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## Sanctions as a Mechanism Disciplining Issuers on the NewConnect Market

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**Abstract:**

**Purpose:** This article aims to analyze the types of disciplinary measures imposed by the WSE, as the ATS Organizer, on NewConnect companies in 2008-2020 for violation of applicable law. The analysis covers the types of disciplinary measures depending on the breach of the ATS Regulations by issuers.

**Design/Methodology/Approach:** Due to the complexity of the data analysis, mixed research methods were used as observation, analysis, and inference. The study used reports available at [www.newconnect.pl](http://www.newconnect.pl) and statistical data from the Annals of the Warsaw Stock Exchange.

**Findings:** In the analyzed period, 57.42% of NewConnect companies were subject to sanctions. The most common disciplinary measures imposed on companies for non-compliance with the ASO Regulations are suspension, warning, and a fine. A financial penalty has a more disciplinary effect on NewConnect companies than other punitive measures.

**Practical implications:** The conclusions of this study can be used in the sanctioning process of the ATS Organizer. The article's content concerns the findings of the analysis of the most common violations of the ATS Regulations by issuers and the answer to whether the penalty imposed by the ATS Organizer disciplines issuers, contributing to better fulfillment of the obligations arising from the ATS Regulations.

**Originality/Value:** The theoretical and empirical literature does not provide guidance on factors that discipline issuers, contribute to compliance with regulations, and avoid excluding a company from the NewConnect market. The analysis results presented in the article supplement the existing research on sanctions imposed on companies listed on NewConnect in 2008-2020 due to the type of violation.

**Keywords:** Sanctions, Alternative Trading System, NewConnect.

**JEL codes:** G10, G14.

**Paper type:** Research paper.

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## 1. Introduction

In Poland, apart from the Main Market of the Warsaw Stock Exchange (WSE), there is an Alternative Trading System (ATS) which offers a platform for trading shares (NewConnect) and bonds (Catalyst). NewConnect has the status of the organized market, whereas it is run by WSE outside the regulated market in the form of an alternative trading system. Issuers on the NewConnect market have fewer information obligations as compared to the regulated market. However, information on the financial instruments trading market is an essential factor for making decisions by investors. Therefore, the companies should comply with the law in this respect.

This article analyzes the sanctions imposed by the ATS Organizer for failure to fulfill the obligations set out in the ATS Rules by the issuers on the NewConnect marketing, including violations related to periodical reports and other current reports (except for MAR<sup>2</sup>). In MAR reporting violations, the Financial Supervision Commission (KNF) is the only authority entitled to impose sanctions. Therefore, they are not the subject of this study.

The purpose of the article is to analyze the types of disciplinary measures imposed by the WSE, as an ATS Organizer, on the companies on the NewConnect market in the years 2008-2020 for violation of the applicable law. The analysis covers the types of disciplinary measures depending on the violation of the ATS Rules by issuers. Furthermore, the paper analyzes the share of companies that have not received subsequent sanctions following the imposition of individual types of disciplinary measures. Additionally, the types of corrective actions received by issuers before and after imposing a financial penalty have been verified while trying to answer whether such a penalty was always applied as a regulatory penalty imposed by the ATS Organizer before excluding the company from trading. This study also includes basic statistics regarding the number of days since imposing a financial penalty on the issuer until the exclusion of the company from trading on the NewConnect. Based on the above, a hypothesis is proposed, a financial penalty imposed by the ATS Organizer has a disciplinary effect on issuers contributing to better compliance with obligations resulting from the ATS Rules.

***Obligations of issuers – regulations on the NewConnect market:*** Organized markets are characterized by ensuring equal access for investors to information concerning the company and securities issued by it, which shall be the basis for making investment decisions. This has a positive impact on the transparency and stability of the financial market. The issuer, whose securities were introduced to trading on the Polish regulated market (WSE's Main Market) or were introduced to the alternative trading system

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<sup>2</sup>Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC Text with EEA relevance.

(NewConnect), should fulfill information obligations provided for in the regulations concerning the functioning of individual markets.

