

Via email to:
FR_Vernehmlassung@six-swiss-exchange.com

Zug, 31 July 2017

Consultation on the Directive on Alternative Performance Measures

Dear Sir,

Thank you for giving us the opportunity to comment on the proposed Directive on Alternative Performance Measures.

We appreciate the proposal to regulate Alternative Performance Measures (APMs). Many Investors, Portfolio Managers and Analysts heavily rely on Alternative Performance Measures and we have recognized a global trend to regulate these measures to enhance the quality, the reliability and the comparability of Alternative Performance Measures.

A 2016 CFA Institute study ([Investor uses, expectations and concerns on Non-GAAP financial measures](#)) highlights that although investors consider APMs to be useful and necessary, they also have a variety of concerns related to the reporting of these measures. These concerns include the lack of comparability across similar companies, inconsistent period to period reporting, questionable APM calculations (e.g. adjustments of recurring business expenses), and inadequate transparency around the calculation of APMs.

We believe that a disclosure based regulation approach is expedient.

From our point of view, other jurisdictions (in particular EU / ESMA) have chosen to implement a stricter framework to regulate APMs and believe that such oversight is appropriate to ensure that investors are not misled by companies reporting of APMs.

Therefore, we propose the following changes:

The purpose of the directive needs to explicitly include enhancing informativeness, consistency and non-misleading reporting of APMs. We also propose that the directive should encourage comparability in how APMs are calculated across similar companies as far as possible.

We recommend a mandatory reconciliation statement as it helps investors to understand the underlying calculation of APMs. Such a statement helps investors better grasp the company-specific perspective on different components of performance, liquidity and financial position. The reconciliation can also equip investors with the information to, where appropriate, make analytical adjustments that conforms to their view of the economics of the business. In other words, detailed reconciliation is a core component of informative APM reporting. Art. 6 is thus not strict enough. We would appreciate the following wording: “.....the reference **must** be made in form of a reconciliation statement”.

We propose that the directive should include robust requirements for disclosures related to APMs. Disclosures should include the following:

- whether and how APMs are applied internally;
- why APMs are appropriate and incrementally informative for investors in explaining performance;
- how the APMs have been calculated; why any adjustments to GAAP or IFRS items are appropriate; and
- what the source of the input data is (internal accounting data or GAAP measures).

A connection to operative Key Performance Indicators a company uses and to the underlying business is needed. The calculation should be consistent through time, as stated in Art. 9.

It is not evident to us why the directive should not apply to prospectuses relating to the listing of securities and investor presentation (Art. 4). The needs for informative documentation to support decision making is all the more relevant at this stage.

Effectively, we believe that the simplifications you refer to in the cover letter would come at the expense of investor usefulness of APMs in the Swiss market, which cannot be in the interest of the market place. We therefore recommend to incorporate above concerns into the new directive.

Thank you for your consideration. Please do not hesitate to contact us if you have any additional questions or need for further explanations.

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Yours,

CFA Society Switzerland

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Advocacy Chair

CEO

Attached: [Investor uses, expectations and concerns on Non-GAAP financial measures](#)