

# CORPORATE DISCLOSURE IN THE IRAQI SECURITIES MARKET



# PRESENTATION OVERVIEW

- **Developing an Effective Securities Market in Iraq**
- **Iraqi Securities Market Structure**
- **The ISC and its Role**
- **Role of Corporate Disclosure**
- **ISC Rules on Corporate Disclosure**
  - Registration Statement
  - Annual and Periodic Reporting
  - Material Information Reporting
- **Work Plan for Issuer Development**

# Developing an Effective Securities Market in Iraq

## ISC emphasis . . .

- Effective Legal and Regulatory Framework
- Efficient Trading Infrastructure and Market Automation
- A National Market System
- Post Trade Processing Arrangements:
  -  Clearing, Settlement, Depository, and Registry
- New Financial Instruments
- Issuer Development
- Intermediary Development
- Investor Education

# Iraq Market Structure

- Iraq Securities Commission (ISC)
- Iraq Stock Exchange (ISX)
- Iraq Depository with Registry function
- Iraqi Association of Securities Dealers (IASD)
- Issuers, Investors & Intermediaries
- Clearing (Settlement) Banks

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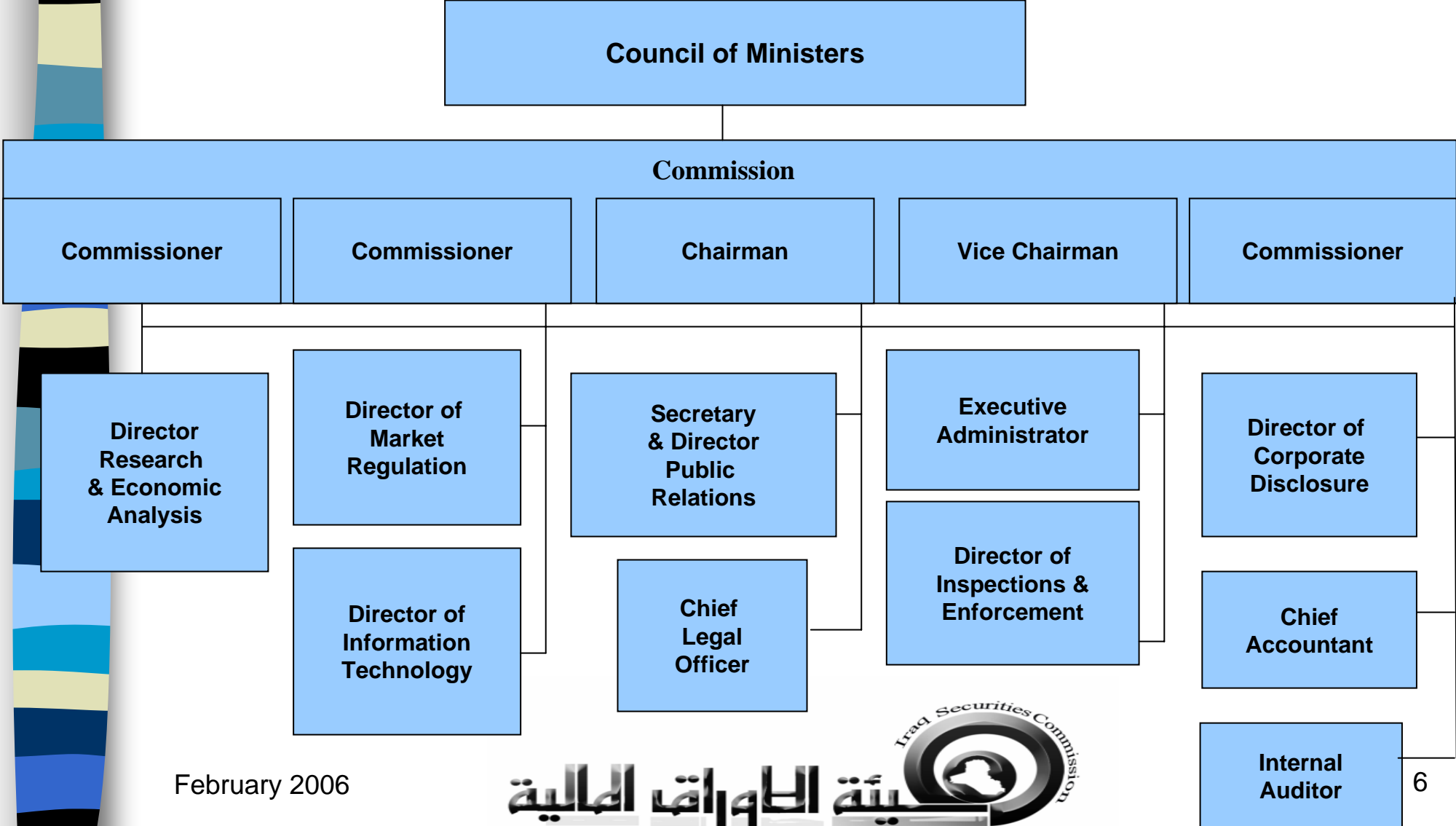
# Iraq Securities Commission (ISC)

- Responsible for Enforcing the Interim Securities Law- CPA Order #74 and Amendment Order#100.
- CPA Order #74 & Amendment Order #100 provides the legal basis to the ISC to grant license, regulate and monitor the market and its participants
- ISC is responsible for regulating market activity and market participants- including the ISX, intermediaries and issuers, etc.
- Develops Regulations & Rules.
- ISC comprises of five (5) Commissioners that Oversee the Workings of the ISC.
- Management Structure Comprises 10 departments responsible for ensuring the smooth functioning of the entity.