WSE, as the ATS Organizer, determines terms and conditions of introducing securities to the ATS and the rules of their trading, information obligations of issuers and methods for their fulfillment, rules of functioning of Authorized Advisers, as well as the procedure in case of violation of the commitments set out in the ATS Rules (The Alternative Trading System Rules, 2007). Fulfilling disclosure obligations consists of publishing information regarding the issuer and its financial instruments in the form of current and periodical reports. The issuer's tasks include preparing reports in a manner that is true, fair, and complete, which enables investors to estimate the investment risk. According to § 14 of the ATS Rules, "Issuers of financial instruments introduced to trading in the alternative system must comply with rules and regulations governing that market," regarding fulfillment of information obligations which is specified in more detail in Exhibit no. 3 to the Rules. Furthermore, item 1 of § 5 of the ATS Rules specifies that "the issuer shall provide quarterly and annual periodical reports." The auditor audits only annual financial statements.

WSE may oblige the issuer to agree with the Authorized Adviser to support the issuer in fulfilling disclosure obligations (§ 17b item 1 of the ATS Rules). If the issuer disagrees with the Authorized Adviser, the ATS Organizer can suspend or delist the financial instruments of such an entity from trading. Furthermore, the issuer may be reprimanded by the ATS Organizer or receive a fine of up to PLN 50 thousand because of the violation of rules. If, despite the imposed sanctions, the company still fails to comply with the laws or regulations applicable in the Alternative Trading System, another disciplinary measure may be charged. Whereas, if a fine is another punitive measure, its sum may not exceed the amount of PLN 50 thousand. Additionally, the issuer who received the decision from the ATS Organizer may apply to the case to be reconsidered within ten days from the decision date.

## **2. Literature Review**

Disclosure of corporate information has been identified as one of the main instruments to protect the interests of shareholders and creditors, as it promotes the efficiency of the capital market (Schön, 2006). Many authors have discussed the regulation in securities markets. According to Enriques and Gilotta (2015), in financial market regulation, policymakers tend to make extensive use of disclosure techniques. Research shows that legal institutions and securities regulation are linked to the development of capital markets (La Porta *et al.*, 2006). In countries with more stringent capital market regulations, issuers pay more attention to compliance with applicable laws.

The basic idea is that well-functioning legal systems protect investors, which should improve companies' ability to obtain external financing and seize development opportunities. Arguments in favor of the regulation of securities are provided by,

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among others, Leuz and Wysocki (2016). Timely disclosure of the information is about regulatory compliance and corporate governance necessary for transparent accounting processes and effective management accountability to shareholders (Zamir and Ayres, 2020). Disclosure obligations by the regulations of individual capital markets reduce the uncertainty and asymmetry of information between the company and its investors (Verrecchia, 2001). Securities regulation for capital markets and subsequent enforcement is designed to inform investors and deter and detect crime.

Consequently, the task of these rules is to prevent entities from taking excessive risks, contributing to the stability and transparency of the financial system. Therefore, the sanctions are expected to be interpreted as materially adverse information about the sanctioned issuer. If a potential sanction poses a credible threat, its very existence can complement financial regulation, encouraging market players to comply with the law.

The impact of regulatory sanctions on the behavior of financial markets has been empirically investigated in the literature for many countries. The country most studied is the United States, thanks to greater transparency from regulators and the size of the market. The studies focusing on the imposed fines for publishing untrue financial information were conducted, among others, by Kaproff, Lee and Martin (2008), who estimated that penalties imposed by the Securities and Exchange Commission (SEC) were lower than the costs related to the loss of reputation by the examined companies.

Similar conclusions were received by Armour, Mayer, and Polo (2017), who investigated the impact of the announcement of enforcement of financial regulations and securities by the UK Financial Services Authority and the London Stock Exchange on the market price of the sanctioned companies under analysis. De Batz (2020) investigated the impact of the French Financial Markets Authority's enforcement of financial regulations on the approved companies. The results also question the effectiveness of the sanctions imposed despite further regulatory restrictions.

The threat of reputational penalty on the market, significantly exceeding the legal sanction, should discourage violations of regulations. Otherwise, sanctions may encourage fraud. Penalties on market participants should be imposed if the anticipated reputational losses resulting from the breach of the rules exceed the total cost of the sanctions. Feng and Li (2016) analyzed non-financial companies listed as A-shares and received penalties from China Securities Regulatory Commission, Shanghai, and Shenzhen stock exchanges to market reactions after the announcement of penalties for violations. The results also showed that the efficiency of regulatory supervision is relatively low. Therefore, penalties do not deter potential infringements of listed companies.

