

Market Newsletter 2/2023

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Issuers' contact with analysts

In its supervision, the Financial Supervisory Authority (FIN-FSA) has paid attention to communication between issuers and analysts.

This year, there has been discussion in the media and among market participants about cases where an issuer's share price has reacted significantly in connection with the issuer communicating with a certain group of analysts through a telephone call or some other means of communication. In such situations, suspicion arises as to whether the issuer has disclosed inside information to a selected group of market participants in a prohibited manner¹. Even if prohibited disclosure of insider information is not involved, the issuer may, by acting in this way, undermine confidence in the securities market by putting market participants in unequal positions with regard to information. The FIN-FSA emphasises that the Securities Markets Act also requires issuers to make available to investors, in an equal and consistent manner, sufficient information on matters that are likely to have a material effect on the value of securities².

With this article, the FIN-FSA seeks to highlight good practices by which issuers may endeavour to ensure that their communication with analysts is in accordance with regulations.

Issuers must ensure they do not disclose to analysts unpublished material information

Analysts play a key role in the securities market. The market information provided by analysts improves the transparency and understanding in the market of issuers' financial standing, operating environment and future prospects. In order for analysts to understand as well as possible the messages and financial information disclosed to the market by issuers, it is beneficial for issuers to maintain contact and engage in dialogue with analysts when necessary. For the efficient functioning of the securities market, it is important that market participants have a clear picture of issuers' outlook and financial performance.

However, when communicating with analysts, issuers must ensure that they do not put market participants in unequal positions by disclosing to a selected group unpublished information about matters that are likely to materially affect the value of securities, in which case unlawful disclosure of inside information may arise.

With reference to the above, issuers may not disclose to analysts unpublished information that is likely to materially affect the value of issuers' securities. Such information should be disclosed appropriately in a

¹ Disclosure of inside information is, as a rule, prohibited. Article 14 of the Market Abuse Regulation (EU) No 596/2014) addresses the unlawful disclosure of inside information.

² Securities Market Act (746/2012), chapter 1 section 4.

stock exchange release or company announcement before being discussed with analysts. The FIN-FSA emphasises that this also applies to situations where an issuer communicates its own unpublished conclusions about published information or comments on views presented by analysts in ways that are likely to materially affect the value of the issuer's securities.

Tools and good practices for analyst communication

Issuers must have an information policy³ that guides and addresses disclosure issues and responsibilities. The information or disclosure policy should also state the principles related to the issuer's communication with analysts. The policy, compliance thereof and related staff training enable the issuer to ensure that unpublished material information is not disclosed in analyst communications.

In order for investors to receive information about issuers equitably and simultaneously, the FIN-FSA recommends that issuers make available to investors on their websites the material used in investor and analyst meetings and result announcements in as up-to-date form as possible. It is also recommended that issuers, where possible, organise analyst meetings as well as information events related to earnings announcements via the internet, and open to all willing participants.

An issuer should not comment to analysts on the issuer's valuation or the development of the price of its financial instruments, nor on an analyst's forecast or the consensus forecast. In making such comments, the issuer places itself in a position where it may very easily intentionally or unintentionally provide analysts with additional material information that has not been disclosed in accordance with regulations. Such information may, taken as a whole, have a significant impact on the price of the issuer's securities and on market participants' assessment of the issuer's financial performance.

If an issuer believes, for one reason or another, that analysts do not have a correct understanding of its financial performance based on previously published information, the issuer should assess the need to issue a stock exchange release⁴.

Issuers should be cautious about commenting on analysts' analyses or reports. If an issuer decides in some situation to check an analysis or report prepared by an analyst, the issuer should only comment on the accuracy of already published matters presented in the analysis or report. When making such comments, the issuer should ensure that it does not intentionally or unintentionally confirm or comment on other matters presented in the analysis or report, such as the analyst's conclusions or estimates. If the issuer notices that, based on information it has published, analysts have misunderstood key facts, which in themselves or overall may materially affect the value of the issuer's securities, the issuer should assess the need to correct such misunderstandings with a stock exchange release issued simultaneously to all market participants, and should not provide information selectively to one or more analysts.⁵

An issuer should not give analysts updated or expanded information about significant changes in its operating environment that is not generally known in the market and which differs from the issuer's earlier disclosures. Such information may be likely to affect the value of the issuer's securities.

³ See Nasdaq Helsinki Ltd's rules related to information policy: [Nordic Main Market Rulebook for Issuers of Shares](#), [Nasdaq First North Growth Market Rulebook for Issuers of Shares](#).

⁴ See also the [Market Newsletter 2/2022](#) article on assessing the need to issue a profit warning.

⁵ According to the FIN-FSA's interpretation, an issuer is not, as a rule, obliged to issue a profit warning based on forecasts prepared by analysts regarding the issuer's earnings development and on consensus estimates compiled from them. If, however, analysts' estimates differ significantly from the outlook published by the issuer or from what the company has endeavoured to communicate to the market in previous releases, the FIN-FSA recommends that the issuer should assess why this is the case. If the reason is, for example, that the information published by the issuer has not been sufficient or unambiguous enough to draw correct conclusions, the issuer may amplify the information it has published in a separate stock exchange release.

An issuer should not favour individual analysts or distribute analysts' reports to the investment community. The issuer may present on its website in a neutral way consensus forecasts concerning it and list the analysts that follow the company. The information must be presented in a way that makes it clear that it is not material prepared by the issuer or certified as correct by the issuer.

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Topical matters at ESMA

ESMA published an update to the [ESEF Reporting Manual](#) on 6 September 2023.

On 5 October 2023, ESMA published for consultation [Technical Standards](#) specifying certain requirements of the EU's Markets Crypto Assets Regulation (MiCA). Responses are requested by 14 December 2023.

On 5 October 2023, ESMA published a [call for evidence](#) on the shortening of the settlement cycle. Responses are requested by 15 December 2023.