

## Stockholm Exchange Toughens Up Listing Procedures

### 1. Background

The Stockholm Exchange has introduced more stringent requirements for the listing of companies and has also made changes to the Listing Agreement.<sup>1</sup> The new listing requirements entered into force on July 1 2003 for companies initiating a listing process after that date.<sup>2</sup> The new Listing Agreement entered into force on September 1 2003.

### 2. Listing Requirements

The main aim of the new listing requirements is to improve:

- the examination of companies before listing;
- the quality of listed-company information;
- public access to listed-company information; and
- the competence of the boards and management of listed companies.

The overall objective is to provide the best possible conditions for an efficiently functioning stock market. In general terms, the new listing requirements match regulations to the standard practices already developed by the Stockholm Exchange.

The requirements dictate that, before being listed:

- the company must submit to a legal examination by an external lawyer. This examination must be satisfactory to the Stockholm Exchange;
- the board must adopt an information policy covering both content and practices in regard to disclosing information to the stock market;
- the company's investor relations organization must have been involved in the preparation of at least two quarterly reports and the company's board must have been involved in the preparation of at least one quarterly report; and
- the price of the company's shares must be at least Skr25 each on the first day of trading.

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<sup>1</sup> English versions of the revised listing requirements and the revised Listing Agreement are available on the Stockholm Exchange website at [www.stockholmsborsen.se](http://www.stockholmsborsen.se).

<sup>2</sup> Companies whose shares or depository receipts are already registered with or listed on the Stockholm Exchange must comply with the independence requirements for members of the board of directors by no later than the 2004 annual general meeting, and must comply with all other requirements by no later than July 1 2004.

The Stockholm Exchange also requires that all board members, senior executives and company auditors must participate in training on the Listing Agreement, the listing requirements and insider issues.

Finally, the independence requirements for the board members have been strengthened and clarified. Only one board member elected at the general meeting may participate in the day-to-day business of the company, more than half must be independent in relation to the company, and at least two must be independent in relation to the principal shareholders and the company. At least one board member who is independent in relation to the principal share holders and the company must be experienced in the requirements of a listed company.

### **3. Listing Agreement**

To ensure the wide dissemination of corporate information to the market, the mandatory period for which information published on the company's website must remain available has been extended to three years. The articles of association must also be available on the website.

In respect of accounting standards, no deviation is now permitted from the recommendations issued by the Swedish Financial Accounting Standards Council, which are based on the international recommendations issued by the International Accounting Standards Board.

In order to present an overview of all outstanding incentive programmes, the annual report must contain a detailed report of each such programme. In this context, 'incentive programme' means any remuneration system that is based on the value of shares.<sup>3</sup> In addition, where an incentive programme has changed materially from the information provided in the latest annual report, new information must be published in the next interim report. To make interim reports and reports on unaudited annual earnings more uniform, these must open (in item form) with the company's net turnover, earnings after tax and earnings per share.

The provision on transactions with closely affiliated parties has been extended to cover acquisitions of business from closely affiliated parties. Major shareholders holding more than 10% of the share capital or votes in the company or another company within the same group are considered to be closely affiliated.

Finally, in order to reduce the risk of information leaking in regard to public offers made by the company or to the company's shareholders, the company must prepare a logbook.

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<sup>3</sup> Complete information regarding the applicable requirements can be found in (i) the Swedish Financial Accounting Standards Council Revision Group's statement of 2002, entitled "Information concerning share related compensation to employees" ([www.redovisningsradet.se](http://www.redovisningsradet.se)), and (ii) the Swedish Securities Council Statement 2002:1 ([www.aktiemarknadsnamnden.se](http://www.aktiemarknadsnamnden.se)).

The logbook should list all persons with access to information on the intended action, irrespective of whether they are employees of the company or third parties.

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