It is worth noting that the decline in the number of small IPOs in the United States since 2000 is blamed on excessive regulation by the Sarbanes-Oxley Act and the SEC Fair Disclosure Regulation (Gao *et al.*, 2013). Recognizing that code can be

burdensome for SMEs has led to the emergence of equity markets with lower admission requirements and disclosure rules specifically targeted at SMEs, such as the Euronext Free Exchange (Carpentier and Suret, 2010). The issue of financial disclosure by SMEs listed on a semi-regulated market was held by Lardon and Deloof (2014). The results indicate that companies disclose more financial information when it is likely to benefit from the disclosure. While the economic importance of such stock markets continues to grow, little is known about disclosure by companies operating in such conditions. Earlier studies focused mainly on the disclosure of information by large companies listed on regulated exchanges (Lang *et al.*, 2012).

Therefore, there have been very few studies on this subject. Bessieux-Ollier and Walliser (2012) examined the rationale behind the voluntary adoption of International Financial Reporting Standards (IFRS) by French companies listed in an alternative trading system. On the Polish capital market, the studies on violations of disclosure obligations concerning the NewConnect market were conducted by Klimczak (2015). The publication identifies and analyzes the most frequent violations of disclosure obligations regarding irregularities related to periodic reports, such as report submission deadlines and their content.

There are also studies concerning penalties imposed on the issuers by the regulator, that is, the Financial Supervision Commission performing this role on the Polish capital market. Comporek (2017) analyzed civil law sanctions imposed by KNF on issuers of securities in connection with the failure to fulfill or unreliable fulfillment of information obligations under the provisions of the Act on Public Offering the Act on Trading in Financial Instruments. The study covered companies listed on the Main Market of the Warsaw Stock Exchange. Hendryk and Hońko (2017b) reviewed penalties imposed by the supervision authority on issuers on the regulated market for the lack of compliance with the IFRS. The authors pointed out that fines imposed by KNF were related to the short scope of information disclosure in financial statements, which does not ensure the proper quality of financial statements.

In a different publication, Hendryk and Hońko (2017a) analyzed irregularities detected by KNF concerning calculation and reporting of an impairment loss in companies' financial statements on the Main Market of WSE and the resulting penalties imposed by the regulator. Also, Kurek and Górowski (2019) also analyzed penalties imposed by KNF for violation of information obligations regarding financial reporting.

The areas of reporting in which companies committed violations identified by the authors to include failure to perform (or improper performance) of the information obligation concerning financial statements and failure to submit (or failure to submit on time) financial statements, as well as infringements related to financial reporting concerning the content of reporting. The research indicates that penalties concerning financial reporting constitute only a small percentage of fines imposed by KNF. However, their value is relatively high.

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### 3. Research Methodology

The article discusses the subject of sanctions imposed by the ATS Organizer on issuers from the NewConnect market in connection with non-compliance with regulations in 2008-2020. Furthermore, it was verified what disciplinary sanction was imposed on a given company depending on the violation of the ATS Rules. Additionally, the research subject included verification of whether a financial penalty has disciplined the companies to comply with the ATS Rules. Given the above, an analysis of the number of sanctions imposed before and after receiving a financial penalty was performed. The examination also extended to the number of companies excluded from trading after imposing a financial penalty. To this extent, the average number of days since imposing the most recent financial penalty by the ATS Organizer until the day of the company's exclusion from trading on the NewConnect market was checked.

The author used observation, analysis of legal acts, source material, and descriptive statistics concerning penalties imposed by the ATS Organizer during the examination process. The study utilizes data from the report: "List of sanctions imposed by the ATS Organizer on the NewConnect issuers, in connection with the failure to observe the ATS Rules-status as of 31 December 2020," which is available at the website: [www.newconnect.pl](http://www.newconnect.pl) and statistical data from the Warsaw Stock Exchange Yearbooks.

