

NZX Thematic Review 2019

Market Announcements - Material Information



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Executive Summary

The 2019 NZX Regulation Thematic Review focuses on issuer practices for identifying and flagging market announcements containing Material Information. NZX's market announcement platform (**MAP**) provides for such announcements to be flagged as "P", to denote their potential price sensitivity. The review is intended to provide insights and guidance to issuers and their advisers in support of market disclosures.

In 2017, NZX implemented process changes that meant issuers made their own assessment to mark announcements with a "P" flag if these included Material Information.¹ Prior to this, NZX made that assessment internally. The change was made in recognition that issuers have a more informed understanding of matters that are Material Information for their businesses, and were better placed to apply the "P" flag.

On 1 January 2019, the updated NZX Listing Rules came into effect. Rule 3.26.2 requires issuers to actively mark announcements as containing Material Information, using the appropriate flag in MAP, if the announcement contains Material Information and is not otherwise subject to an automated flag in MAP.

Issuers should only be applying a "P" flag to their announcements if they consider that a reasonable investor would expect the information, if it was generally available to the market, to have a material effect on the price of their quoted financial products. The nature of the market, and the dynamics of investor behaviour and liquidity, means that price movements alone could not be a complete proxy to inform our view of whether or not issuers were correctly applying the "P" flag. Accordingly, our review has also included a qualitative review of approximately 7,500 announcements covering a six month review period between 1 January 2019 to 30 June 2019.

The key findings of our review are:

- ▶ Issuers generally appear to be appropriately assessing and flagging material announcements. There was a strong correlation between material price movements (i.e. exceeding 10%), objective materiality of the information in such announcements, and whether or not the "P" flag was applied.
- ▶ There were some issuers consistently applying the "P" flag to a large number of administrative announcements that objectively did not contain Material Information. We have engaged with these issuers on this conduct, and have seen an immediate improvement in practice.
- ▶ A significant majority of announcements released during the review period were followed by minor price movements (below 5%). This group of announcements revealed a practice by some issuers of over-applying the "P" flag. These issuers appear to be applying a "P" flag to announcements they consider will be of interest to investors or for the 'avoidance of doubt', but which do not contain Material Information. We reiterate that issuers should be critically assessing announcements on a case by case basis, and only be applying the "P"

¹ The flag is also applied automatically to announcements in a prescribed category. These were not included in this review, as they do not indicate an intention on the part of the issuer to apply the flag to Material Information.

flag to announcements that contain Material Information. This is important because it reduces the “noise” in the market and helps to maintain the effectiveness of the “P” flag for investors.

- ▶ Issuers generally seem to be making a consistent and effective effort to manage the timing of the release of Material Information outside of market trading hours.
- ▶ There was evidence of some inconsistent market practice on the flagging of announcements regarding issues of new debt securities. We consider that information relating to a new issue of debt securities by an existing listed debt security issuer will be unlikely, absent additional factors, to have a material effect on the price of that issuer’s existed quoted debt securities. As such, it should be rare for such announcements to be marked with a “P” flag.

During our review, we also made a number of other observations that we consider provide useful insight into issuers’ disclosure practices. This report discusses three of these:

- ▶ How issuers use headlines for announcements
- ▶ The timing of release of announcements
- ▶ The use of the MKTUPDTE announcement type

Analysis of "P" flag application

Material Information is information that a reasonable person would expect, were it generally available to the market, to have a material effect on the price of the relevant securities. It must be information that is specific to the issuer or securities, and not to issuers or securities of that type generally.

Issuers release their announcements via the Markets Announcements Platform (**MAP**). As part of the announcement release process, issuers are required to answer "yes" or "no" to the question "*Does this announcement contain Material Information?*". If they select yes, the "P" flag will be attached to the announcement and visible when released to the market. In addition, NZX has prescribed a number of announcement types to which the "P" flag will automatically be applied, for example, preliminary half and full year results and annual report releases.

Accordingly, if an announcement is not in a prescribed category, and has a "P" flag attached, that announcement should contain information that the issuer has assessed as being Material Information. The issuer should be able to clearly point to that information and explain its underlying analysis.

