European framework. For example, state agency responsibilities within the field of securities have been delegated to one of the self-regulation bodies by the Swedish Financial Supervisory Authority¹, reflecting the standing of Swedish self-regulation.

Experience of Swedish self-regulation is positive. Self-regulation places as high or higher demands on companies than equivalent legislation. To all intents and purposes, actors in the Swedish securities market follow the rules that apply.

The aim of this brochure is to inform about self-regulation in the Swedish securities market and its self-regulation bodies.

¹ Finansinspektionen.

The Association for Generally Accepted Principles in the Securities Market²

In order to meet demands for efficiency and clarity, as well as to ensure long term organisational stability and financing, corporate self-regulation has been gathered in a single, common organisation, the Association for Generally Accepted Principles in the Securities Market. The aim of the association is to promote the observance and development of generally accepted principles in the securities market. One of the main tasks of the Association is to appoint the members of the various self-regulation bodies.

The principals of the Association are the Swedish Association of Listed Companies; FAR SRS, (the Institute for the Accountancy Profession in Sweden); The Swedish Investment Fund Association; the Institutional Owners Association for Regulatory Issues in the Stock Market; Nasdaq OMX Stockholm; the Stockholm Chamber of Commerce; the Swedish Bankers' Association; the Swedish Securities Dealers Association; the Confederation of Swedish Enterprise; and the Swedish Insurance Federation.

The work of the Association is financed by fees from stock exchange listed companies and the principals, as

well as fees charged for statements on certain issues.

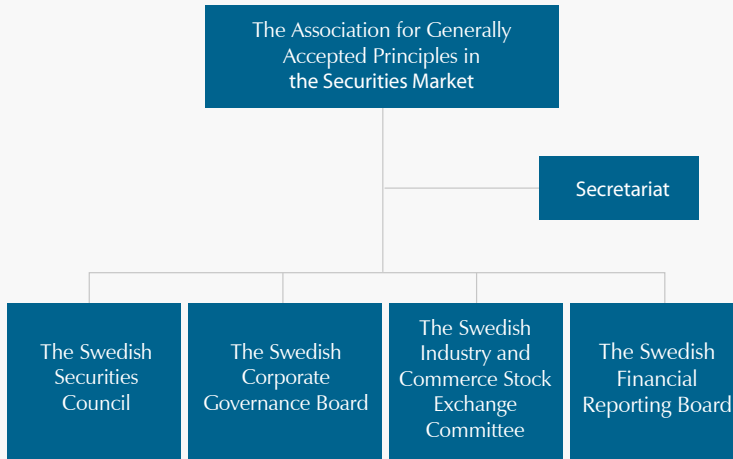
Norm-setting, however, remains the domain of the Association's four self-regulation bodies:

- The Swedish Securities Council
- The Swedish Corporate Governance Board
- The Swedish Industry and Commerce Stock Exchange Committee
- The Swedish Financial Reporting Board

A secretariat with an administrative function serves the Association, its service company and the four self-regulation bodies.

More information on the Association can be found on the Association's website, www.godsedpavpmarknaden.se. For more information, please contact the Association by e-mail at info@godsedpavpmarknaden.se or by telephone on +46 8 50 88 22 78.

The following sections describe the four self-regulation bodies.



Principals

- The Swedish Association of Listed Companies
- FAR SRS (the Institute for the Accountancy Profession in Sweden)
- The Swedish Investment Fund Association
- The Institutional Owners Association for Regulatory Issues in the Stock Market
- Nasdaq OMX Stockholm
- The Stockholm Chamber of Commerce
- The Swedish Bankers' Association
- The Swedish Securities Dealers Association
- The Confederation of Swedish Enterprise
- The Swedish Insurance Federation



Anders Nyrén,
Chairman of the Association



Anna-Carin Holmqvist-Larsson,
Head of Secretariat, Association

The Swedish Securities Council³

The role of the Swedish Securities Council is to promote good practice in the Swedish stock market through statements, advice and information. The Council was founded in 1986 and is modelled to a certain extent on the London City Panel on Takeovers and Mergers.