### 4. Results

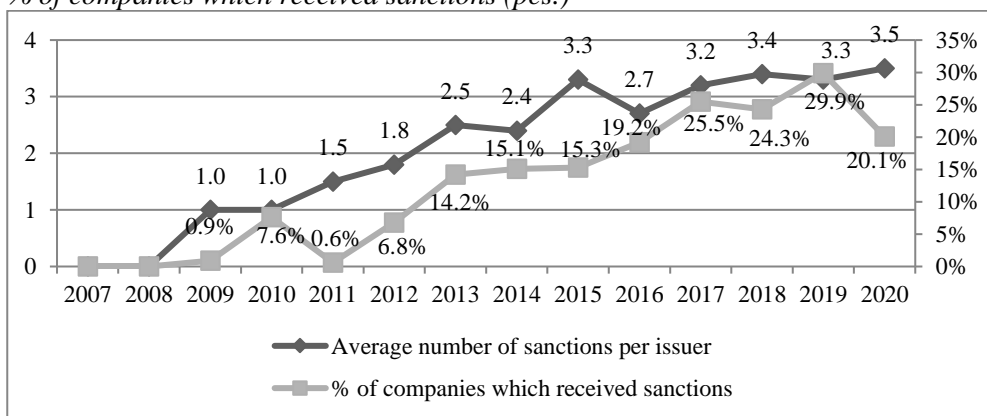
In 2008-2020, on the NewConnect market, 356 companies received 2095 sanctions in connection with non-compliance with the ATS Rules, under which the ATS Organizer imposed 2281 disciplinary measures. To be more precise, some companies simultaneously received two types of disciplinary measures, e.g., a warning and an obligation to agree with the Authorized Adviser under one sanction. Therefore, one sanction might cover more than one violation of the ATS Rules by the issuer. This applies, among others, to Ecotech Polska S.A., which was punished for two infringements by Resolution No. 882/2017 of the WSE Management Board dated 3 August 2017. Furthermore, the said company received a total of 40 sanctions in 39 Resolutions passed by the WSE. The companies that received the more significant number of sanctions, apart from Ecotech Polska S.A., include Vedia S.A. and Alejasamochodowa. P.L. S.A. and Global Trade S.A.

In 2008-2020 on the NewConnect market, 57.42% of companies received sanctions from the WSE. The annual share of companies that received sanctions in the total number of companies listed on the NewConnect at the end of a given year varies depending on the year and ranges from 15.3% to 29.9%. The most significant annual share of entities punished with sanctions, i.e., 29.9%, was observed in 2019. In the first years of functioning of the NewConnect market, i.e., until 2012, the share of sanctions imposed on the company by the WSE was below two sanctions, while in

the following years, the average number of sanctions had steadily increased, reaching the highest level in 2020, i.e., 3.5 sanctions per year on average (Figure 1).

The most significant number of companies, i.e., 162, received from 2 to 5 sanctions from the WSE, which constitutes 45.51% of these entities compared to all the issuers on whom sanctions were imposed. Furthermore, the share of these issuers is 26.13% compared to all listed companies in the years under analysis. The lowest number of issuers, compared to all companies with sanctions and all entities, is nine issuers who received over 20 sanctions each. At the same time, the share of entities that received just one sanction and from 6 to 20 sanctions ranges from 16.29% to 17.98% about all companies with sanctions and 9.35% -10.32% about all issuers on the NewConnect market (Table 1).

**Figure 1.** Average number of sanctions imposed by the ATS Organizer on issuers, % of companies which received sanctions (pcs.)



*Source:* Own estimates based on data available on the websites: [newconnect.pl](http://newconnect.pl) and [gpw.pl](http://gpw.pl).

**Table 1.** Number of imposed sanctions; number of companies which received sanctions; the share of companies which received sanctions in the total number of companies with sanctions, and in the total number of companies listed on the NewConnect market (pcs., %)

Number of sanctions	Number of companies which received sanctions	Share of companies with sanctions vs. all companies with sanctions	Share of companies with sanctions vs. all companies
1	64	17.98%	10.32%
<2;5>	162	45.51%	26.13%
<6;10>	63	17.70%	10.16%
<11;20>	58	16.29%	9.35%
Over 20	9	2.53%	1.45%

*Source:* Own estimates based on data available on the websites: [newconnect.pl](http://newconnect.pl) and [gpw.pl](http://gpw.pl).