Price movements and NZXR review

The NZX Guidance Note on Continuous Disclosure (**the Guidance Note**) is clear that what will constitute a material effect on the price of a security will vary depending on the specific characteristics of the securities and the issuer. The methodology at Appendix One of this report explains how we corrected for some of these factors. It is important to bear in mind that price movements are not a hindsight test of materiality. NZX Regulation (**NZXR**) will consider all available evidence of the expected impact of the information on the traded price.

NZXR does, however, apply broad bands in price movements to assist it in determining at a high level whether an announcement may require closer attention. This is described in the Guidance Note:

- ▶ A price movement of 10% or more in a quoted security will generally be treated by NZXR as evidence that information has had a material effect on the price of those quoted securities and the relevant disclosure and the decisions relating to its release would therefore be likely to be reviewed by NZXR.
- ▶ A price movement of between 5% and 10% in a quoted security is more likely than not to be treated by NZXR as evidence that information has had a material effect on the price of those quoted securities and would therefore be likely to be review by NZXR.

Generally speaking, NZXR would expect any price movement to occur within one trading day of the release of the announcement, and abrupt price movements over a short period of time are more likely to be reviewed by NZXR. However, NZXR acknowledges that price movements can take place over several days, and trading changes (in terms of the volume and value of trades) will also occur over a longer period following the release of Material Information.

Accordingly, we have used a three day window for the purposes of this review. This allowed us to observe more incremental price increases, or situations where announcements were released late in the day and the price movement occurred the following day.

We also looked at announcements that did result in a price movement of more than 10% in a single trading day.

EQUITY SECURITIES

We are particularly interested in announcements that are:

- ▶ Not marked with a “P” flag where there has been a material price movement. A material price movement in relation to an announcement that is not marked with a “P” flag suggests that the issuer may have been incorrect in its assessment
- ▶ Marked with a “P” flag where there has been no material price movement. Issuers should only use the “P” flag for announcements that contain Material Information. The absence of the price movement suggests that the issuer may have been incorrect in its assessment.

Accordingly, this section of the report contains commentary on announcements released with a “P” flag, and those released without a “P” flag.

Announcements released with a “P” flag

Announcements with a positive or negative price movement of more than 10%

There were 26 instances where a reasonably liquid issuer released an announcement or announcements that did have a “P” flag attached, and there was a subsequent price movement in excess of 10% (over three days). We wanted to better understand the nature of these announcements, and in particular, we wanted to check whether these announcements appeared to contain Material Information, as indicated by the “P” flag.

We observed that approximately 95% of the announcements by these equity issuers were updates on trading or earnings guidance, or information about offers of securities. In our view, these were announcements where there was an identifiable reason for applying the “P” flag. The remainder were announcements released by these issuers that related to vanilla corporate actions or administrative matters, where it was not immediately obvious what the Material Information in the announcement was. This included corporate action notices relating to dividends, or regular operational updates. Overall, we were satisfied that there was a strong connection between the materiality of the information in these announcements, the use of the “P” flag, and the market’s response.

We undertook further analysis of the trading that took place on the day of these announcements being released, and over the subsequent two days, and observed that in 100% of instances there was higher trading volume occurring alongside the price movement; in this data set there was also always a price movement on the day the announcement was released. We also observed in all cases that the increased trading volumes continued for one to two days following release of the announcement.

We also looked closely at announcements being released by issuers with lower liquidity, or which had share prices that might distort price movements (**Illiquid Issuers**). This was important, because these issuers are still subject to the same disclosure obligations, irrespective of the particular nature of trading and share price movements that they experience. We identified 26 of these announcements.

In approximately two-thirds of instances where an Illiquid Issuer released an announcement marked with a “P” flag, there was no significant increase in trading volume. This suggests that the price movement was a reflection of the issuers’ underlying illiquidity rather than a shift in the buy/sell dynamic. We

acknowledge that trading behaviours do not always align with the content of an announcement (for example, where there are other relevant market factors that are not reflected in the announcement) and this can be heightened for Illiquid Issuers. Accordingly, we also reviewed the content of these announcements.