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# Iraq Securities Commission - Organization Chart



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# The Iraq Securities Commission

*Transparency, Minimization of Systemic Risk & Investor Protection*

- Responsible for market oversight and regulation, including
  - 📄 Licensing and regulating all securities market activities (e.g. exchanges, brokers, registries, depositories, mutual funds, etc.)
  - 📄 Minimizing systemic risk by ensuring that proper procedures and controls are in place to mitigate risk
  - 📄 Monitoring daily activity of the market to identify potential violations of laws or regulations in order to give protection to the public through early detection and correction.

# Interim Securities Law - Section 12-12-e

## Focus on Corporate Disclosure

- Promulgate rules for disclosure of information & reports required to be made publicly available by companies whose securities are or have been offered for public subscription or distribution or admitted to trading on the Exchange;

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# Interim Securities Law: Section 12-12-e

- Review such information & reports, & require revision of such information & reports where the information provided is materially incomplete, false or misleading, notwithstanding any provision of the Law on Companies of 1997, No. 21 as amended, or any successor law to the contrary.

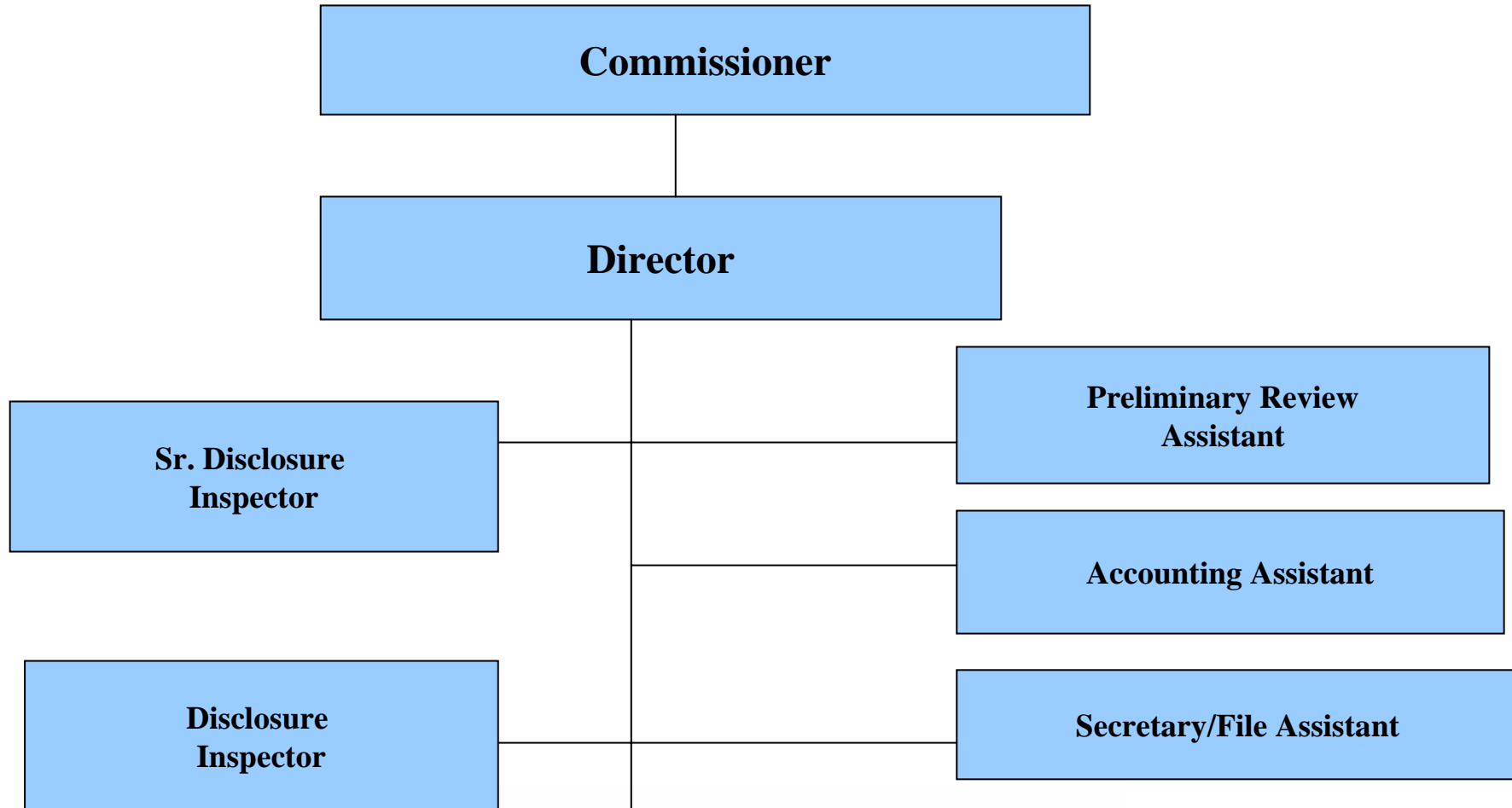
# Interim Securities Law: Section 12-12-f, h and i

