



**MENA-OECD
INVESTMENT
PROGRAMME**



Task Force of Middle East and North African Stock Exchanges for Corporate Governance

Meeting Agenda

**5 July, 2011
OECD Conference Center
2 rue André-Pascal, 75016
Paris, France**

Background and Objectives

The *Working Group on Improving Corporate Governance in the Middle East and North Africa (MENA)* was established by the OECD in 2005 with the participation of representatives of 18 MENA economies. To date, it has concentrated its efforts on corporate governance of banks and state-owned enterprises. The *Muscat Declaration* adopted in November 2010 by representatives of MENA countries mandates the OECD to collaborate with regional stock exchanges and capital market regulators on improving corporate governance of listed companies.

Establishing a *Taskforce of Middle East and North African Stock Exchanges for Corporate Governance*, comprised of representatives of stock exchanges, securities regulators and other relevant experts was considered the most efficient mechanism to share experience on this issue. Representatives of exchanges and regulators from OECD member countries will also be participating in these discussions. The Taskforce is formally constituted under the overall regional Working Group, to which the OECD acts as a Secretariat.

It is commencing its work in 2011, with the first inaugural meeting to be held on 5 July 2011 in Paris. In preparation for this first meeting, the OECD will be conducting a survey of all regional stock exchanges on their role in upholding corporate governance standards. Based on survey responses and consultations, the Taskforce will aim to produce a *regional report* on the role of MENA stock exchanges in raising governance standards of listed companies in 2012.

The work of the Taskforce will be in part based on previous work of the OECD on the role of stock exchanges in corporate governance as well as the OECD Principles for Corporate Governance more generally. It bears to note that countries in the region have based their national corporate governance codes and regulations on the OECD standards.

The Taskforce *will meet on an annual basis or more frequently* as required. Following the launching meeting, each meeting of the Taskforce will be hosted by a participating MENA country. Discussion topics for each Taskforce meeting will be decided by consultation of the OECD, acting as a secretariat to the Taskforce, with participating country representatives. Taskforce members are invited to make proposals on meeting agendas as well as the overall direction of work of the Taskforce.

The work of the Taskforce is generously supported by the Capital Markets Board of Turkey and the Istanbul Stock Exchange. Turkey, an OECD member country, has a relatively similar experience as MENA countries and close relations with the regional stock exchanges. Therefore, the Capital Markets Board and the Istanbul Stock Exchange have volunteered to participate in and support the work of this Taskforce.

First Taskforce Meeting

The first inaugural meeting of the Taskforce will be held on *5 July 2011 at the OECD Conference Center in Paris*. The objective of the meeting is to constitute the Taskforce and launch initial discussions on topics of priority for regional stock exchanges and regulators in relation to advancing corporate governance. The OECD will present preliminary results of a questionnaire disseminated to all regional exchanges in April 2011.

This meeting will be organised in a format of a *high level regional workshop*, where Chairmen and other representatives of regional exchanges will participate, alongside regulators and relevant international and regional institutions. The first workshop will examine how better corporate

governance can promote investor confidence and improve liquidity in MENA markets. The following topics will be discussed in this first regional meeting:

- the landscape of the stock exchange industry and its impact on corporate governance;
- the role of exchanges in promoting listing standards,
- the regulatory powers of exchanges in relation to corporate governance;
- the enforcement of corporate governance codes/recommendations by stock exchanges;
- the role of exchanges in ensuring market transparency.

Subsequent meetings can consider more specific issues of priority to regional policymakers such as attracting listings, the impact of privatisations on markets, or more technical aspects of disclosure practices. The exact issues to be discussed in the subsequent meetings of the Taskforce will be determined at the conclusion of this first gathering.

Each panel will provide an opportunity for all Taskforce participants to interact and discuss the issues raised by lead speakers and related to the questions provided in the agenda. The objective of this and subsequent meetings is to support the development of a ***regional report on the role of stock exchanges in corporate governance*** which will highlight good practices and obstacles, putting MENA markets in a global context.

Moderators will structure discussions along the questions provided in the agenda and will keep the discussions interactive. Speakers are kindly asked to refrain from preparing power point presentations. Instead, the moderator will pose questions and interact with the panel, engaging other participants in the debate. The objective is to stimulate reflection and encourage the exchange of views and experience among all Taskforce participants. French-English translation will be provided.