Some of these announcements did address matters that would appear to more likely than not be Material Information, such as results of special meetings convened to consider significant transactions, or updates on key lending arrangements. However, there were a number of examples where the issuer appeared to be taking an unnecessarily conservative approach to use of the "P" flag. These included Chair addresses, and regular market updates.

We note that these issuers may be applying the "P" flag more frequently in recognition of the greater potential for share price volatility they might experience, relative to more liquid issuers. While we will continue to engage with these issuers, we did not observe anything in this stage of our review that caused us significant concern.

Announcements with a positive or negative price movement of 5%-10%

There were 37 instances in our data set where an announcement or announcements were released by equity issuers with reasonable liquidity and share price, which resulted in a price movement of between 5% to 10%. Again, the majority of those announcements were updates on trading or earnings guidance, or information about offers.

We also reviewed the content of this group of announcements. Generally speaking, in this group of announcements we were satisfied that the announcements were appropriately marked with a "P" flag. There was one announcement that was of an administrative nature; however, having reviewed the issuer's announcement history it appears likely this was released with the "P" flag accidentally (as on other occasions the announcement had been released without the "P" flag).

We undertook analysis of the trading that took place on the day of these announcements being released, and over the subsequent two days, and observed that in all instances there was higher trading volume occurring alongside the price movement.

We also looked more closely at the announcements being released by Illiquid Issuers. There were 27 instances in the data set where announcements were released by these issuers. We reviewed the type of information that was released in these announcements, and identified that more than half of these announcements were monthly updates, daily Net Asset Value disclosures or administrative information (like a change of name). This behavior was limited to a small number of issuers, primarily Foreign Exempt issuers who are required to comply with the listing rules of their home exchange. The remaining announcements were more material; relating to, for example, major issues of securities, investments by third parties, or key acquisitions.

Following our review, we engaged with a number of issuers to reiterate that the "P" flag should not be applied to vanilla announcements of daily net asset values or securities issuances/buy backs, or used for recurring updates.

Announcements with a positive or negative price movement of less than 5%

As expected, most of the announcements in our sample did not result in a material price movement (a total of 6720 announcements). Of these, 1037 or 15% were deliberately released with a P flag (that is, they were not in a prescribed category), and we took a closer look at this group of announcements to determine whether there were any obvious trends.

There was a mix of information contained in this group of announcements. For example, there were various corporate action notices, including announcements relating to quarterly dividends and allotments. It would be rare for this information to have a material price effect. There were also a number of announcements relating to changes of CEO and CFO. While we acknowledge this information will likely be of interest to investors, we consider there will only be limited circumstances where such announcements will be Material Information (i.e. which may relate to the circumstances of the management change, or where there is strong 'brand' alignment between the issuer and the relevant manager).

Conversely, there were also announcements in this group where we could readily understand that basis on which the issuer might have considered that the announcement contained Material Information; for example, where significant agreements were entered into. We acknowledge that the market does not always react as an issuer might expect. This is why price movement cannot be used as a hindsight test, but only as an indication.

Even so, it is our impression from this sample group that issuers are using the "P" flag where they think investors will find an announcement particularly interesting, or on an 'avoidance of doubt' basis. In some instances, issuers appear to be applying the "P" flag to a specific announcement type (such as dividends) consistently, which suggests a lack of critical analysis. NZX anticipated that there might be a degree of the "P" flag being over applied for a period following the Listing Rule changes. The Guidance Note also states that if an issuer is unsure whether or not information is Material Information (and therefore subject to the continuous disclosure obligation to disclose promptly and without delay), they should take a conservative approach and disclose that information. We expect that this would in turn flow through to the application of the "P" flag.

However, the quantity of announcements with a "P" flag that do not appear to contain Material Information – even if applying the test conservatively – indicates that issuers are not applying a critical enough lens. In most instances, issuers should be well aware of which announcements contain Material Information, and which do not, and should be applying the reasonable investor test from the Rules. Over-use of the "P" flag will dilute its effectiveness in the market more broadly.

Announcements released without a "P" flag

Announcements with a positive or negative price movement of more than 10%

There were only 15 instances in our sample where a reasonably liquid issuer had released an announcement on a particular day without a "P" flag, and there had been a price movement in excess of 10% across the three day review period. Regardless of the small number of occurrences, we wanted to determine whether any of these announcements should have been released with a P flag (noting that a hindsight bias would apply to this assessment).