Suspension of trading (49.58%) and warning (32.84%) have the most significant shares among disciplinary measures imposed by the WSE on companies listed on the NewConnect market. The remaining regulatory penalties are fines up to PLN 50

thousand, setting of an obligation to draft an analysis of the economic, property, and financial situation as well as continuing operations and its outlook or conclusion of an agreement with the Authorized Adviser as exclusion from trading. Other disciplinary measures include upholding a penalty when the issuer appealed against the decision made by the ATS Organizer and the conditional exclusion of the company from trading on the NewConnect market (Table 2).

**Table 2.** *Disciplinary measures imposed by the ATS Organizer on issuers in the years 2009-2020 (pcs.)*

Disciplinary measure/ years	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Warning</b>	1	14		5	37	34	24	87	169	162	177	39
<b>Imposing of obligation</b>					1	11	24	14	41	22	16	3
<b>Fine</b>												
PLN 5 thousand				5	1	4	1					
PLN 10 thousand				8	22	5	10	4			31	
PLN 15 thousand						7	21	4			27	
PLN 20 thousand					2	1		2				
PLN 50 thousand							1				1	
<b>Suspension</b>		1	2	26	92	105	152	103	163	136	132	219
<b>Exclusion</b>			1	7	11	10	13	13	3	16	5	
<b>Others</b>					4	10	17	2				

*Source:* Own estimates based on data available on the websites: [newconnect.pl](http://newconnect.pl) and [gpw.pl](http://gpw.pl).

WSE imposed the most disciplinary measures on issuers in the years 2017-2019. Warnings and suspensions of trading on the NewConnect market were dominant sanctions among regulatory penalties. Because the ATS Organizer may impose a fine on the issuer up to PLN 50 thousand, the number of imposed fines by their value was also verified. A penalty of the maximum value, i.e., PLN 50 thousand, was charged on two companies Voicetel Communications S.A. and Zakłady Mięsne Mysław S.A. Whereas, in the case of Voicetel Communications S.A., it was a second financial penalty in 2019 (the first fine amounted to PLN 10 thousand) for the failure to submit an annual report in the manner and on the terms valid in an alternative trading system. At the same time, Zakłady Mięsne Mysław S.A. received only one sanction in 2015 in the maximum amount for a violation related to irregularities in fulfilling disclosure obligations, including the timely delivery of relevant information. Issuers most frequently received fines for PLN 10 and 15 thousand. The WSE imposed most penalties in 2019, i.e., 37.57% of all sentences imposed in the years under analysis.

Furthermore, half of the imposed fines were at the level of PLN 10 thousand, whereas 37% of penalties had the value of PLN 15 thousand, and nearly half of them were



imposed in 2019. In 2009-2011, 2017-2018, and 2020, companies listed on the NewConnect market did not receive financial penalties for violations. Thus, in the first years of functioning the NewConnect market, the ATS Organizer did not impose any fines. Also, due to the COVID-19 pandemics, which had introduced numerous limitations in companies' operations, the WSE Management Board decided to refrain from suspending of listing and imposing regulatory penalties in case of delays in publication of periodical reports by the companies listed on the NewConnect. However, the lack of application of disciplinary measures depended on publishing annual reports by the companies within two months, and in the case of quarterly reports – not later than within 45 days from the maximum publication deadline set out in the ATS Rules.

Then, it was verified what type of disciplinary measures the companies received from the WSE for non-compliance with the ATS Rules (Table 3). Violations on the NewConnect market committed by the companies include lack of annual report, lack of quarterly report, lack of agreement with the Authorized Adviser, lack of Market Maker, lack of public disclosure of relevant information, lack of persons authorized to handle matters, and represent the company as well as persons authorized to supervise the operations of the company and other violations.

