The 2008 Asian Roundtable on Corporate Governance

Grant Kirkpatrick, Senior Economist, OECD

Session 7
Implementing the OECD Principles of Corporate Governance: New OECD Work

Hong Kong, China, 13-14 May 2008

The views expressed in this paper are those of the author and do not necessarily represent the opinions of the OECD Member countries or the World Bank
Following the 2004 Principles, the OECD has been monitoring implementation and the emerging issues. How?

- Through the work of the Steering Group: hedge funds, private equity, one share one vote, acting in concert, regulatory impact assessment, bank cg
- Asian roundtable: related party transactions, enforcement, problems at SOEs, bank cg
- Latin American roundtable: rights of institutional investors, acting in concert or cooperation
- Russian Roundtable: SOE governance, RPT, enforcement
- Africa: SOE governance
- The Methodology
Classes of issues of current and future concern: guidance from the Principles

- Activist investors
- Private equity, especially public to private transactions
- SOE in the world economy
- Sovereign Wealth funds
- Bank corporate governance: what role in the current crisis
- Regulatory competition: Some regulations might also be inefficient – RIA
Activism: the issues and the Principles

- What shareholder rights are we really prepared to allow in practice?
- Are the rules of the game clear and enforced
- Potential for market abuse
- Does the voting and proxy system work
- Long term versus short term: is it really an issue
- What should be known about the activist and when: intention and size of shareholding declarations
- What are the rules covering cooperation: when is it acting in concert
Issues with private equity, esp public to private

- Are takeover arrangements efficient, especially when there are insiders
- Insider trading laws need to be effective as information often leaks
- What are the arrangements for recapitalisations
- Does the tax system produce perverse incentives especially with regard to short term/long term decisions.
- Are creditor protection systems adequate
Issues with SOE: similar to private equity

- Is their identity known together with their corporate governance arrangements?
- Are review procedures appropriate (national interest issues)
- Is their source of funding an issue – level playing field and the Guidelines
- Intentions – are they economic or strategic in the national sense. Should they be declared in takeovers, investments etc
Issues with SWF

- Do regulators have powers vis-à-vis sovereign entities?
- What are the procedures for notifying large holdings – are they too high or too low?
- Do procedures cover notice of intentions?
- Should they be treated as any other investor if above apply?
Efficient and effective regulation

- Competition between jurisdictions: the issue of regulatory competition
- Determining a sound basis for regulation: market failure analysis
- Making regulation cost effective-- regulatory impact assessment: Experience from different countries
- Handbook with examples under preparation
- Basis in the Principles. Principle I.A
Thank you

Please visit our website www.oecd.org/daf/corporate-affairs for papers. or contact grant.kirkpatrick@oecd.org