There was just one announcement in this group where we consider the information may have justified the application of a "P" flag.

62 announcements were released during this period by Illiquid Issuers. We also qualitatively reviewed these announcements, to determine whether release without a "P" flag appeared appropriate. We identified only four announcements where the information was anything other than vanilla, administrative information. Further analysis of those four announcements revealed that only one was accompanied by any increase in trading volume or values, and in that case the change was marginal. As previously noted, the application of the "P" flag as a hindsight analysis is more difficult with Illiquid Issuers, due to the

impacts of relative liquidity and share prices that might distort price movements. However, on the available evidence we were not concerned that these issuers were under applying the "P" flag.

Announcements with a positive or negative price movement of 5%-10%

There were 211 announcements that were released during the sample period by issuers of equity securities that did not have a "P" flag attached, but where the share price changed by 5%-10% over the following three days. We identified 42 instances where an announcement was released by an issuer with reasonable liquidity.

We reviewed these announcements to identify whether we considered any of them might have been better released with a "P" flag. We identified three that we considered were worth further investigation. In all three cases, we were satisfied that the issuer made an appropriate decision in releasing the information without the "P" flag. Again, such changes in share price can be driven by investor behaviour that is not necessarily aligned with the content of the announcement.

This sample also contained 70 announcements by Illiquid Issuers. We undertook a high level review of the content of those announcements and identified only four announcements that we considered warranted further investigation. The other announcements were all immaterial, vanilla administrative matters. We reviewed the four announcements we had identified, both to identify whether the content would suggest it should have been released with a P flag, and also to identify any changes in volume or value of trading that might suggest a change in the buy/sell dynamic. There was only one announcement that we thought might, in hindsight, have been better released with a "P" flag. However, there was no shift in the volume or value traded at the time the announcement was released. Accordingly, and recognizing the effect of hindsight bias, we do not consider further action was required.

Announcements with a positive or negative price movement of less than 5%

There were a total of 5287 announcements released during the sample period without a "P" flag, which had a price movement between 0 and 5%. Unsurprisingly, this was the largest representative sample of announcements. This *prima facie* suggests the issuers got it right when they determined the announcements not to contain material information.

We undertook a high level qualitative review of these announcements to establish whether there were any announcements in the sample that we might have expected to see marked with a "P" flag. We did not identify any particular announcements that we considered indicative of an incorrect assessment by the issuer.

Sample of one-day price movements

Our sample examined announcements where there was a price movement on the day of release of 10% or more.² After removing various announcement types as described in our methodology, there were 93 announcements where the equity issuer had made an active decision whether or not to apply a "P" flag. Of these, 34 announcements were released by relatively liquid issuers.

As with the other data samples, we undertook a hindsight review to determine whether issuers appeared to have made the appropriate assessment in applying, or not applying, the "P" flag.

Announcements by Illiquid Issuers with, and without, a "P" flag

This data set overlapped significantly with the data set using price movement over three days. Accordingly, our findings were the similar.

² We also produced a data sample so we could examine price movements for announcements released later in the day, where the price movement would take place on the following trading day. Our findings were similar to those set out in this section and so we have not elaborated them here.

As with the data set over a three day window, there were some announcements where the information did not appear to be Material Information. This included standard, recurring announcements and announcements relating to administrative matters (such as a change of name). We were satisfied that these issuers had appropriately determined these announcements not to contain Material Information.

However, there were numerous announcements in this sample where it was clear that the information could objectively be viewed as Material Information. This included information about legal action, and entry into material lending arrangements. These announcements were released with a "P" flag, and we were satisfied with the approach taken.

There were also a number of announcements released with a "P" flag that comprised operational or administrative information – we also observed this in our sample of announcements with a three day price movement. As noted previously, we have engaged with these issuers to clarify the use of the "P" flag.

