



Third Annual Meeting

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

Meeting Agenda

2 December 2013
Sultanate of Oman

Hosted by the Muscat Securities Market and the Capital Markets
Authority of Oman



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Background and Objectives

The Taskforce of MENA Stock Exchanges for Corporate Governance was established by the OECD in 2011. It is composed of representatives of stock exchanges, securities regulators, and other experts from 18 MENA economies, as well as their counterparts in OECD member countries. High level representatives of these institutions participate and support the work of this Taskforce.

The Taskforce held its first inaugural meeting on 5 July, 2011 in at the OECD Headquarters in Paris. The objective of the meeting was to constitute the Taskforce and launch initial discussions on topics of priority for regional stock exchanges and regulators in relation to advancing corporate governance. A second meeting of the Taskforce was organised on 22 June in Istanbul, focusing on attracting listings and institutional investors, as well as on privatisation/demutualisation of stock exchanges.

Heads of stock exchanges demonstrated a high level of interest in continuing this work in 2013-2014, with a focus on a number of priorities. Topics that were highlighted as being of significant interest to the group included: 1. comparison of listing standards among Arab exchanges, 3. privatisation and performance of stock exchanges, 3. the role of stock exchanges in promoting transparency and disclosure. A number of country-specific projects were also launched, supported by the *OECD Advisory Facility for Stock Exchanges*.

Third Taskforce Meeting

The third meeting of the Taskforce will be organised in a similar format of *a high level regional roundtable*, where heads and other representatives of regional exchanges will again be invited to participate, alongside regulators and relevant international and regional institutions, including the World Federation of Exchanges, the Arab Federation of Exchanges, and the Federation of Euro-Asian Exchanges.

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 discussions will be informed by thematic reports, which will be prepared by the OECD, in close collaboration with individual stock exchanges who have led individual work streams.

Moderators will structure discussions along the questions provided in the agenda and will keep the discussions interactive. Each of the panels will feature lead presenters whose role will be to outline the main issues. The objective is to stimulate reflection and encourage the exchange of views and experience among all Taskforce participants, as well as to identify a way forward for the Taskforce, leveraging the findings of the report.

Background documents to be discussed in this meeting include:

- Results of the MENA Listing Requirements Survey;
- Report on Stock Exchange Privatisation and Demutualisation in the MENA region;
- OECD Corporate Governance Factbook;
- OECD Report on Corporate Governance and Value Creation.



8.30-9.00 Registration

9.00-9.30 Opening Remarks

- Mr. Ahmed Saleh Al Marhoon, CEO, Muscat Securities Market
- Mr. Mats Isaksson, Head of Division, Corporate Affairs, OECD

9.30-11.00 Listing challenges: the issuer perspective

In recent years, the focus in the region has been on attracting liquidity and issuers to the market. This has proven to be a considerable challenge, given the ownership structure of the companies in the region. The last Taskforce meeting has already considered the mechanisms for attracting SMEs and family-owned companies to the market. Likewise, a number of measures to facilitate cross-listing were also introduced in recent years and the Taskforce has discussed this issue in the past. However, the overall issuer perspective has not so far been addressed. This session will be structured as a dialogue between issuers and stock exchanges to allow the latter to better understand the challenges related to listing and cross-listing from the perspective of issuers, be they private or state-owned.

Questions for discussion:

- What are the key obstacles for attracting new issuers to MENA markets? What aspects of the regulatory framework pose the most significant challenge for issuers?
- Has the introduction of different listing tiers been useful for attracting issuers?
- Do issuers feel that the balance of mandatory vs voluntary requirements appropriate? To what extent has the introduction of "comply or explain" codes or other disclosure standards (i.e. XBRL based disclosure) has been a challenge?
- What are the main challenges for cross-listing on Arab exchanges? What drives listings to markets outside the region?

11.00-11.15 Coffee break

11.15-13.00 Attracting capital: the investor perspective

Attracting institutional investment, from sovereign wealth funds, but also from foreign and local pension and insurance funds has been an important priority in the region. Last year's roundtable has already started to consider how to attract institutional investors to MENA stock markets, as well as the role that MENA investors can play in promoting better corporate governance practices. Given the high interest of the Taskforce in this topic, the OECD has conducted a consultation with the largest institutional investors to solicit their feedback on priorities for reform. This panel will be dedicated to reviewing the recommendations of this roundtable to discuss how they can be implemented by exchanges and securities regulators.



Questions for discussion:

- To what extent do representatives of stock exchanges agree with the recommendations put forth by the OECD Institutional Investor consultation?
- What are the key priorities for attracting domestic and foreign institutional capital to MENA markets? How do they differ across markets and by the type of investor?
- How can the impact of institutional capital on good governance be accentuated? (e.g. pooling resources between institutional investors, requiring them to disclose their voting, etc.)
- What role can sovereign investment vehicles play in promoting good governance practices in listed companies?
- What are the lessons learned from the creation of indices to attract investment in the region (AFE 40 index, S&P MENA ESG index, etc.)?

13.00-14.00 Lunch

14.00-15.30 Towards better transparency: ownership and governance

Benefits of better transparency and disclosure have been much discussed in the region and exchanges have made considerable efforts to establish the relevant requirements and provide the technical mechanisms for facilitating better and more comparable disclosure. Although disclosure of corporate governance practices among listed companies is improving, transparency around crucial elements such as beneficial ownership disclosure, information on charitable contributions, remuneration of board members and management, remains a challenge. This panel will feature a focused discussion on the elements of disclosure frameworks in the region that need to be strengthened and the areas of corporate disclosure against the existing frameworks that most require strengthening.

Questions for discussion:

- What elements of disclosure are most problematic in the region or in specific markets? Is it due to gaps in the regulatory framework and/or due to inadequate application of existing requirements?
- How can better disclosure of beneficial ownership be facilitated in the region? Are the legal requirements for disclosure of ownership sufficient? What is the role of clearing houses in facilitating secure ownership registration?
- Is sufficient attention being paid in company reports on discussing related party transactions or other situations that may cause conflicts of interest?
- To what extent are electronic disclosure platforms have been useful to investors and analysts?
- Is XBRL-based disclosure necessary in order to attract analyst interest in MENA markets?

15.30-17.00 Restructuring of stock exchanges: developments and challenges

Privatisation and demutualisation of exchanges is one of the key areas where the Taskforce has been doing significant work, responding to the interest of a number of exchanges to transition to the private ownership model. Prior discussions of the Taskforce concluded that additional evidence is required to better understand the benefits and challenges linked to privatisation and self-listing of



exchanges. To this end, a number of exchanges participating in the Taskforce have conducted analysis that will be presented in this panel. This panel will therefore serve as a forum to discuss the conclusions of this research and discuss how it may impact the plans of individual exchanges going forward.

Questions for discussion:

- What are the benefits and risks of demutualisation or privatisation of an exchange?
- What is the experience of self-listing of exchanges? Can exchanges comply with the rules set out for other listed companies?
- What sequencing of reforms is required to be put in place to support these ownership transitions envisioned by a number of exchanges in the region?
- How should the regulatory responsibilities of exchanges and securities regulators be adapted following demutualisation or privatisation?
- To what extent is the experience of European and North American markets that have privatised and/or self-listed relevant to the region?
- Is transition to private company model likely to impact competition among Arab exchanges?

17.00- 18.00 Concluding remarks and way forward

This last panel will be structured as an open discussion so 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 in its future work.