

## SWX as regulator

*The SWX Swiss Exchange is required by law to regulate the market and supervise issuers. Numerous innovations in the area of transparency requirements for issuers are continuously being introduced on markets around the globe. These developments are closely monitored by the SWX Swiss Exchange, which – thanks partly to self-regulation – is positioned as a highly adaptable market with a competitive regulatory framework. It constantly endeavours to strike the right balance between the various interest groups. The Directive on Information Relating to Corporate Governance, which was implemented for the first time last year, and the preparation of the Directive on Disclosure of Management Transactions are two examples of how the SWX Swiss Exchange successfully puts self-regulation into practice. By systematically imposing sanctions for breaches of the rules, SWX ensures the credibility of self-regulation.*

### First experiences with the Corporate Governance Directive

The 2003 reporting period was the first year in which issuers had to furnish the information stipulated by the SWX Corporate Governance Directive (DCG). In general, most of the information required was published by issuers in their annual reports. There is, however, room for improvement in some areas, notably as regards the data on “Group structure and shareholders” and “Information policy”. Compliance with the Directive was at its best in terms of the information provided under the following headings: “Auditors”, “Change in control and defensive measures”, “Compensation, shareholdings and loans” and “Board of Directors”. Sanctions were imposed on some issuers for failure to comply with the DCG. On behalf of the Admission Board, the Institute for Accounting and Controlling of the University of Zurich conducted a systematic analysis of issuers’ compliance with the Directive. The study was presented at a SWX event on 1 December 2003. Over 300 participants attended this event, at which national and international developments in the area of corporate governance were discussed.

### Disclosure of management transactions

The Admission Board of the SWX Swiss Exchange approved a Directive on Disclosure of Management Transactions on 20 October 2003. The core requirement is that members of the board of directors and the management must henceforth disclose their transactions in financial instruments issued by their company. Such disclosure improves the information available to investors, in that transactions in own shares can provide pointers to the management’s assessment and thus help investors to form an opinion on future performance. When preparing this new Directive, the SWX Swiss Exchange conducted a transparent, public consultative procedure over the Internet for the first time.

### Enforcement concept for ad hoc publicity

The SWX Swiss Exchange carries out regular investigations into possible violations of the provisions governing ad hoc publicity. If suspicions of an infringement are confirmed in the course of a preliminary inquiry, it launches a formal investigation and informs the media. Should the investigation bring to light conduct which calls for sanctions, the Executive Committee of the Admission Board decides on the sanction to be imposed. The SWX Swiss Exchange informs the public by way of media releases. The published sanctions can also be consulted on the SWX homepage.

### New accounting and financial reporting rules

Publication requirements in the area of financial reporting were updated in several respects during the year. In addition to making IFRS and US GAAP standards compulsory for companies listed in the main trading segment from 2005 onwards, requirements pertaining to interim reporting were tightened and publication deadlines for annual and interim reports were shortened. From 2005, SWX-listed companies must publish their annual report no later than four (instead of six) months after the balance sheet date. By the same token, interim reports of issuers with listed equities have to be submitted three (four) months after the balance sheet date.

### More initiatives in the accounting field

The SWX Swiss Exchange keeps track of global trends in capital market regulation, and also takes into account recommendations of the International Organization of Securities Commissions (IOSCO). In the area of financial reporting, for example, the question of whether a Management Discussion and Analysis (MD & A) chapter should be included in annual reports is now under consideration. Based on normal practice in other countries, MD & A involves an analysis of business trends by the management as well as reports on risks, dependencies and relevant forward-looking information.

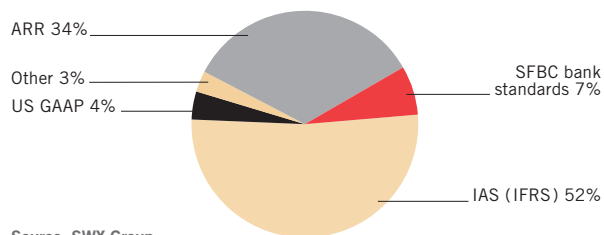
### Enforcement of accounting standards

Sanctions are a necessary means of enforcing regulations, not least in order to enhance the transparency, efficiency and credibility of the securities market and hence of the Swiss financial centre as a whole.

The tougher enforcement procedures announced at the end of 2002 were implemented in the year under review. Together with the delisting of an issuer in the SWX Local Caps segment for repeatedly failing to meet reporting requirements, an audit company was also struck off the register. In addition, 11 sanctions were published (3 in 2002).

It is encouraging to note that no qualifications whatsoever were to be found in auditors' reports on the consolidated financial statements for 2002. One of the reasons for this is that the SWX Swiss Exchange had insisted on the publication of restatements for several 2001 annual reports which contained a qualification by the auditors.

### STANDARDS APPLIED TO ANNUAL REPORTS (2002)



Source: SWX Group

### Accounting and reporting standards

	2002	2001
IAS (IFRS)	162	155
Swiss GAAP ARR	96	101
Banks (RRV-SFBC)	20	20
US GAAP	15	14
Other	2	8
<b>Total*</b>	<b>295</b>	<b>298</b>

\* = Total primary-listed shares at SWX

Source: SWX Group

Figures for 2003 were not available as we went to press, because listed companies have up to the end of June 2004 (six months from the balance sheet date) to publish their annual reports.

### Publication of sanctions

In October 2003, the SWX Swiss Exchange began publishing full details of decisions to impose sanctions, provided that publication is announced as part of the sanction. Considerably more sanctions for breaches of the accounting rules (11 out of 13) were published in the year under review; this compares with 3 out of 11 in 2002. In the area of ad hoc publicity, 4 out of 5 sanctions were published (2002: 4 out of 4). Failure to comply with the Corporate Governance Directive led to the imposition of 3 sanctions without publication last year.