Any action by a Swedish limited company which has issued shares listed on a regulated market in Sweden, (Nasdaq OMX Stockholm and NGM Equity), or by a shareholder of such a company may be subject to the Council's assessment if it is or may be of importance to a share in such a company. The same applies to foreign limited companies which have issued shares listed on Nasdaq OMX Stockholm and NGM Equity, to the extent that such actions must comply with Swedish rules. Where the Council feels it is appropriate, it can also issue statements on relevant issues concerning companies which are traded on Swedish trading platforms.

The Swedish Financial Supervisory Authority has delegated to the Swedish Securities Council certain duties referred to in the Swedish Takeover Act. These include decisions on interpretation of and exemption to the rules on mandatory bids.

Nasdaq OMX Stockholm and NGM Equity have delegated to the Council the right to interpret and examine issues concerning exemptions to their respective rules on public takeover offers on the stock market.

The Council has issued over 500 statements, mostly at the request of companies or their advisers. A large number of these statements concern takeover bids, but the Council has also issued many statements on executive management incentive programmes, issuing of shares, repurchasing of shares, amendments to articles of association and information to shareholders and the securities market.

All of the Swedish Securities Council's statements can be found on the Council's website, www.aktiemarknadsnamnden.se, along with information on the composition of the Council and its secretariat and full contact details.

For more information, please contact the Council at info@aktiemarknadsnamnden.se or on +46 8 50 88 22 70



The Swedish Corporate Governance Board⁴

Good corporate governance ensures that companies are run as efficiently as possible in the interests of their shareholders. This in turn promotes greater confidence in the companies within the capital markets and among the general public, and thus creates better conditions for the supply of risk capital.

The Swedish Corporate Governance Board was set up in 2005 with the mission to manage and administrate the Swedish Code of Corporate Governance and to generally promote good governance of listed companies in Sweden. The work of the Board includes:

- Compilation and analysis of experiences arising from practical application of the Code
- Collection of feedback from the companies that apply the Code and other key actors within the field of corporate governance, as well as participation in general debate on corporate governance
- Monitoring and influencing changes in legislation and other rules issued in the field of corporate governance



- Monitoring international developments within the field, as well as academic research on the subject, and evaluating the consequences for Swedish corporate governance.

Based on the above, the Board issues any amendments to the Code that are considered appropriate, and communicates and explains these to the market actors concerned.

The Swedish Code of Corporate Governance is based on the principle of comply or explain. This means that companies can choose not to comply with individual rules in the Code on condition that they report and explain all non-compliance and describe the solution they have chosen instead. The Code has been revised and updated when required and its application has been broadened, so that it now applies to all Swedish companies whose shares are traded on a regulated market in Sweden, (Nasdaq OMX Stockholm and NGM Equity). The latest version of the Code is always available from the Board's website, www.bolagsstyrningskollegiet.se

The role of the Board is therefore to provide norms for corporate governance of Swedish listed companies. The Board does not, however, have a supervisory role when it comes to individual companies' application of the Code. That is the responsibility of the respective stock exchanges on which the companies' shares are listed. It is then up to the actors on the capital markets to determine to what extent a company's application or non-application of Code

rules is satisfactory in an investor perspective. On request, the Swedish Securities Council can issue statements on how rules are to be interpreted.

As well as managing the Code, the Board works to build awareness and understanding of Swedish corporate governance, not least in the international capital market. The Board participates actively in general debate within the field and provides information about the Code and Swedish corporate governance in a variety of arenas and forums. The Swedish Code of Corporate Governance also includes a general description of the Swedish corporate governance model.

