Key Highlights & Conclusions

Hosted by :

The 2014 Meeting of the Latin American Corporate Governance Roundtable

18-19 November, 2014

Hotel Hilton Bogotá, CARRERA 7 NO. 72-41, BOGOTA, 00000, COLOMBIA

http://www.oecd.org/daf/ca/latinamericanroundtableoncorporategovernance.htm

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Key highlights and conclusions of the Latin American Corporate Governance Roundtable

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Policy-makers, regulators, market participants and other corporate governance experts from 15 countries met in Bogota, Colombia on 18-19 November for the 14th meeting of the Latin American Corporate Governance Roundtable to address current corporate governance challenges facing countries in the region.

The 163 attendees (including journalists attending the opening and closing sessions) included participants from Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Israel, Guatemala, Mexico, Panama, Peru, Spain, Turkey, United Kingdom and the United States as well as representatives of the OECD, World Bank, International Finance Corporation (IFC), United Nations Economic Commission for Latin America and the Caribbean, CAF Latin American Development Bank, Inter-American Development Bank and Ibero-American Federation of Exchanges. The meeting was organized by the OECD and its local co-hosts, the Colombian Stock Exchange and Financial Superintendency, with local sponsorship of 14 Colombian companies and IFC, and the funding support of the Spanish National Securities Markets Commission (CNMV).

Key outcomes included:

- The release of a new draft Roundtable Task Force report on **"Corporate Governance of Company Groups: International and Latin American Experience"** along with a related report of the Latin American Companies Circle containing good practice recommendations. The Roundtable has decided to give this issue special priority due to the fact that listed companies in Latin America are dominated by companies that belong to economic groups, raising a number of specific corporate governance challenges due to their greater complexity. The OECD invited Roundtable participants to provide written comments on the Task Force report through December 5th, 2014 prior to revising the report for consideration by the OECD Corporate Governance Committee and for release in the first quarter of 2015. The Roundtable's Task Force on Corporate Governance of Company Groups also agreed to continue to work on this issue during 2015 with the objective of developing more country-specific information and recommendations for consideration.

- In-depth breakout session discussions and comments as part of the first public consultation to be held since the OECD's release on November 14th of proposals to revise the **OECD Principles of Corporate Governance** (under the responsibility of the OECD Secretariat prior to consideration by the OECD Corporate Governance Committee early next year). Written comments will be solicited on this proposed set of revisions until 4 January, 2015.

- With Mexico recently joining Chile, Colombia and Peru in the Integrated Latin American Market (MILA) initiative, a high-level panel representing the securities regulators of all four countries plus Spain's CNMV discussed the challenges experienced so far in integrating their markets and the relevance of ensuring high and in some cases converging corporate governance standards across their four markets. Discussants noted their efforts to co-ordinate supervision and consideration of enhanced standards, for example with respect to disclosure, but also warned against one-size-fits-all solutions. At the same time, Spain's representative pointed to the experience of market integration in the European Union and the need to avoid problems of regulatory arbitrage where multinational companies use "European passports" to base themselves in countries with lower standards.

- Representatives of ECLAC and CAF presented the results of a new report on corporate governance challenges for issuers of bonds, and noted that it is in fact a much more commonly used corporate financing instrument in the region than equity for a wider universe of companies, making it important to understand and distinguish how corporate governance dynamics may change for companies that are focused on this type of financing. Commentators noted as a priority the importance of disclosure for bond issuers to implement high standards of financial and non-financing reporting, of establishing effective boards of directors, and of building up an effective architecture for risk assessment.

- An additional key session involved discussion of Brazilian and Chilean progress in implementing the Roundtable's recommendations related to the role of institutional investors in reinforcing good corporate governance practices in their markets. Brazil established a task force and has issued a detailed report, led by its capital markets investors association, AMEC, to consider reforms. While pointing to many challenges and recent difficulties in Brazil's markets, both in achieving a higher level of engagement by institutional investors as well as with respect to the level and enforcement of standards and problems associated with state intervention, they also pointed to some progress, notably in terms of a new Securities Commission (CVM) regulatory proposal to facilitate proxy voting that is undergoing a process of public consultation through 19 December (a link to allow for Roundtable members to also comment on this proposal will be circulated separately). Chile's representatives also highlighted a number of recent developments including the success of Chile's pension funds in nominating and electing 27 independent directors to Chilean companies, though this still remains a minority overall. The discussions highlighted the two differing approaches taken by Brazil, which has a wide universe of institutional investors and difficulties in getting many of them to play an active role, versus the model adopted by Chile (and also Colombia and Peru) which relies mainly on a small group of pension funds to play the most active role in local markets.

- Finally, closing speaker Juan Pablo Cordoba, President of the Colombia Stock Exchange, highlighted the overall low number of listed companies and liquidity of trading in Latin American markets relative to other global markets, and the importance of further action, both in terms of corporate governance improvements and other related measures, to spur greater use of the capital markets and to reduce the region's vulnerability to over-dependence on banks as a source of corporate finance. The OECD noted that this was the central overall focus of the 2013 Roundtable meeting, and that the report issued for that meeting on Trends and Developments in Latin American Equity Markets could be updated and followed up on in the future to renew the Roundtable's focus on this central overall challenge going forward.

- The OECD concluded by noting the strong interest of the Roundtable in facilitating co-ordination with other groups involved in supporting corporate governance improvements in the region, such as the IFC's Latin American Network of Corporate Governance Institutes and Latin American Companies Circle, OECD/CAF Latin American Network on Corporate Governance of State-Owned Enterprises, Instituto Ibero-Americano, COSRA, FIAB, IADB, etc. To support this, the OECD also announced that it will be launching an Internet discussion group using the Linked In platform by the beginning of December, and that it will invite the participation and use of the Web site to maintain the focus on corporate governance developments relevant to the region on a more continuous basis.

A more detailed summary of the substantive issues raised in the different Roundtable sessions has been prepared by the Colombia Stock Exchange and is available in both English and Spanish at http://www.oecd.org/daf/ca/2014latinamericancorporategovernanceroundtable.htm.