8.30-9.00 Registration

9.00-9.45 Opening Remarks

Welcome Remarks by Mr. Aart De Geus, Deputy Secretary General, OECD

- Dr. Adrian Blundell-Wignall, Deputy Director, Directorate for Financial and Enterprise Affairs; Special Advisor to the Secretary-General on Financial Markets, OECD
- Dr. Vedat Akgiray, Chairman, Capital Markets Board of Turkey and IOSCO Emerging Markets Committee
- Mr. Thomas Krantz, Secretary General, World Federation of Exchanges

9.45-11.00 Stock exchange landscape in the region: implications for corporate governance

This introductory session will consider the structure of the stock exchange industry in the Middle East and North Africa and reflect on recent trends and their impact on the incentives for stock exchanges to maintain high standards for issuers. This session will also consider the organizational and governance structure of individual bourses and provide a possibility to discuss how these structures have contributed to, or conversely, provided poor incentives for the development of sound corporate governance frameworks for listed companies.

Moderator: Mr. Thomas Krantz, Secretary General, World Federation of Exchanges

Lead discussants:

- Mr. Aomar Yidar, Chairman of the Board, Casablanca Stock Exchange
- Mr. Mohamed Abdel Salam, Chairman, Egyptian Stock Exchange
- Mr. Sulaiman Mohd Al-Rashdi, Deputy Director General, Muscat Securities Market
- Dr. Fadi Khalaf, Secretary General, Arab Federation of Exchanges; former Chairman, Beirut Stock Exchange

Questions for discussion:

- What might be the key trends to consider in looking at the landscape of regional exchanges and how might these trends affect corporate governance frameworks for listed companies?
- Is there a trend towards demutualisation/privatisation/self-listing of stock exchanges in the region and how might it affect the incentives of exchanges to maintain high governance standards?
- Looking ahead, what might be the key sources of growth for exchanges and how this might affect the incentives for exchanges to maintain high listing standards?
- To what extent is the evolution of off-exchange trading platforms in Europe and North America perceived as a potential issue for the stock exchange industry in the region?

11.00-11.15 Coffee break

11.15-12.30 Regulatory responsibilities and powers of stock exchanges

Historically, stock exchanges have exercised important regulatory powers. Notably, exchanges have been endowed with the responsibility to set listing and maintenance standards and have exercised enforcement powers vis-à-vis these standards. In the wake of demutualisation and listing of

exchanges, their regulatory powers were reviewed to ensure that they were not subject to conflicts of interest. In the MENA region, exchanges appear to have varied regulatory powers, primarily depending on the division of responsibilities between the exchange and the securities regulator. This panel will be dedicated to examining the regulatory responsibilities and powers of stock exchanges in the MENA region, in particular focusing on the corporate governance dimension.

Moderator: Mr. Jalil Tarif, CEO, Amman Stock Exchange

Lead discussants:

- Mr. Mohamed Abdel Salam, Chairman, Egyptian Stock Exchange
- Mr. Youssef Kortobi, Member of the Board, Tunis Stock Exchange; Vice-President, Tunisian Corporate Governance Center
- Mr. Taha Ahmed Al-Rubaie, CEO, Iraq Stock Exchange
- Ms. Alissa Koldertsova, Manager, Middle East and North Africa, Corporate Affairs Division, OECD

Questions for discussion:

- What regulatory and self-regulatory powers are at the disposal of exchanges, especially in the area of corporate governance?
- How is the collaboration between the exchange and the securities regulator defined and formalised? Does it foster clear division of responsibilities between exchanges, securities markets regulators and other regulatory bodies?
- How involved is the stock exchange in the overall development of the corporate governance framework (laws, regulations, corporate governance codes)?
- What sanctions can the stock exchange levy on non-compliant issuers? Is the approval of the securities regulator required before the exchange can delist a company or levy sanctions?

12.30-13.45 Lunch

13.45-15.00 Exchanges and corporate governance codes/recommendations

Exchanges all over the world have been active in developing, revising and enforcing corporate governance codes or related recommendations. A number of corporate governance codes have been developed with the participation or at the initiative of exchanges. In the MENA region, almost all countries now have a corporate governance code. As corporate governance codes are no longer voluntary in a number of MENA jurisdictions, stock exchanges might have a role to play in monitoring the compliance of listed companies. This session will be dedicated to examining what role regional exchanges have played in the development and monitoring compliance with the applicable code, as well as how this role might evolve going forward.

