Third meeting of the

Eurasia Group on Corporate Governance for Capital Market Development

Meeting Agenda

13 December, 2012

The Ceylan Intercontinental Hotel
Istanbul, Turkey

In partnership with
Background

The **Eurasia Group on Corporate Governance for Capital Market Development** has been established by the OECD with the funding support of the Turkish Capital Markets Board and the Istanbul Menkul Kıymetler Borsası to provide a platform to support sharing of experience and promote policy and institutional reforms to spur capital market development within the Eurasian region.

The objectives of the Group are to:

- Address the link between capital market development and economic growth. Identify how better corporate governance practices can contribute to capital market development in Eurasia.
- Suggest how existing policies, regulations and institutions can be improved to strengthen corporate governance and development of Eurasian capital markets.
- Create awareness in Eurasia of the role of corporate governance in capital market development through sharing of international best practices and knowledge with all relevant stakeholders. Create awareness outside of Eurasia about efforts and progress made in the region.
- Reinforce the capacity of Eurasian regulators to efficiently exercise their responsibilities.

The Group is comprised of representatives of Eurasian Capital Market Authorities, Ministries, Stock Exchanges and other relevant parties with an active co-operation with regional and international organisations. Key participating countries from the region include Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

The Group held its first meeting in **Almaty, Kazakhstan on 27 September, 2011** to consider and discuss a first version of the Group’s Report, *Capital Markets in Eurasia: Two Decades of Reform*. The Group met at expert level in **Istanbul, Turkey on 19-20 June, 2012**, to consider an updated version of the report, drawing upon information obtained from a 2012 survey of Eurasian regulators and stock exchanges, and to develop recommendations for the final version of the Group’s Report, to be considered at this December, 2012 meeting.

The Group’s work has been built upon work carried out by the **Eurasian Corporate Governance Roundtable**, organised by the OECD from 2000 to 2008, as well as more recent work on corporate governance carried out by the EBRD. In view of the fundamental role played by capital markets in economic growth, the conclusions of the Roundtable highlighted the need to empower regulators to enforce the existing laws and rules and the important role of capital market authorities and stock exchanges in relation to corporate governance issues such as protection of minority shareholder rights, prevention of abusive related party transactions and insider trading.

The two major outputs of the Eurasia Roundtable process were the report, *Corporate Governance in Eurasia: A Comparative Overview* and the *Policy Brief on Corporate Governance of Banks in Eurasia*. Both reports provided a detailed comparison and analysis of the corporate governance landscape in the Eurasia region.
**Organisation of the Third Meeting**

The third meeting of the Group will be held in Istanbul on 13 December, 2012 with the participation of capital market authorities, ministries, stock exchanges and other relevant stakeholders (e.g. NGOs, academia, and business representatives) in the region.

The Group’s conclusions and recommendations on corporate governance and capital markets landscape in Eurasia will be issued and discussed at the meeting. The afternoon will be devoted to discussing key priority topics for future actions, and next steps towards implementation of the agreed priorities of the group.

The meeting will be organised into a first session to present the Group’s final report to participants and its implications for corporate governance reforms and capital market development in the region; a second session on strategies for capital market development including key levers for progress; and an afternoon discussion on moving forward around five corporate governance reform priorities for capital market development in the region. Moderators will structure discussions along the topics provided in the agenda and will keep the discussions interactive.

Speakers and lead discussants are asked to limit initial remarks to no more than 10 minutes, while international commentators should aim for five minutes initially to allow sufficient time for the moderator to also pose follow-up questions. If speakers wish to use Powerpoint, they are asked to use no more than 5 slides to enable the moderator, speakers and other participants to interact flexibly in an interactive discussion. The objective is to stimulate reflection and encourage the exchange of views and experience among all the participants.

