Eurasia Group on Corporate Governance for Capital Market Development

Draft Meeting Agenda

27 September 2011
Almaty, Kazakhstan

Hosted by

In partnership with
Background

The Eurasia Group on Corporate Governance for Capital Market Development is being established by the OECD with the funding support of the Turkish Capital Markets Board and the Istanbul Stock Exchange to provide a platform to support sharing of experience and promote policy and institutional reforms to spur capital market development within the Eurasian region.

The objectives of the Group are to:

- Address the link between capital market development and economic growth. Identify how better corporate governance practices can contribute to capital market development in Eurasia.
- Suggest how existing policies, regulations and institutions can be improved to strengthen corporate governance and development of Eurasian capital markets.
- Create awareness in Eurasia of the role of corporate governance in capital market development through sharing of international best practices and knowledge with all relevant stakeholders. Create awareness outside of Eurasia about efforts and progress made in the region.
- Reinforce the capacity of Eurasian regulators to efficiently exercise their responsibilities.

The Group will comprise representatives of Eurasian Capital Market Authorities, Ministries, Stock Exchanges and other relevant parties with an active cooperation with regional and international organisations. Key participating countries from the region will include Afghanistan, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

This Group will develop a report providing concrete and practical recommendations on corporate governance improvements that can be achieved to contribute to capital market development and economic growth in the Eurasia region. After discussing draft versions in at least at two Group meetings in 2011 and 2012, it is intended to finalise the report in 2012.

The Group’s work will build upon initial work carried out by the Eurasian Corporate Governance Roundtable, organised by the OECD from 2000 to 2008, as well as more recent work on corporate governance carried out by the EBRD. In view of the fundamental role played by capital markets in economic growth, the conclusions of the Roundtable highlighted the need to empower regulators to enforce the existing laws and rules and the important role of capital market authorities and stock exchanges in corporate governance issues, such as protection of minority shareholder rights, prevention of abusive related party transactions and insider trading.

The two major outputs of the Eurasia Roundtable process were the report, Corporate Governance in Eurasia: A Comparative Overview and the Policy Brief on Corporate Governance of Banks in Eurasia. Both reports provided a detailed comparison and analysis of the corporate governance landscape in the Eurasia region.
Organisation of the First Meeting

The first meeting of the Group will be held in Kazakhstan on 27 September, 2011 with the participation of capital market authorities, ministries, stock exchanges and other relevant stakeholders (e.g. NGOs, academia, private and state-owned company representatives) in the region. The meeting will explore the links between strengthening capital markets and economic growth, with a special emphasis on the role of improved corporate governance practices. The capital markets landscape and institutional frameworks of Eurasian capital markets, recent corporate governance reforms and the role of stock exchanges in capital market development will be discussed.

A background paper on the corporate governance and capital markets landscape in Eurasia will be tabled at the meeting. Inputs through discussions in the meeting will serve to further develop work on these issues for consideration by the Group in 2012.

The meeting will be organised into four sessions dealing with the corporate governance and capital market landscape in Eurasia, recent reforms and priorities for improving corporate governance and capital market development, and the roles of securities market regulators and stock exchanges in these processes. Moderators will structure discussions along the topics provided in the agenda and will keep the discussions interactive. Speakers are kindly asked to refrain from preparing power point presentations. Instead, the moderator will pose questions and interact with the panel, engaging other participants in the debate. The objective is to stimulate reflection and encourage the exchange of views and experience among all the participants.

Translation between Russian and English will be provided at the meeting, and background documents will be disseminated to participants in advance of the meeting. The summary record of the meeting will be prepared and circulated after the meeting.
08.30-09.00  Registration

09.00-09.30  Opening Remarks

- Daniyar Talgatovich Akishev, Deputy Governor of National Bank of Kazakhstan
- Kadyrzhan Damitov, President, Kazakhstan Stock Exchange
- Huseyn Erkan, President, Federation of Euro-Asia Stock Exchanges and Chairman & CEO of Istanbul Stock Exchange
- Vedat Akgiray, Chairman, Capital Markets Board of Turkey and IOSCO Emerging Markets Committee

09.30-11.00  Session 1: Overview of Capital Markets in Eurasia

Eurasian capital markets have not yet achieved the objectives of providing a viable alternative to bank funds for debt and equity finance to the private sector, and of offering a secondary market in ownership. Most stock exchanges in the region remain underdeveloped, with low capitalisation and liquidity levels. However, some countries in the region have recently formulated ambitious programs in order to change this picture. In this session, panellists will discuss whether these endeavours could bring the desired outcomes after evaluating first the current landscape of capital markets in the region.

Issues to be presented and discussed:

- Development of capital markets in Eurasian countries.
- Regulatory developments and institutional approaches to capital markets- successes and lessons learned.
- The problem of scale, prospects for the integration of capital markets in the region.
- Institutionalisation of capital markets for greater liquidity and lower volatility.
- Fundamental trends and challenges ahead.

