Taskforce of MENA Stock Exchanges for Corporate Governance
Paris, 5 July 2011
Key Discussion Points

- Exchanges in the region are at very different points in their development, ranging from established institutions to some new markets. They are dominated by retail investors and have been subject to volatile capital movements such as the 2006 decline, particularly pronounced in GCC markets.

- Traditionally, regional markets have been dominated by equity issues, whereas debt instruments have not comprised a major portion of exchange capitalisation. There appears to be a significant interest in both attracting further listings but also developing other instruments, including derivative products and exchange-traded funds, despite the risks associated with them.

- Unlike in OECD member countries, stock exchanges in the region are for the most part state-owned and hence face different conflicts of interest than exchanges in Europe and North America. One concern for example is the listing of state-owned enterprises on exchanges which are state-owned themselves.

- On the other hand, there appears to be little scope for a conflict between exchanges' regulatory and commercial functions insofar as they are generally not organised as for profit, listed companies. Exchanges view their current governance and organisation structure as appropriate.

- That being said, a number of exchanges are considering privatisation or demutualisation and this is expected to have an impact on their regulatory functions. However, some bourses that are interested in privatisation do not see the current economic environment in the region as being suitable.

- So far, most regional exchanges have played a limited role in terms of establishing and monitoring compliance with corporate governance requirements. There are significant differences in the scope of exchanges' responsibilities in terms of setting listing requirements, accepting listings, applying sanctions and de-listing.

- The primary functions that MENA exchanges perform to promote good corporate governance outcomes relate to the dissemination of information to the investing public and raising awareness around good corporate governance practices with investors and issuers.

- At the same time as a number of exchanges in the region are revisiting their listing standards for blue chip companies, there is a growing interest in establishing listing tiers with more flexible requirements to attract family-controlled firms and small and medium-size enterprises.

- Ultimately, corporate governance requirements are seen as important by regional exchanges in order to align with international good practices and they are not seen as incompatible with attracting further listings.

- Harmonisation of standards has been much discussed in the region, but appears to be challenging, especially beyond the Gulf Cooperation Council Countries which have already established a dedicated committee to examine potential regulatory harmonisation.

- As corporate governance codes in some MENA countries are taking on a comply-or-explain nature, the role of exchanges and securities regulators in reviewing compliance is being revisited.

- The fact that a number of MENA exchanges are contemplating privatisation or demutualisation may also warrant ongoing reflection on their regulatory functions, including in the field of corporate governance.

- More generally, appropriate division of responsibilities among exchanges, securities regulators and other regulatory bodies is an important issue that merits further discussion in the Taskforce.