



THE RUSSIAN CORPORATE GOVERNANCE ROUNDTABLE

WORKSHOP : IMPLEMENTATION AND ENFORCEMENT OF DISCLOSURE RULES

**Hosted by:
the Russian Federal Commission for the Securities Market and
the Ministry for Economic Development and Trade of Russia**

Agenda

**Moscow, Russian Federation
2-3 October 2003**

*Location: Sheraton Palace Hotel
19, 1st Tverskaya-Yamskaya Str.,
125047 Moscow*

**Co-sponsored by Global Corporate Governance Forum
with the support of IFC, Swiss State Secretariat for Economic Affairs (SECO) and Interros**

ABOUT THE RUSSIAN CORPORATE GOVERNANCE ROUNDTABLE

Background

Corporate governance practices have become an essential prerequisite for the ability to ensure market integrity and attract investment. Using the OECD Principles of Corporate Governance, the OECD and the World Bank have agreed to co-operate in efforts to support corporate governance initiatives in emerging and transition economies. One important outcome of this agreement has been the establishment of Regional Corporate Governance Roundtables. To this effect, regional roundtables now meet on a regular basis in Latin America, Asia, Eurasia and South-Eastern Europe, and Russia.

The Purpose of the Russian Corporate Governance Roundtable

- i) Facilitate Russian participation in a international policy dialogue on the basis of the OECD Principles on Corporate Governance, the White Paper on Corporate Governance in Russia and the Russian Code of Corporate Conduct.
- ii) Provide a forum in which Russian policymakers and experts can strengthen and develop contacts with their peers in OECD countries and to facilitate exchange of experience.
- iii) Support reform analysis by advancing the understanding of viable policy-options as well as implementation and enforcement mechanisms in the area of corporate governance.

For this purpose, the Roundtable convenes a network of senior policy makers, regulators and market participants from Russia, OECD member countries and international organisations.

Achievements of the first phase of the Russian Corporate Governance Roundtable

While laws and regulations can be changed relatively easily, a continuous policy dialogue is essential for actual change and adaptation to new circumstances. Since 1999, the Roundtable has played an essential role in cultivating this longer-term attention span on corporate governance in Russia and demonstrating a commitment by the international community to include Russia in the international debate. The Roundtable has provided a forum through which Russian authorities, corporations and investors can discuss developments with their peers from OECD countries.

On the basis of this dialogue and the analytical work that supported it, the Roundtable agreed to develop a White Paper to summarise common policy objectives and reform priorities. The document was finalised in April 2002, following extensive consultations. While the White Paper is a non-binding document, the process of developing it has greatly contributed to raise awareness in the Russian private and public sectors. In its final version, it should be viewed as a complement to other key corporate governance initiatives in Russia, notably the Code on Corporate Conduct.

The main objectives of this meeting will be to:

- Review recent global corporate governance developments and their impact on the Russian corporate governance debate
- Examine the roles of securities commissions, stock-exchanges and self-regulatory bodies in improving disclosure of financial and non-financial information.
- Assess the implementation and enforcement of disclosure rules, including compliance with the Russian Code on Corporate Conduct
- Consider the main impediments to better disclosure practices in Russia and contribute to a better understanding of international disclosure standards and practices.
- Draw policy conclusions and provide policy options for improvement in the regulatory domain and in private practice in Russia.

THE FORMAT OF THIS WORKSHOP

In view of the great interest expressed by participants in speaking on the topics, there will only be one 15-minute presentation followed by a 5-10 minute lead-in commentary to the general discussion. This will allow maximum time for all participants to engage in a truly open and active exchange of views. Chairs are kindly requested to make sure that participants respect time limits of 5-10 minute interventions. Chairs will summarise the discussion and highlight the main conclusions.

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8:30 – 9:00 **Registration**

9:00 – 9:30 **Opening Session**

- Opening remarks
Mr. Richard Hecklinger, Deputy Secretary General, OECD
- Welcoming remarks
Mr. Julian Schweitzer, Country Director for Russia, World Bank
- Welcoming remarks
Mr. Arkadyi Dvorkovitch, Deputy Minister of Economic Development and Trade, Russia

Part I

9:30 – 11:00 Regulatory responses to global corporate governance developments

Chairperson: *Mr. Gennady Kolesnikov, Deputy Chairman, Federal Commission for the Securities Market, Russia*

Presentations:

- The EU Action Plan, *Professor Uwe Schneider, Darmstadt Technical University, Germany*
- Developments in the U.S., *Mr. Robert Strahota, Assistant Director, Office of International Affairs, US Securities and Exchange Commission*
- The Review of the OECD Corporate Governance Principles, *Mr. Mats Isaksson, Head of the Corporate Affairs Division, OECD*

Issues to be discussed:

Spectacular cases of corporate governance failure have not only led to a massive destruction of financial wealth, but also nurtured a public distrust in market integrity and highlighted the possibility of systemic weaknesses in certain market functions. To respond to these weaknesses and to restore public confidence is therefore a major challenge for market institutions, policy-makers and regulators around the world. This session will consider the policy responses to corporate governance challenges around the world and its implications for Russia. One of the lessons learned is the need to re-examine the fundamental roles, responsibilities and interaction among company organs, i.e. the annual general meetings, the board of directors, and managers. We will examine the reasons why what appeared to be adequate laws, regulations

including self-regulation and ways of conducting business have apparently been ineffective in controlling excesses.

