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Session 5: The Role of Stock Exchanges in Promoting Corporate Governance in Asia – ten years from now?
Role of Stock Exchanges in Promoting Corporate Governance in Asia

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Convergence in the view that…

Stock Exchanges provide effective mechanisms for improving corporate governance through:

- Transparency and disclosure regime (international standards)
- Investor protection system
- Accountability systems (Board Functioning)
- Effective enforcement
- Enables “market mechanisms” to apply
- Dynamism and responsiveness to changing times

Disclaimer: These are personal views. All conclusions and suggestions presented herein should be attributed to the author and not to the Philippine Stock Exchange nor the AOSEF.
Corporate Governance and Stock Exchanges in Asia

Are the conditions favorable for Stock Exchanges to “deliver on the promise”?...

• OECD Paper on the Role of Stock Exchanges (November 2008):
  ✓ Demutualization and listing of Stock Exchanges brought about inherent conflicts (for profit vs. regulatory roles, self listing)
  ✓ Competitive environment raises risks of regulatory “race to the bottom” trend towards separating regulatory from business functions

• CG issues faced by some Asian exchanges
  ✓ Regulating corporate actions that are allowed under the existing legal framework but are not consistent with internationally accepted CG standards
  ✓ Existence of a group or sector that exerts control or significant influence over the exchange
  ✓ Unwillingness to resort to de-listing and other punitive measures for CG violations.
  ✓ CG is not seen as a priority by the exchange.

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A Closer look at Asian Exchanges (AOSEF 2009)

Key activities are on:

✓ market development (new products/services, easing restrictions, collaboration with other exchanges, etc)

✓ operations (upgrade of trading/IT systems, reorganization, market surveillance, etc.)

✓ reputational (partnerships, CSR, etc)

✓ legal & regulatory (strengthening regulatory framework, improving CG, etc)

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The AOSEF Corporate Governance Task Force

✓ Co-chaired by the PSE and TSE

✓ to discuss and study the current and emerging corporate governance issues faced by exchanges, particularly those of its members

✓ an instrument for gathering and exchanging CG experiences and initiatives well as networking with other organizations

✓ To conduct a survey that would lead to the development “Study Report on Corporate Governance of Asia-Oceania Stock Exchanges”

✓ To cover governance structure, regulatory function, enforcement concerns

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Points for consideration

• A stock exchange’s ability to be an effective tool for CG reform can be a function of:
  - legal and regulatory environment
  - its own ownership and governance structure
  - its capacity to develop and enforce CG standards
  - its commitment to CG

• The “Moral Case” vs. “Business Case” vs. “Legal Case” – the Exchange’s developmental, business and regulatory agenda.

• In Asia, there are strong indications, if not concrete steps, by stock exchanges –collectively and individually- to actively push for CG reforms

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Thank You