The most significant number of breaches on the NewConnect market concerned the lack of quarterly reports, constituting 45% of all violations. Whereas the ATS Organizer, in case of 44% of irregularities of this type using the warning and 47% - the suspension of trading. The suspension of trading constituted 48% of all disciplinary measures imposed for all kinds of violations. The lack of an annual report is another type of infringement, responsible for 31% of irregularities. For this type of violation, the issuer most often received a disciplinary measure in suspension - 49% of cases and warning - 19% of cases. Suspension was also most frequently applied in case of violations concerning lack of public disclosure of relevant information and lack of agreement with the Authorized Adviser. However, a lack of agreement signed by the issuer with the Authorized Adviser also determined imposing the obligation by the ATS Organizer, which constituted 50% of disciplinary measures of this type applied under sanctions.

Furthermore, out of all violations, 12% were concerned about the lack of agreement with the Authorized Adviser and 6% about the lack of public disclosure of relevant information. Lack of persons authorized to handle matters and represent the company and persons assigned to supervise the company's operations was the subject of 33 violations. As regards other cases of non-compliance with obligations, suspension of trading was the most frequent type of imposed disciplinary measure. This concerns such violations as under § 11 items 2 of the Alternative Trading System Rules, in connection with the request made by the Financial Supervision Commission (KNF) under Article 78 item 3 in connection with Article 16 item 3 of the Act of Trading in Financial Instruments dated 29 July 2005, an essential change of the business object or scope of activities of the issuer, failure to start operations by the issuer within the

area or on the date indicated in information document or other document published by the issuer, at the request of the issuer. Furthermore, suspension of trading was also used in suspected insider dealing, illegal disclosure of inside information, market manipulation, or suspected breach of the obligation to publish inside knowledge of the issuer or financial instrument.

Additionally, in the lack of annual reports or quarterly reports, the ATS Organizer imposed 44 times the disciplinary measure in the form of conditional exclusion and suspension of trading. Given the above, issuers received two sanctions for the violation each. The ATS Organizer imposed 140 fines for the lack of annual reports, whereas the penalties for PLN 10 thousand or PLN 15 thousand were the most prevailing. A fine for PLN 15 thousand was most familiar as a disciplinary measure for lacking an annual report or an agreement with the Authorized Adviser.

**Table 3.** Structure of violations of the ATS Rules by companies in relation to disciplinary measures imposed by ATS Organizer (pcs.)

Disciplinary measure / violation	Lack of annual report	Lack of quarterly report	Lack of agreement with Authorized Adviser	Lack of Market Maker	Lack of public disclosure of relevant information / unreliable disclosure	Lack of people authorized to handle matters and represent the company and people authorized to supervise the company's operations	Others
<b>Warning</b>	168	562	60		14		
<b>Imposing of obligation</b>	79	28	131		21		3
<b>Fine</b>							
PLN 5 thousand	3	5	3		7		
PLN 10 thousand	78		1		1		
PLN 15 thousand	59	12	34				
PLN 20 thousand		2	2		5		
PLN 50 thousand					2		
<b>Suspension</b>	434	604	112	79	102	33	7
<b>Exclusion</b>	43	47	10	3	21	2	2
<b>Others</b>	20	13	7	3	2	1	

*Source: Own estimates based on data available on the websites: newconnect.pl and gpw.pl.*

As a next step, the number of companies that have not received subsequent sanctions after imposing individual disciplinary measures was verified (Table 4). For violation of the regulations, the ATS Organizer warned 271 companies, suspended securities trading for 291 entities, and imposed an obligation of, among others, concluding an agreement with the Authorized Adviser on 104 issuers. A fine was imposed 157 times on 127 companies. In contrast, Cerabud S.A., Vedia S.A., and Taxus Fund S.A. received three fines each, 24 entities received two fines each, and the remaining issuers – one penalty.

After receiving a disciplinary sanction in the form of a warning, 28.04% of issuers have not received more sanctions; in case of imposing the obligation by the WSE, lack of subsequent sanctions applies to 15.38% of entities. Whereas, after receiving a fine, 29.13% of companies have not received the following sanctions from the ATS Organizer.

**Table 4.** Number of companies by type of disciplinary measure and % of companies which have not received subsequent sanctions after application by the WSE of individual disciplinary measures (pcs., %)

Disciplinary measure	Number of companies, on which a given disciplinary measure was imposed	% of companies without subsequent sanctions
<b>Warning</b>	271	28.04%
<b>Imposing of obligation</b>	104	15.38%
<b>Fine</b>	127	29.13%
<b>Suspension</b>	291	7.90%

*Source:* Own estimates based on data available on the websites: [newconnect.pl](http://newconnect.pl) and [gpw.pl](http://gpw.pl).