Announcements by liquid issuers with, and without, a "P" flag

There were 11 announcements released by these issuers without a "P" flag. In all but one instance, we were comfortable with the assessment made. We considered that other dynamics were likely to have influenced the price movements, for example, trading more optimistically in the hope of future benefits rather than merely factoring in the information provided in the announcement itself.

There were also 23 announcements by these issuers that were marked with a "P" flag. It is possible to take a broad view that where an issuer with relatively high liquidity has released an announcement with a "P" flag, and there was an intraday price movement of more than 10%, it was more likely than not that the announcement had been flagged correctly by the issuer. Regardless, we reviewed these announcements in order to determine whether there were any announcements marked with a "P" flag, where there was a price movement that suggests the information was Material Information, but which were of an operational or administrative nature.

With the exception of one announcement regarding the resignation of the CEO (where materiality will depend on the particular scenario), and one recurring announcement of monthly statistics, these announcements were all market updates on key matters like significant transactions, or updates to forecasts or guidance, and appropriately marked.

YIELD TRADED DEBT

Our sample included 2087 announcements by issuers of yield traded debt.

Price movements based on yield

Three things were evident from the distribution of the data:

- ▶ A significant majority of the announcements were released without a "P" flag
- ▶ The overwhelming majority of these announcements did not see in a change in the yield in excess of 10% (99% of announcements)
- ▶ The overwhelming majority of these announcements were associated in a change in the yield of less than 5% (95% of announcements)

We were most interested in the 23 instances where there was a significant movement in the yield (over 10%). In all instances – whether the announcement had a "P" flag or no "P" flag – there was very limited associated trading in the relevant debt securities. In approximately half of these, the impact on yield was

a result of a single trade. Our data does not capture bilateral trading done 'over-the-counter', but the evidence suggests that the significance placed on announcements in driving on-market pricing outcomes for yield traded debt securities is muted when compared to equity securities.

This is supported by our review of the content of the 23 announcements in this sample. These included announcements which in our view could not be Material Information (and which were not marked with a "P") such as announcements regarding the issuer's transition to the updated NZX Listing Rules, and included announcements only released over the ticker associated with the particular yield traded debt security because NZX requires issuers to announce information against all of their product tickers (such as meeting details for equity holder meetings).

Announcements relating to new issues

In some instances, the issuer released announcements relating to the issue of new debt securities. These included announcements regarding the 'life cycle' of those offers, such as announcing the intention to launch the offer, the opening of the offer period, confirmation of maturity date and indicative/final interest rates. We observed divergent practices by issuers in marking such announcements with a "P" or not.

We reiterate that, in order to be Material Information for the purposes of the Rules, information must be of a type that a reasonable investor would expect, if it was generally available to the market, to have a material effect on the price of issuers' quoted financial products.

In the Guidance Note, NZX has indicated that for debt securities information that relates to the ability to pay interest on, and repay the principal on maturity of, a debt security is likely to be Material Information. Similarly, any change to, or review of, the credit rating of an issuer with debt securities quoted, or to the credit rating of quoted debt securities themselves is also likely to be material information.

We consider that information relating to a new issue of debt securities by an existing listed debt security issuer will be unlikely, absent additional factors, to have a material effect on the price of that issuer's existed quoted debt securities. As such, it should be rare for such announcements to be marked with a "P" flag.

We expect issuers of quoted debt securities intending to release announcements regarding new issues of debt securities, to critically assess whether such announcements comprise Material Information for the purposes of the Rules. We anticipate this will reduce the instances of divergent market practice we have observed.

Significant events relating to quoted debt products

In addition to the 'life cycle' announcements outlined above, we also note that issuers of existing quoted debt securities do release 'one-off event' announcements that are specific to their quoted securities. These might include, for example, announcement of:

- ▶ a decision to redeem quoted debt securities early
- ▶ a decision to call and redeem quoted debt securities at a rate reset date, in advance of the final scheduled maturity date
- ▶ the outcome of an interest rate reset

We consider that these types of information are more likely to be material for the existing quoted debt securities to which they relate, and accordingly be flagged as "P" to denote they comprise Material Information.

We will be following up with debt issuers to provide further detail on our findings, and to provide any additional guidance we think would assist them in their disclosure practices.

