

## Highlights/Conclusions of the 2013 Latin American Corporate Governance Roundtable 20-21 June, 2013, Quito, Ecuador

The Latin American Roundtable on Corporate Governance met in Quito, Ecuador on 20-21 June, 2013. Organized by the OECD and co-hosted by the Bolsa de Quito and Ecuadorian Corporate Governance Institute (IEGC), the Roundtable attracted more than 110 participants from Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Mexico, Nicaragua, Panama and Peru in Latin America, as well as from the US, UK, Spain, Turkey and Italy and regional and international organizations. Support from the government of Spain and Ecuador's Superintendency of Companies was also noted, along with the sponsorship of the CAF Latin American Development Bank, International Finance Corporation and Governance of Ecuador.

The main theme of the meeting – **how corporate governance may contribute to Latin American equity market growth and economic development** – was discussed in an OECD background report, "Trends and Factors Impacting on Latin American Equity Market Development." This theme was further explored through more specific sessions dealing with corporate governance challenges for SMEs, corporate groups, and listed state-owned enterprises; a new World Bank/IFC report on corporate governance indices; reports on progress against Roundtable Task Force recommendations on preventing abuse of related party transactions; and corporate governance considerations for institutional investors.

Key outcomes included the following:

- Discussants provided a number of suggestions for further development of the Roundtable's work on "Trends and Factors Impacting on Latin American Equity Market Development." This included a call for further consideration of:
  - 1) the relevance of the wider **economic policy framework**, including foreign exchange controls, limits on capital flows, the tax framework and incentives, and role of banks.
  - 2) the use of **bond markets** as an important and relevant consideration for corporate governance and capital market development in the region;
  - 3) the need for better understanding of how corporate governance requirements may differ for **SMEs**, depending on the size of the company, type of financing being sought, and other factors;
  - 4) the need to develop a better understanding of different policy frameworks, requirements and corporate governance needs for different types of **company groups**;
  - 5) the growing use of Exchange Traded Funds (ETFs), high-frequency trading, and patterns of market fragmentation and consolidation and their impacts on equity market development and corporate governance incentives;
  - 6) the relevance of **state intervention** and the role of state-owned development banks and their impact on equity market development; and
  - 7) further development of sections dealing with **country-specific equity market development and corporate governance initiatives**.

Written comments from all interested Roundtable participants on the text of the report and on these specific issues are requested by no later than **29 July, 2013** before the report will be revised and re-circulated, also taking into account discussion from the Roundtable meeting.

- Following discussion of specific corporate governance challenges for listed state-owned enterprises, looking at cases in Brazil, Colombia and Ecuador, the Roundtable decided to bring the results of these discussions to the next meeting of the **Latin American Network on Corporate Governance of State-Owned Enterprises**. The SOE Network, co-organized by OECD and the CAF Latin American Development Bank, will hold its 3<sup>rd</sup> meeting in late 2013 (date and location still to be confirmed). It was also proposed to disseminate the work of the Roundtable Task Force on Related Party Transactions to the SOE Network for its consideration and further development within the context of state ownership.
- **The Task Force on Related Party Transactions** reported on progress against the Task Force's recommendations in Brazil, Chile and Mexico and its interest in developing best practice recommendations or options for consideration, particularly with respect to company groups. The Roundtable and its Task Force expressed an interest to have the Latin American Companies Circle Working Group on Company Groups develop its work on these issues before bringing it back to the Roundtable for further consideration. Task Force members will also be invited to provide written comments by **29 July 2013** on the Task Force discussion paper on these issues.
- Reports from **breakout groups** were warmly welcomed on the use of stock exchange corporate governance indices (highlighted in a new World Bank/IFC report); corporate governance challenges for company groups; and corporate governance needs for SMEs seeking bank or private equity finance.
- Brazil's capital market investor association AMEC proposed to lead a task force to further address the **Roundtable's recommendations on institutional investors and corporate governance**. Colombia and Peru also reported on progress of their own country task forces to address the Roundtable's recommendations. Other countries were invited to consider reporting on progress at the next Roundtable meeting in 2014.
- Some **convergence of practices and requirements** were particularly noticeable in the cases of **Chile, Colombia and Peru**, which are linked through the **MILA initiative** to integrate trading of listed companies across these three countries. All three countries have launched comply or explain corporate governance codes and are looking to pension funds to play a stronger role in nominating and electing independent, professionally-qualified board members.
- Looking ahead, the Latin American Network of Corporate Governance Institutes (IGCLA) will work co-operatively to support corporate governance improvements across the region. **The Latin American Corporate Governance Roundtable will meet in the last quarter of 2014** to give further consideration to the issues identified above, and to ensure timely input to the upcoming review and revisions of the **OECD Principles of Corporate Governance** and **OECD Guidelines on Corporate Governance of State-Owned Enterprises**.
- A more detailed summary record of the meeting will be issued to the full Roundtable network following the written comment period. Main meeting papers and presentations will be made available on the OECD web site by July 1<sup>st</sup> at <http://www.oecd.org/daf/ca/latinamericanroundtableoncorporategovernance.htm> and on the IEGC web site at [www.iegcc.org](http://www.iegcc.org).