Moderator: Vedat Akgiray, Chairman, Capital Markets Board of Turkey and IOSCO Emerging Markets Committee

Speakers:

- Daniel Blume, Global Outreach Manager - Corporate Affairs, OECD
- Daniyar Talgatovich Akishev, Deputy Governor of National Bank of Kazakhstan
- Mustafa Baltaci, Secretary General, Federation of Euro-Asian Stock Exchanges
- Debra Kertzman, Director, Financial Sector, Asian Development Bank

Open Discussion

11.00-11.30  Coffee break
11.30-13.00  Session 2: Corporate Governance Reforms and Priorities for Capital Market and Economic Development

Advanced corporate governance frameworks benefit firms through greater access to financing, lower cost of capital, better firm performance, and more favourable treatment of all stakeholders. Numerous studies agree that these channels operate not only at the level of the firms, but in sectors and countries as well—although causality is not always clear. More liquid and vibrant capital markets and good corporate governance practices reinforce each other. The implementation of the existing legal framework by the stock exchanges and strengthened supervisory authorities is key in this respect.

Issues to be presented and discussed:

- Assessing current state of play and progress in improving corporate governance and business environment.
- What still needs to be done and how best to do it?
- Potential impact of raising international capital or attracting foreign strategic investors on economic growth and capital markets development.
- Recent changes in corporate governance legislation in the region.

**Moderator:** Daniel Blume, Global Outreach Manager-Corporate Affairs, OECD

**Speakers:**

- Gian Piero Cigna - Senior Counsel, EBRD
- Amin Muradov, Director, Department for Research and Market Development, State Committee for Securities, Azerbaijan
- Askar Obidov, Head of Center for Co-ordination and Control of Security Markets, State Property Committee of the Republic of Uzbekistan
- Vitale Nogali, Chief of Territorial Office Balti, National Commission of Financial Market, Moldova

**Open Discussion**

13.00-14.30  Lunch

14.30- 16.00  Session 3: The Role of Stock Exchanges in Corporate Governance and Capital Market Development

Stock exchanges can exert considerable influence on companies by imposing certain listing requirements relating to companies’ governance practices. Whilst the legal and regulatory structures are essential, the stock exchange, with adequate transparency and accountability in place, can ultimately reward or punish firms for their governance practices. In this particular session, the role of stock exchanges in promoting better corporate governance practices and in strengthening national capital markets will be examined from various angles.

Issues to be presented and discussed:

- Overview of Regulatory functions of Eurasian Stock exchanges, gaps and opportunities.
- The mechanisms at the disposal of Stock Exchanges to improve corporate governance practices of issuers.
- Incentives of stock exchanges to maintain a high regulatory standard.
- Participation of stock exchanges in regulatory initiatives (i.e. codes, standard setting, etc.)
- Monitoring disclosure and coordinating action with regulators.
- Question of regulatory independence.

**Moderator:** Huseyin Erkan, Chairman & CEO, Istanbul Stock Exchange, Turkey

**Speakers:**
- Ivan Takev, CEO, Bulgarian Stock Exchange
- Henri Bergström, Director of New Markets, NASDAQ OMX and Member of Supervisory Board of NASDAQ OMX Armenia
- Ege Adalioglu, Deputy Secretary General, Federation of Euro-Asian Stock Exchanges, FEAS
- Marat Pirnazarov, Director, Security Commission of the Kyrgyz Republic

**Open Discussion**

**16.00- 16.30** Coffee break

**16.30-17.45** Session 4: State-owned Enterprises and Capital Markets

Due to mass privatisation programmes of the 1990s, the number of broadly divested joint stock companies is large in most of the Eurasian countries. However, the number of listed companies still remains comparatively small. Non-listed companies account for the majority of equity issues. Many broadly divested companies issue shares without being listed at an exchange. Thus, the concept of a public company, which is crucial from a regulatory point of view, has not yet taken root in the region. Many OECD countries have benefited from public offering of their SOEs to change this picture in the past. In this session, panellists and participants will evaluate whether a similar approach could be adopted by the countries in Eurasia.

Issues to be presented and discussed:

- Overview of recent IPOs of SOEs in the region.
- Why choose an IPO? What does an IPO entail for SOE ownership units?
- The role of SOE public offerings in capital markets development (Potential contribution to the breadth and depth of stock markets by the flotation of SOEs)
- Opportunities and Risks: The foreign investors’ perspective
- Influence of institutional investors on the implementation of corporate governance standards in issuing companies.
- Becoming a public company: motivations and advantages.
- Changes to a company’s culture following an IPO.
Moderator: Kadyrzhan Damitov, President, Kazakhstan Stock Exchange

Speakers:

- Yerzhan Tutkushev, Samruk Kazyna Invest, Kazakhstan
- Dmytro Tevelev, Head of State Security & Stock Market Commission of Ukraine
- Dr. Zhengjun Zhang, Chief of Enterprise System Division, Development Research Centre of the State Council, China
- Oyunbileg Erendoo, Director of Legal and Compliance at Khan Bank LLC and Board member of the Mongolian Corporate Governance Development Center, Mongolia
- Oleg Zhelezko, Managing Partner, Da Vinci Capital Management

Open Discussion

17.45-18.00 Concluding Remarks and Next Steps

Based on the Group’s discussions and background documentation, participants and Panel Chairs will be invited to share their views on the issues and challenges that should be addressed by the Eurasia Group on Corporate Governance for Capital Market Development in its next steps.

19.30 Gala Dinner at the Rixos Hotel