Other observations relating to market announcements

In the course of our review, we also identified other matters that we consider provide useful insights for issuers:

- ▶ The use of headlines on announcements
- ▶ The time at which announcements are released intraday
- ▶ The use of the MKTUPDTE category

USE OF HEADLINES BY ISSUERS

As part of our review, we assessed:

- ▶ Every announcement headline from our data sets where there was a price movement of more than 5% (including announcements in prescribed categories, where the "P" flag was automatically applied); and
- ▶ A random sample of announcement headlines where there was a price movement of less than 5%.

Our review was informed by research into behavioural economics and its application to financial product disclosure. It is now widely acknowledged that investors in the market are influenced by a number of beliefs and biases (as well as individual circumstances, such as literacy or numeracy skills) when making investment decisions, and will not always behave in a 'rational' manner.

We have previously published a [Practice Note](#) which sets out our view that issuers should use concise headlines, which place the most important information at the start of the headline. The Practice Note also clearly states that headlines should not be vague or misleading, and explains that issuers should avoid inflammatory or misleading headlines. We note that issuers also have 'fair dealing' obligations under the Financial Markets Conduct Act 2013, in relation to potential misleading or deceptive conduct.

In our thematic review, we were particularly interested to understand:

- ▶ The extent to which issuers could be said to be using headlines to "frame" investors' reactions; and
- ▶ The relative simplicity or complexity of the information that issuers were seeking to convey via headlines.

We have a particular interest in the first of these matters, as we know that headlines are the first aspect of an announcement that an investor will see. How that information is presented (or "framed") via the relevant headline, may influence how an investor engages with an announcement, and the state of mind they will bring to their interpretation of the announcement and subsequent decision making.

The majority of the announcement headlines used by NZX issuers were neutral or factual (for example, "Market Update" or "Trading Update"). We observed that vanilla announcements, such as administrative announcements required by the Rules, were more likely to have highly factual, non-descriptive headlines such as "Corporate Action Notice".

We also identified a number of announcement headlines which concisely summarised the content of the announcement, such as "*[Issuer A] Confirms no Material Impact on Earnings Guidance*". Where issuers are

able to do this, we encourage them to do so. We do appreciate that this is not always possible, due to the complex nature of information an issuer may need to disclose.

We did observe that headlines appeared to be more consistently neutral in the data sets where the price movement was negative (that is, for announcements that were more likely to contain “bad” news). In the course of our review we identified a small number of announcements where we considered the headline may have had a framing effect or otherwise been leading, and these were all announcements where good news was being conveyed to the reader. It is understandable that issuers want to give prominence to their success and to celebrate this; however, we remind issuers that this still needs to be properly balanced.

From our sample, we only identified one announcement that had a headline that was of particular concern. That announcement’s headline used a variety of emotive language, which gave the reader the impression that a significant achievement had occurred. Upon reading the announcement, it was clear that the achievement referenced in the headline was a change to law in another jurisdiction (not an achievement by the issuer, or directly linked to the issuer); that it was not an immediate benefit; and that any benefit was still undetermined and tenuous. We note for context that the relevant issuer was a Foreign Exempt Issuer, and was required to release the same announcements to NZX that it does to its home exchange.

We identified a small number of announcements that we considered had headlines that were too oblique. These may have used language like “other matters” or use language more suited to marketing material. This is unlikely to be problematic if such announcements do not contain Material Information and the headline is not misleading or deceptive. However, we encourage issuers to adopt a clear and consistent approach to headlines.

We did identify one example of an announcement where the headline provided substantial detail but did not cover all of the material topics covered by the announcement. The headline related to capital raising; however, the announcement also included FY19 guidance and a trading update. While the guidance and trading update were included to add additional context to the capital raise (and vice versa) and were therefore useful and appropriate inclusions, some investors may have missed this information as it was not clearly flagged as being in this announcement. We anticipate that an investor would also find it reasonably difficult to locate this information in the future, as the announcement headline is not indicative of its full content.

In terms of form, we observed:

- ▶ Some issuers used fully capitalised headlines for their announcements;
- ▶ A small number of headlines that were incomplete, due to being too long for the number of characters permitted for a headline; and
- ▶ That issuers typically do not include the name of the issuer in the headline.