The Board can be contacted through its website, www.bolagsstyrningskollegiet.se, by e-mail at info@bolagsstyrningskollegiet.se or by telephone on +46 8 50 88 22 71

The Swedish Industry and Commerce Stock Exchange Committee⁵

The Swedish Industry and Commerce Stock Exchange Committee was set up in 1968 in order to promote generally accepted principles in the securities market. Through regulations and recommendations, the Committee has contributed actively to an increase in information from listed companies. These regulations and recommendations concern issues such as information on executive benefits, notification of acquisition or disposal of major holdings, prospectus design and the purchase and sale of own shares. The most important regulations, however, are those concerning public takeover offers.

Many of the regulations issued by the Committee have now been incorporated into legislation, Swedish Financial Supervisory Authority directives or the markets' own regulations. In consultation with Nasdaq OMX Stockholm, the Committee conducted a review of the takeover rules in 2008-09. A final proposal was submitted to Nasdaq OMX Stockholm and NGM Equity in 2009 and was adopted in its entirety by both exchanges. The new rules can be found on the exchanges' websites.



In order to create consistent rules on mandatory bids and public takeover offers for all companies, the Committee has also decided to issue regulations on takeover offers for shares in Swedish limited companies that are traded on First North, Nordic MTF and Aktietorget. The new regulations are to all intents and purposes equivalent to those that apply to companies whose shares are traded on a regulated market and come into force on 1 January 2010.

More information on the Committee's work, composition and secretariat can be found on its website, www.naringslivetsborskommitte.se.

The Committee can also be contacted by e-mail at info@naringslivetsborskommitte.se or by telephone on +46 8 553 430 44 and +46 8 555 100 52.

The Swedish Financial Reporting Board⁶

Financial reports that are produced according to common EU accounting standards contribute to the development of a suitably functioning, efficient and cost-effective capital market.

The Swedish Financial Reporting Board was set up in 2007 in order to

- adapt and develop generally accepted accounting principles and regular financial reporting for companies whose securities are listed on a regulated market in Sweden as of the balance sheet date,
- promote and protect Swedish interests internationally on issues concerning accounting issues and financial reporting for these companies, and
- ensure that these companies and interested parties receive up to date information and provide them with opportunities to influence amendments and interpretation of financial reporting issues.

The Board is assisted by a Technical Expert Panel. A predecessor, in the form of a self-regulation body for



⁶ Rådet för finansiell rapportering

accounting standards, was founded as early as 1989.

The Board works proactively to influence international standards. It participates, for example, in the EU Commission's Round Table meetings, where issues that it is adjudged that the International Accounting Standards Board, (IASB), or the International Financial Reporting Interpretations Committee, (IFRIC) should investigate are discussed. The Board also participates in meetings of the European Financial Reporting Advisory Group, (EFRAG), for national financial accounting standards bodies. These meetings are also attended by representatives of the EU Commission and IASB. On issues that are regarded as having great importance for listed companies, the Board participates in IASB working groups. The Board also issues statements on proposals contained in consultation documents.

The opinions and arguments put forward by the Board are the results of discussions with organised representatives of the Swedish corporate sector. The Board has also engaged finance analysts to add further weight to the arguments from the perspective of end users.

Since all listed companies in Europe are obliged to prepare their consolidated accounts in accordance with the

accounting standards and interpretation statements approved by the EU and published by IASB and IFRIC, the recommendations and statements of the Board are limited to particular Swedish conditions and information requirements concerning consolidated accounts.

The board has published two recommendations for listed companies, (RFR 1, Supplementary Accounting Rules for Groups; and RFR 2, Accounting for Legal Entities), and assumed responsibility for seven statements concerning particular Swedish conditions. These recommendations and statements are continually updated through amendments. As the EU approves new recommendations, amendments will continue to be incorporated into the Board's recommendations. New statements may be issued as a result of questions of a general nature from listed companies.

All of the Board's standards and other published materials are available on the Board's website, www.radetforfinansiering.se, along with information on the composition of the board and full contact details. The Board can be contacted by e-mail at info@radetforfinansiering.se or by telephone on +46 8 50 88 22 79.

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