



THE SELF-REGULATION PRINCIPLES OF THE SECURITIES MARKET ASSOCIATION

Introduction

The aim of the Securities Market Association is to ensure, through more efficient self-regulation, that companies operating on the securities market observe uniform and high quality operating principles and rules. The self-regulatory work of the association is based on market requirements as well as on companies' participation in self-regulatory actions. The self-regulatory provisions drafted by the association must be of high quality when compared internationally. Self-regulation promotes effective functioning of the markets and implementation of the responsibilities of the companies

The self-regulatory provisions and their monitoring principles formed through self-regulation should be made as clear as possible.

The credibility of the Securities Market Association in drafting self-regulation rules is based on its status given by the market and the authorities and on the good quality of the self-regulatory provisions. The commitment of the various background organisations and market parties as regards self-regulation and the objectives of the association are also of great importance.

The association participates in drafting the self-regulatory provisions as described later.

Working group

It's often appropriate to form a special working group in order to produce self-regulation. The working group is always nominated for a certain self-regulatory assignment. The working group may be an internal group within the Securities Market Association or it may consist of outside experts. The composition of the working group is always considered based on the content, scale and significance of the work. The working group to be nominated must be competent, extensive and it must have practical experience on the assignment.

Sufficient resources should be available to create and maintain credible self-regulation. The Securities Market Association shall provide sufficient resources to each working group it appoints in order for the working group to execute its tasks. Smaller projects, e.g. projects aimed at updating existing regulation, can be executed with lighter processes than new regulatory projects (see below "The stages of the self-regulatory work").



Before starting the work, the Securities Market Association sets a target schedule for the working group and the working group shall make a work plan.

The transparency of the preparation

The composition of the working group as well as the description of the assignment will be published by the Securities Market Association. The working group will decide itself how to report on the preparation-process and the progress of the assignment. In order to guarantee feasible working conditions it is often recommended not to give reports during the assignment.

The transparency of the preparation can be promoted by using public hearings aimed to different market parties. The board or the working group may, as a part of the preparation, decide to hear the parties and experts operating on the market. A proposal for comments can also be circulated or an open consultation can be arranged. Taking into account the quality, scale and significance of the project the board may appoint a follow-up group or a control group for the working group.

The contents of the preparation

The working group must carry out any necessary background preparation depending on the assignments' content, scale and significance. The working groups are encouraged to find out similar international practices as a part of the self-regulations' background disquisitions and in order to analyze the best practices.

Special attention should be paid to the impact the self-regulation will have on enterprises.

The board's approval

The working group shall present the results of their assignment to the board of the Securities Market Association for approval. The board shall decide on the final contents of the self-regulation. The regulation shall be given by the Securities Market Association.

The binding nature of the regulation

The Securities Market Association can not draft regulation that is independently binding.

The binding nature of the regulation given by the Securities Market Association can be enhanced by e.g. including the regulation in the rules of the stock exchange.



Interpretation, follow-up and monitoring of the regulation

Self-regulation demands constant monitoring. The Securities Market Association monitors with appropriate means the effects of the self-regulation code it has prepared.

When necessary, the Securities Market Association may give interpretational comments on a self-regulation code it has prepared.

When self-regulation is binding, it is important that the compliance with the regulation is monitored. The monitoring must be constant and effective, and activities that violate the regulation shall be dealt with accordingly. The monitoring may be carried out by some other party than the one producing the self-regulation, but even then the party producing the self-regulation shall supervise how the monitoring is carried out.

The activities violating the regulation may be interfered with e.g. raising awareness of the correct procedures, by disclosing the violating activity as well as the violator to the media or by taking disciplinary measures towards the violator.

The stages of the self-regulatory work

The basic procedure of self-regulation is described below. This procedure is applied to the projects of the Securities Market Association on a case-by-case basis depending on its scale and significance.

- The need for self-regulation
- Setting the framework for the process
 - o search process as regards the working group and its chairman
 - o evaluation of the necessary actions
 - o estimation of the schedule
 - o estimation of the expenses
 - o clarification of the assignment for the working group
- Appointing the working group and announcing the objectives for the assignment
- The start of the assignment
- A more detailed plan including:
 - o a specific working plan
 - o a schedule
- Hearings, expert opinions, background reports
- Forming of opinions
- Composition of the text
- Circulating proposals for comments, consultations
- Analyzing the feedback comments
- Finalisation of the assignment
- Approval of the board
- Translations when necessary

- Printing
- Publishing the final product / report
- Follow-up and monitoring