None of these are of particular concern. We also observed a scattering of typographical errors. We remind issuers that NZX will only retract an announcement when it is misleading or incorrect. We will not retract announcements due to typographical errors where the meaning is not lost.

TIMING OF ANNOUNCEMENT RELEASE

Our guidance is that issuers should, where possible, release material announcements prior to the market opening. Issuers cannot withhold Material Information to avoid intraday releases, so some releases during

the day are to be expected. We expect issuers to do their best to organise their affairs so that the risk of “surprising” the market during trading is limited. This includes engaging with us to discuss the possibility of a trading halt, where time is required to finalise announcements or undertake other administrative tasks associated with releasing an announcement containing Material Information.

We therefore wanted to look at what proportion of announcements by any issuer, marked with a P, including announcements in a prescribed category, were released during market hours. The following table summarises our findings:

Price movement	Released intraday	Released pre-market or after market close	Total
Greater than -10%	23	35	58
Between -5% and -10%	12	70	82
Between 5% and -5%	343	1090	1433
Between 5% and 10%	21	39	60
Greater than 10%	7	52	59
Total	405	1287	1692

This data tells us that three-quarters of all announcements marked with a “P” were released outside trading hours. On balance, and noting that information in some material announcements will crystallise intra-day, we think this is a good result. We’ll continue to engage with issuers where we see announcements released intra-day to make sure that we understand the drivers for this, and to reinforce our expectations.

USE OF MKTUPDTE CATEGORY

The MKTUPDTE category is used for announcements that are updates in relation to the performance of an issuer. It is used frequently by issuers and can include announcements covering information ranging from important updates on earnings forecasts, right through to non-material daily ‘net asset value’ updates.

21% of the announcements in our data set were MKTUPDTE category announcements. Of these, more than 500 were marked with a “P” flag. Given the requirements for Material Information to justify application of the “P” flag, we considered this a high number.

A significant number of these comprised announcements by listed investment companies that are Foreign Exempt Issuers in relation to their daily net asset value positions. As we noted earlier in this report, we have engaged with these issuers regarding this activity.

In the other instances it was not clear to us the basis on which the issuer considered the information to be Material Information. This was particularly the case for recurring announcements like monthly updates. We will continue to engage with issuers to provide support on disclosure practices, and reiterate the need to critically assess when applying the “P” flag.

Appendix A: Methodology

Our analysis included reviewing announcements for a sample period between 1 January 2019 and 30 June 2019, and assessing them over the following three days by reference to bands:

- ▶ Greater than -10%
- ▶ Between -5% and -10%
- ▶ Between 5% and -5%
- ▶ Between 5% and 10%
- ▶ Greater than 10%

There were 7496 announcements in the sample for review.