Before receiving a fine, 112 issuers had received other disciplinary measures. At the same time, 11.81% of entities received a fine without the earlier imposition of other disciplinary actions by the WSE. After receiving a fine, 27.56% of companies were excluded from trading, while 55 entities received subsequent disciplinary sanctions (except for exclusion from trading). At the same time, 21 entities were excluded from the NewConnect market without receiving a fine beforehand. Out of 16 issuers banned from trading on the NewConnect market following the imposition of the fine by the ATS Organizer, five companies received two penalties before their exclusion, and Vedia S.A. was excluded 664 days after imposing the third fine. Not every company that had received a fine three times, e.g., Taxus Fund S.A. and Cerabud S.A., was excluded from trading on the NewConnect market.

The study also examined the number of days that have elapsed since imposing the last financial penalty by the WSE until the date of exclusion of the company from trading on the NewConnect market. An average number of days since imposing the last fine (for ten entities, it was the first fine they received) by the ATS Organizer until the date of exclusion of the company from trading on the NewConnect market was 259 days. A minimum number of days following the imposition of a financial penalty until the exclusion of a company from trading was 15 (PSW Capital S.A.), and it took place after imposing a second fine. At the same time, the double penalty was lower than the first fine and amounted to PLN 5 thousand.

Furthermore, a renewed fine was set for the same violation – the lack of annual report (covering the same financial year). The maximum number of days since imposing the penalty by the ATS until the date of exclusion of the company from trading on the NewConnect market was 770 days (Unicom S.A.). It took place after imposing a second fine. In this case, the double penalty was higher (PLN 15 thousand) than the

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fine imposed for the first time (PLN 10 thousand). The issuer committed the same violation again, that is, the lack of annual report for the next financial year and failed to fulfil the issuer's obligation to conclude an agreement with the Authorized Adviser.

## 5. Conclusions

This study examines the sanctions imposed on NewConnect companies in 2008-2020 by the ATS Organizer. The conducted research leads to numerous conclusions. During the period under analysis, 57.42% of companies on the NewConnect market received sanctions from the WSE, whereas the most significant annual share of entities punished with sanctions compared to all NewConnect listed companies each year, that is 29.9%, was observed in 2019. The remaining entities follow the provisions of the ATS Rules. Thus, they have not received any sanctions.

The most significant number of companies, i.e., 162, obtained from 2 to 5 sanctions from the WSE, constituting 45.51% of these entities about all issuers on which any sanctions were imposed. Suspension of trading, warning, and fines have the most significant share among disciplinary measures imposed by the WSE companies listed on the NewConnect market. The number of violations on the NewConnect market, infringements related to the lack of quarterly reports, the lack of annual reports, and agreements with the Authorized Adviser is prevailing.

Sanctions that were most frequently imposed on the companies by the WSE for non-compliance with the ATS Rules include suspension, warning, and fine. Fines were imposed by the WSE 157 times on 127 companies. The average number of days since imposing the last penalty by the ATS Organizer until the date of exclusion of the company from trading was 259 days. While considering that before imposing an acceptable, 88.19% of entities had received other regulatory penalties, this measure should have a disciplinary effect on issuers.

What is more, after receiving a financial penalty, 29.13% of companies did not receive subsequent sanctions from the ATS Organizer. While, after imposing by the WSE of other disciplinary measures (apart from exclusion), this percentage is lower. Given the above, it can be stated that the financial penalty has a more disciplinary effect on companies on the NewConnect market than other corrective measures.

Still, following the imposition of a fine, as many as 27.56% of companies were excluded from trading due to subsequent violations of regulations valid on the NewConnect market. Therefore, the financial penalty does not constitute a disciplinary sanction for all issuers. It was imposed by the ATS Organizer, leading to the lack of their exclusion from trading. This study can be viewed as an introduction to further research on the effectiveness of sanctions imposed on issuers on the regulated market.

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