- **f) Promulgate rules related to the disclosure of major holdings and for acquisition of control-affecting blocks of securities in joint stock companies;**
- **h) Enforce this law, any rules adopted under this Law and any rules of the Exchange or the Depository; and take appropriate disciplinary action against any person who violates such law or any such rules; and**
- **i) Exercise all of the other duties and rights given the Commission by the Law.**

# What is Corporate Disclosure and Why is it Important?

- **Companies publicly offering securities for investment dollars must tell the public the truth about their businesses, the securities they are selling, and the risks involved in investing – Corporate Disclosure**
- **Corporate Disclosure is Information Released by Companies about the companies' financial condition and business practices to help investors make informed investment decisions. This is done through:**
  - Annual Reporting
  - Quarterly Reporting
  - Material Information Reporting

# ISC Corporate Disclosure Department



February 2006

# Daily Workings of Corporate Disclosure Department

- Through its review process, department staff checks to see if publicly-held companies are meeting their disclosure requirements and seeks to improve the quality of the disclosure.
- Develop rules and regulations for registration, reporting and ongoing disclosure by public companies
- Ensure timely ongoing reporting and disclosure by public companies
- Review all material filings submitted by issuers in a timely and accurate manner and to publish this information to the ISC database for access by the public.
- To review registration filings by issuers trying to raise capital.

# ISC Corporate Disclosure Rules

- SECURITIES (REGISTRATION STATEMENT) RULES NUMBER 1
  - It is not worked until now, and it will be active on companies listing in the automation system.
  
- SECURITIES (ANNUAL AND PERIODIC REPORTING) RULES NUMBER 1
  - **Annual Reporting**
    - » 150 days after the end of the financial year of the company
  - **Quarterly Report**
    - » Within 60 days of the end of the quarter
  - **Material Information Disclosure**
    - » Within 7 calendar days of the occurrence of the material event

**Note:** Copies of these registration statements and reporting documents will be available at the ISC Office and the ISX Office starting March 1, 2006.

# Registration Statement (Initial & Annual Re-registration) *Contents*

- Part 1 – The Company
- Part II – Description of Securities
- Part III – Capitalization
- Part IV – Dividend Policy
- Part V – Officers & Key Personnel of the Company
- Part VI – Substantial Stockholders
- Part VII – Submission of Matters to a Vote of Shareholders
- Part VIII – Litigation
- Part IX – Financial Statements
- Part X – Management’s Discussion & Analysis of Certain Relevant Factors
- Part XI – Signatures

# Annual and Periodic Reporting

## *Format for Quarterly Report*

- **Part 1 – Financial Statement**
- **Part 2 – Management’s Explanation**
- **Part 3 – Internal Controls over Financial Reporting**

February 2006

# Annual and Periodic Reporting

## *Format for Quarterly Report*

### ■ Part 1 – Financial Statement

- Balance Sheet
- Income Statement
- Statement showing Changes in Equity
- Cash Flow Statement
- Selected Explanatory Notes

# Annual and Periodic Reporting

## *Format for Quarterly Report*

### ■ Part 2–Management’s Explanation:

- Liquidity
- Capital resources
- Results in operations
- Off-balance sheet arrangements
- Major contractual obligations
- Risks & Opportunities for the business
- Legal proceedings

# Annual and Periodic Reporting

## *Format for Quarterly Report*

### ■ Part 3 – Internal Controls over Financial Reporting

- A statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the registrant.
- A statement that identifies the processes used by management to evaluate the effectiveness of the registrant's internal controls over financial reporting.
- Management's assessment of the effectiveness of the registrant's internal controls.

# Annual and Periodic Reporting

## *Format for Annual Report*

- **Part 1 – Selected Financial Data**
- **Part 2 – Management’s Discussion & Analysis of Financial Condition & Result of Operations**
- **Part 3 – Financial Statements**
- **Part 4 - Internal Controls over Financial Reporting**

## Interim Securities Law: Section 15 Penalties

- Persons who willfully violate the provisions of this Law or a lawful order of the Commission or who fail to comply with the Commission's lawful demand for information or documents under this Law, as well as persons who knowingly and substantially assist such conduct, shall be subject to fines and penalties as specified by law, which may include imprisonment upon a conviction by a court of competent jurisdiction.

# ISC WORKPLAN FOR ISSUER DEVELOPMENT

- Provide Assistance to Issuers in the Completion of Registration, Annual, Quarterly and Material Information Reports
  - Training workshops for Sr. Officers, Accountants, and External Auditors from Companies on Reports Preparation will be organized
- Work with the ISX on Further Refining Listing Rules and Procedures