

Introductory Remarks for Russia Roundtable on Corporate Governance, 31 May, 2005

Thanks to EU Tacis programme, Global Corporate Governance Forum, and to our co-hosts, Federal Service for Financial Markets and the Ministry for Economic Development and Trade.

Thanks also to our distinguished co-chairs for this meeting, Mr. Gusakov Deputy Chair of the FSFM and Mr. Vitriansky, Deputy Chair of the Supreme Arbitrazh Court.

Finally, thanks to Chairman Viugin, Deputy Minister Sharonov and the Honorable Mr. Franco.

Main messages:

1) Within a large, global programme of working with non-OECD countries on corporate governance, OECD's co-operation with Russia on corporate governance issues has always been on the leading edge.

- The Russia CG Roundtable was the first OECD Roundtable in 1999 and the only one of five devoted to work with a single country.
- The Russia Roundtable was the first to issue a White Paper, in 2002. (Followed by White Papers in Asia, Latin America and Southeast Europe in 2003 and a Eurasia comparative report in 2004).
- The Russia Roundtable was the first to establish task forces and the only one so far to issue policy briefs: **25 Recommendations to Facilitate Transition to IFRS**, and **Improving Transparency of Related Party Transactions**. Explain how reports are being used in Russian policy circles, refer to report on "OECD Work on Corporate Governance in Russia," to be circulated more widely to Russian government officials and OECD member countries at a meeting of the OECD-Russia Liaison Committee to take place on 20 June here in Moscow. Following the Russian lead, task forces have now been established in Asia (SOEs, banking) and Latin America (enforcement).
- The Russia Roundtable is the first to issue an initial progress report on implementation of the White Paper, prepared by Standard & Poor's.
- Russia has actively participated in and provided important input to the work of the OECD Steering Group on Corporate Governance: revised OECD Principles and new Guidelines on CG of SOEs. Russia also contributing to non-listed companies work.
- So the Russian Roundtable and its participants are not only influencing corporate governance policy and practice in Russia, but also globally, by inputting to the OECD's development of global standards, and in setting out a path that other Regional Roundtables have chosen to follow.

2) This meeting marks an important new phase in the Roundtable's work, as the focus shifts to enforcement today and corporate governance of state-owned enterprises tomorrow.

- This time Russia is not the first to begin addressing these issues. What can we learn from experience addressing these issues in other Roundtables? Enforcement and SOEs are broad, complex issues.
- Prioritisation therefore becomes important to make the subject manageable. This meeting very important for identifying what issues are most important to deal with first, both for SOEs and enforcement. May not be realistic to send away a task force for one meeting to address these issues. It will take time.

3) Today's focus on enforcement: What should be the priorities for Russian corporate governance enforcement and how can the Roundtable best support progress on these priorities?

- Today's agenda is usefully focused on two aspects of enforcement: 1) strengthening regulatory supervision and 2) strengthening judicial enforcement and capacity:
 - Securing, strengthening and maintaining investigative powers and sanctions;
 - Ensuring capacity, integrity and accountability of regulators;
 - Supporting effective civil and criminal enforcement in the courts;
 - Ensuring well-functioning judiciary
- Other enforcement issues will also be addressed, such as the role of shareholder activism and private sector enforcement actions, and the role of arbitration or other alternative dispute resolution mechanisms in increasing the efficiency of enforcement, but these are addressed through the lens of a regulatory and judicial perspective.
- The Russian Roundtable can help us to advance on these issues by using the same model that it has already successfully pioneered. Have an initial exchange regarding international and Russian experience. Pleased to see the strong participation here from OECD countries. Solicit viewpoints broadly, helping to identify priorities and areas of focus. Bring together a smaller group of experts on a more focused agenda to develop policy options and recommendations. Ensure that this is disseminated more widely through another plenary meeting of the Roundtable, and most importantly, considered seriously in policy circles.
- It is for this reason that we warmly welcome the presence of so many high-level and important participants and institutions to this meeting, and their stated willingness to work closely with the OECD over the coming period, including not only our co-hosts the FSFM and Ministry of Economic Development and Trade, but also, importantly for enforcement, the Supreme Arbitrazh Court.

Introduction of next session [for Rainer, Russian co-chair or me]

I am now pleased to turn the meeting over to our first substantive session dealing with supervision and regulatory enforcement, and more specifically with securing, maintaining and strengthening investigative power and sanctions. More specifically, we will be asking our distinguished panellists to address three main issues:

- What considerations come into play when deciding whether to pursue disciplinary or administrative sanctions? In what cases should criminal sanctions be considered?
- What mix of investigatory power and sanctions are required for effective administrative action? What is the authority of the regulator in such investigations, and how should co-operation with other enforcement agencies be handled?
- And finally, what are the enforcement patterns?

[See programme for further details on introduction of speakers]