Interpretation between Russian and English will be provided at the meeting, and background documents will be disseminated to participants in advance of the meeting. The summary record of the meeting will be prepared and circulated after the meeting.
08.30-09.00  Registration

09.00-09.10  Welcome Remarks
- Vedat Akgiray, Chairman, Capital Markets Board of Turkey; Vice Chairman, IOSCO

09.10-09.30  Opening Remarks
- Marcello Bianchi, Chairman, OECD Corporate Governance Committee; Director, CONSOB, Italy
- Mustafa Baltaci, Secretary General, Federation of Euro-Asian Stock Exchanges; Executive Vice Chairman, İstanbul Menkul Kıymetler Borsası

09.30-10.15  Presentation and Discussion of the Report: Capital Markets in Eurasia: Two Decades of Reform

Introduction of the Report: Daniel Blume, Eurasia Programme Manager and Senior Policy Analyst, OECD
Lead Discussant: Mustafa Gumus, Head of Strategy Development Department, Capital Markets Board of Turkey

10.15-10.45  Coffee break

10.45-12.15  Strategies for Capital Market Development: Key Levers for Progress

Speakers will be invited to discuss their perspectives on the key success factors for developing capital markets in emerging economies, and the role that an overall strategy for capital market development has played or should play in future efforts to promote economic development in the region.
Moderator: Vedat Akgiray, Chairman, Capital Markets Board of Turkey, Vice Chairman, IOSCO
Speakers:
- Mats Isaksson, Head of Division, Corporate Affairs, OECD
- Ganbayar Davaa, Chairman, National Commission on Corporate Governance, Mongolia
- Anar Hacizada, Head of the Corporate Governance Department, Ministry of the Economic Development, Azerbaijan
- Marat Pirnazarov, Deputy Chairman, Kyrgyz Securities Commission

Open Discussion

12.15-13.30  Lunch
Moving Forward:
Five Corporate Governance Reform Priorities for Capital Market Development

The full afternoon will be devoted to discussing five corporate governance reform priorities drawn from the Group’s Report, as a basis for focusing on future steps. It is proposed that discussion of these priorities may serve as background and a starting point for discussing a way forward in the concluding session, including development of country-specific capital market development strategies that may be supported by the Group’s work in the future.

**Moderator:** Mustafa Baltaci, Secretary General, Federation of Euro-Asian Stock Exchanges; Executive Vice Chairman, İstanbul Menkul Kıymetler Borsası

**13.30-14.10** **Priority 1:** *In terms of financial and human resources, the capacity of regulators should be improved, their mandate should be clearly articulated and the risk of political intervention should be reduced to ensure even-handed protection of shareholder rights and timely and transparent disclosure to the market.*

In some Eurasian countries, securities regulators have been structured as independent state bodies, while in others their functions are consolidated under central banks or relevant ministries. Parallel to regulatory and market structural changes, there have also been recent significant developments in the capital market regulatory environment. Both IOSCO and OECD Principles indicate the importance of independence and the capacity of capital market regulators for a sound market framework. As capital markets are at a relatively early stage of development in the region, the quality of public enforcement substantially influences market integrity and investor confidence by ensuring effective disclosure and protection of shareholder rights.

**Lead Discussant:**
- Veaceslav Paladi and Alexandru Gnatiuc, National Commission on Financial Markets, Moldova

**Lead International Commentator:**
- Marcello Bianchi, Chairman, OECD Corporate Governance Committee; Director, CONSOB, Italy

**14.10-14.50** **Priority 2:** *Stock exchange infrastructure, including clearing and settlement systems and market oversight mechanisms, should be improved. Incorporating corporate governance requirements in listing rules and monitoring of implementation by listed companies would contribute to the effectiveness of the overall corporate governance framework.*

Nearly all Eurasian countries have organised stock markets, which are mainly organised as privately-held companies. Market infrastructure problems, such as settlement systems, limit the participation of foreign investors, along with the existing investment restrictions on foreign investors in some countries. Due to the low level of willingness of companies to adopt voluntary corporate governance requirements, incorporating some of those rules in mandatory listing rules would be an effective policy option for Eurasian countries.