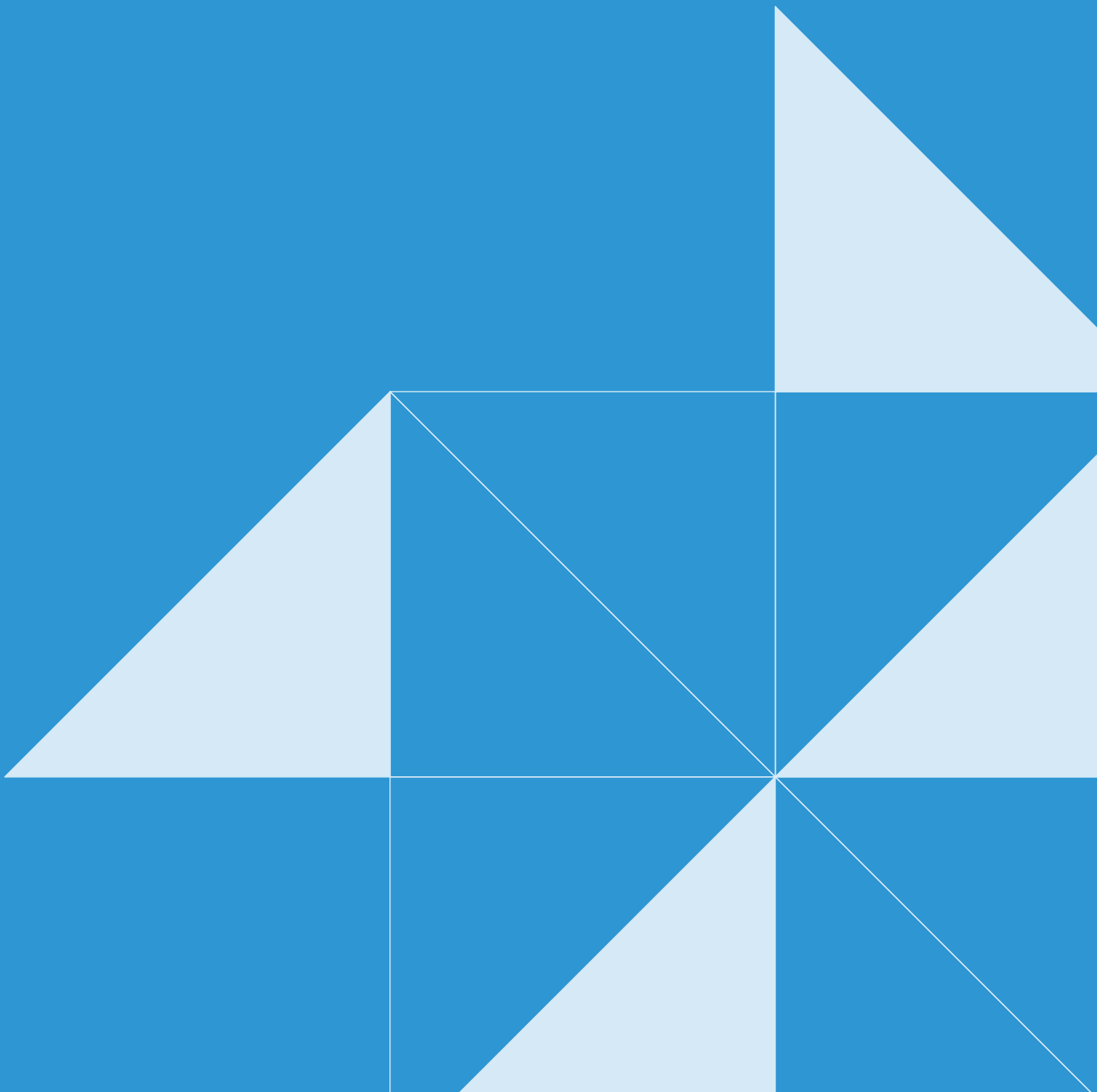
We considered it appropriate to correct for illiquid financial products and shares with low prices that show significant price movements off limited trading. For example, there are some shares on the NZSX that will show a 100% price movement off a single trade, or as a result of a price movement of \$0.001.

We filtered out announcements that were released in a prescribed category, where the "P" flag is applied automatically. These announcements include fund updates, preliminary half year results, preliminary full year results; interim reports, and annual reports. While some of these may contain Material Information, they do not demonstrate an active decision by the issuer to apply the "P" flag and therefore were not relevant to our review.

We also removed third party announcements that were released to market via an issuer's ticker code (and which are marked with a "3" flag). These announcements include announcements such as product holder interest notices released under the Financial Markets Conduct Act 2013, updates on takeovers, and similar. More information is available in NZX Regulation's Practice Note "[Releasing Announcements Required by Legislation](#)". We omitted these announcements from our review because they do not represent a choice by an issuer to release an announcement (as they are required by legislation) and because the presence of the "3" flag means that a "P" flag cannot also be applied.

Finally, we also considered the effect where an issuer made several announcements on the same date or within the same date range (which would all be treated as having the same price effect, when in fact it may be attributable to only one of those announcements). This was particularly important for announcements released without a "P" flag, where another announcement by the same issuer was released on the same day but was marked with a "P". In that scenario, the price movement is more likely to be attributable to the announcement with the "P" flag attached. For some of the data sets we also had to consider the effect of an issuer making one announcement across various tickers if it had a number of quoted financial products. This artificially inflated the number of announcements in some categories, and so we factored this effect into our analysis.

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