Moderator: Mr. Ahmad Aweidah, CEO, Palestine Exchange

Lead discussants:

- Ms. Ege Adalioglu, Deputy Secretary General, Federation of Euro-Asian Stock Exchanges
- Mr. Sulaiman Mohd Al-Rashdi, Deputy Director General, Muscat Securities Market
- Mr. Michael Dalby, Acting Director, Securities and Issuers Department, Qatar Financial Markets Authority

- Dr. Ryan Olivier Lemand, Senior Economic Advisor and Head of Risk Management, Emirates Securities & Commodities Authority

Questions for discussion:

- Do regional exchanges have concerns of raising the costs of corporate governance? Have any regulatory impact analyses been conducted to address this concern?
- To what extent might tighter corporate governance rules lead to better investor confidence and greater liquidity?
- Should exchanges be more involved in the development of corporate governance codes or recommendations?
- To what extent are good corporate governance practices already integrated in listing standards and what are the sanctions for not complying?
- Do regional stock exchanges have the capacity to monitor company disclosures regarding application of corporate governance codes? How has the transition to "comply-or-explain" codes in some markets affected the role of exchanges?

15.00-16.30 Instruments at the disposal of stock exchanges to improve corporate governance

Stock exchanges dispose a number of mechanisms to improve corporate governance of listed companies. Listing requirements are available to exchanges seeking to improve the governance of listed companies, whether they issue debt or equity. A number of exchanges worldwide have also developed compartments or tiers which allow them to create custom regimes for companies of a certain size or sector. Recent years have also seen the launch of stock market indices which aim to identify better governed companies. This session will allow representatives of regional exchanges to present the various instruments they have introduced to promote better corporate governance practices.

Moderator: Mr. Gerald Santing, Managing Director, Markets, Dubai Financial Services Authority

Lead discussants:

- Mr. Bekir Safak, Deputy Chairman, Capital Markets Board, Turkey
- Mr. Alwaleed Senani, Acting Head, Corporate Governance Practices Development, Capital Market Authority of Saudi Arabia
- Mr. Nick Nadal, Executive Director, Hawkamah Institute for Corporate Governance
- Dr. Rodney Wilson, Professor, Institute for Middle Eastern and Islamic Studies, Durham University, UK

Questions for discussion:

- What are the most relevant/widely used instruments for that MENA exchanges have to improve governance of listed companies?
- Have corporate governance or ESG indices introduced by some stock exchanges been effective?
- Do you judge the creation of multiple tiers with different listing requirements as a useful mechanism to attracting listings? Might special tiers be helpful in attracting SMEs or family owned companies to list? How should governance standards be tailored for different tiers?

- To what extent should listing and maintenance requirements be harmonised among regional exchanges? What benefits might this bring and what might be the potential costs of regulatory harmonisation?

16.30-17.45 The role of stock exchanges in ensuring better disclosure and transparency

Stock exchanges have played a paramount role in ensuring transparent and orderly markets, from ensuring timely and transparent execution of trades to monitoring disclosures by listed companies. The role of the stock exchange in ensuring that investors are provided with adequate information begins with reviewing the initial public offering documents and continues thereafter. All exchanges have ongoing reporting requirements, which include quarterly and/or annual financial reports and reporting on material events. Through their monitoring of the trading activity, exchanges are often able to detect cases of insider trading and other market manipulation. This session will be dedicated to considering the role played by regional exchanges in ensuring market transparency and disclosure to investors on a timely basis.

Moderator: Mr. Karim Hajji, CEO, Casablanca Stock Exchange

Lead discussants:

- Dr. Anthony Miller, Economic Affairs Officer, Investment and Enterprise Division, UNCTAD
- Mr. Saif Sayah Al Mansouri, Head of Listed Companies Department, Abu Dhabi Securities Exchange
- Dr. Hakan Guclu, Chief Specialist, Listing Department, Istanbul Stock Exchange
- Ms. Naheeda Rachid, Associate Director, Hermes Equity Ownership Service, UK

Questions for discussion:

- What are the key ways that regional exchanges are promoting disclosure and transparency?
- How has technical innovation by exchanges contributed to better disclosure?
- How can the challenge of demanding greater transparency from issuers be reconciled with the desire by exchanges to attract greater listings?
- Are regional stock exchanges adequately equipped and successful in detecting and addressing market manipulation?
- Is trading outside regulated exchanges considered a threat to market transparency in the region?

17.45- 18.15 Concluding remarks and way forward

This last panel will be structured as an open discussion as to allow all participants to agree on the future activities of the Taskforce. Participants will be invited to indicate potential topics for the Taskforce to address, comment on the questionnaire results or make other suggestions concerning the work of the Taskforce.

- Dr. Grant Kirkpatrick, Deputy Head of Division, Corporate Affairs Division, OECD
- Dr. Fadi Khalaf, Secretary General, Arab Federation of Exchanges; former Chairman, Beirut Stock Exchange