**Lead Discussant:**
- Konstantin Saroyan, CEO, NASDAQ OMX Armenia

**Lead International Commentator:**
- Serdar Celik, Economist, Corporate Affairs Division, OECD

**14.50-15.20** **Coffee break**
Moving Forward: Corporate Governance Reform Priorities for Capital Market Development (continued)

**Moderator:** Mats Isaksson, Head of Division, Corporate Affairs, OECD

**15.20-16.00 Priority 3:** Disclosure of financial and non-financial information, including disclosure on share ownership, related party transactions, governance policy and practices and remuneration policies, should be improved in accordance with international standards.

All of the countries in the region have engaged in significant reforms in the area of financial reporting and auditing. However, there are significant concerns about the quality of reports and auditing practices. The profession of auditing and the auditor organisations’ self-regulatory capacity needs to be further improved. Disclosure practices on non-financial information need to be strengthened. The dominance of controlling ownership structures make disclosure on related party transactions crucial for efficient monitoring of these transactions by shareholders.

**Lead Discussant:**
- Maksym Libanov, Director, National Securities and Stock Market Commission, Ukraine

**Lead International Commentator:**
- Gian Piero Cigna, Senior Counsel, EBRD
- Bircan Akpinar, Head of Corporate Finance Department, Capital Markets Board of Turkey

**16.00-16.40 Priority 4:** Effective and professional boards of directors are a core element of any corporate governance framework, and their improvement remains a priority for the Eurasian region. While clear legal definitions of board duties and board-related requirements are an important pre-requisite for effective boards, many improvements cannot be legislated and may alternatively be stimulated by codes of best practices and directors’ institutes.

Boards of directors have an important role to play in ensuring effective oversight and value creation in Eurasian companies, but the Group’s review of legal frameworks and board practices found a number of weaknesses, including lack of clarity between what is legally required and what may be recommended through corporate governance codes, for example in relation to the establishment of audit committees, and processes to ensure their professionalism and independent judgement. Improving the effectiveness of boards will be an ongoing challenge requiring consideration not only of legal requirements, but also institutions and processes such as director training programmes that can help contribute to their improvement.

**Lead Discussant:**
- Jigjid Unenbat, Executive Director, Corporate Governance Development Centre, Mongolia

**Lead International Commentator:**
- Kiril Nejkov, Operations Officer, IFC

**16.40-17.20 Priority 5:** Current state-owned enterprise (SOE) IPO programmes should be implemented with a view towards their potential to support capital market development. Considering their strong presence in the region’s economies, corporate governance improvements to listed and large SOEs may play a leading role in improving SOE performance and their returns to the state, either through future listings or through greater efficiency.
The Eurasia region experienced widespread privatisation transactions during the mid-1990s through stock markets. However, privatisation did not make a significant contribution to capital market development for several reasons, including inadequate attention to privatisation techniques that would have better supported the development of stock markets. Privatisation of SOEs has re-emerged on the policy agenda of some Eurasian countries. This potential second wave should be handled effectively and equitably in order to enhance the value to the state and to its economic development, including a potentially stronger contribution to capital market development. In cases where SOEs remain state-owned, their good governance practices could play a leverage role for the overall economy. This is also important as SOEs have important social and economic roles.

**Lead Discussant:**
- Salamat Kussainova, Director, Corporate Governance Department, Samruk-Kazyna, Kazakhstan

**Lead International Commentator:**
- Alp Keler, Chief Executive Officer, Ak Asset Management, Turkey

**17.20-18.00 Concluding Remarks and Next Steps**

This session will be held to discuss what should be the next steps and priorities for Eurasian countries and the Eurasian Group, taking into account the Group’s Report and the day’s deliberations on key priorities for the future. The Group’s Report, findings and recommendations are intended to serve as a reference for countries to develop or adjust their own country-specific priorities for capital market development, depending on their market characteristics such as size, level of development, legal and regulatory framework, gaps within their frameworks, and opportunities for progress. The aim would be to reach agreement to move ahead with country-specific strategies and priorities for capital market development that the Group can support.

- Daniel Blume, Senior Policy Analyst, OECD
- Bekir Şafak, Executive Vice Chairman, Capital Markets Board of Turkey

**19.00 Dinner**