11:00 – 11:30 Coffee Break

11:30 – 13:00 Experience with the Russian Corporate Governance Code

Chairperson: *Mr. Alexei Sharonov*, Deputy Chairman, Russian Federal Securities Commission

Presentation: Implementation of the Russian Code on Corporate Conduct: Achievements and Problems, *Mr. Igor Belikov*, Director, Russian Institute of Directors

Discussants:

- *Mr. Leo Goldschmidt*, Chairman, Corporate Governance Committee, EASD, Belgium
- *Ms. Oxana Derisheva*, Head of the Listing Division, RTS Stock Exchange, Russia
- *Mr. Daniel Feldman*, Corporate Secretary, YUKOS Oil Company, Russia

Issues to be discussed:

This session will provide an opportunity to assess preliminary experience in compliance with the Russian Code on Corporate Conduct. It will also examine the channels through which disclosure is being made, particularly the capacity of the stock exchanges to monitor disclosure of compliance with the Code. The discussion will provide a basis for monitoring progress on compliance with the Code and exploring methods for improvement.

13:00 – 14:15 Lunch break

14:15 – 15:45 Recent corporate governance trends in Russia, present priorities and the way ahead

Co-Chairpersons: *Mr. Ruben Vardanian*, General Director of Rosgosstrakh and Chairman of the Corporate Governance Committee of the Russian Union of Industrialists and Entrepreneurs, Russia

Mr. Sergei Generalov, Chairman, Commission of Investors Rights Protection, State Duma, Russia

Presentation: Overview of Russian corporate governance trends since 2002, *Mr. Andrey Ivakin*, Head of the Department for Corporate Governance, Ministry of Economic Development and Trade, Russia.

Discussants:

- *Mr. Christian Strenger*, Global Corporate Governance Forum and Director of DWS Investment GmbH, Germany
- *Mr. Alexandre Ikonnikov*, Executive Director, Investor Protection Association, Russia

Issues to be discussed:

Since the White Paper recommendations and the Russian Code on Corporate Conduct were issued in April 2002, a number of corporate governance reforms have been undertaken, particularly with regard to corporate practices in Russia. This session will provide a snapshot of the main trends. The discussion will also feed into the review of the OECD Corporate Governance Principles and the future priorities of the Roundtable process.

15:45 – 16:15 Coffee Break

Part II

16:15 – 18:30 **Implementation of international financial reporting standards**

Chairperson: *Mr. Rainer Geiger*, Deputy Director, Directorate for Financial, Fiscal and Enterprise Affairs, OECD

Presentation:

- Main challenges to implementation, *Mrs. Larissa Gorbatova*, Tax & Accounting Program Coordinator, Centre for Capital Market Development, Russia

Discussants:

- *Mr. Gennady Kolesnikov*, Deputy Chairman, Federal Commission for the Securities Market, Russia
- *Dr. Alexander Bakaev*, Department Head, Accounting Methodology, Ministry of Finance, Russia
- *Ms. Fabienne Reanud-Aidan*, Project Manager, Conseil National de la Comptabilité, France

Issues to be discussed:

There is increasing global convergence to international financial reporting standards (IFRS). Being principles-based, IFRS is flexible enough for adaptation to different national contexts but at the cost of varying differences in interpretation and application. The first part of this session will identify and discuss the new Russian government plan to accelerate transition to IFRS, including progress to-date, future planning schedules and challenges encountered. The second part of this session will help establish a practical roadmap for the Russian Federation to accomplish the transition. This roadmap should identify more detailed issues of the transition process, the legal and regulatory changes that need to be made, the new institution that may be required, a timetable, the coordination of existing institutions and possible benchmarks to work on and how to maintain long-term continuity and oversight.

3 October 2003

9:00-10:30 **Coming to grips with related party transactions**

Chairpersons: *Ms. Motria Onyschuk-Morozov*, Senior Operations Manager, Corporate Governance Private Enterprise Partnership, IFC

Mr. Nikolay Arefiev, Deputy Head, Committee for Property, State Duma of Russia

Presentation:

- Legal framework for related party transactions, *Mrs. Tatiana Medvedeva*, Senior Advisor for Legal Issues, Centre for Capital Market Development, Russia

Discussants:

- *Professor Uwe Schneider*, Darmstadt Technical University, Germany
- *Mr. William Browder*, Managing Director, Hermitage Capital Management, Russia

Issues to be discussed:

While most related party transactions are legitimate, their obvious potential for abuse means that controls on these transactions are essential. That is why disclosure by the board and management of any material interest in transactions is so important. This session will examine current disclosure practices of related party transactions and the main driving forces of change as well as recent proposed changes to legislation. The discussion will also seek to identify the obstacles to overcome, highlight the necessary measures to take in order to significantly improve practice in *this area and how companies need effective internal organisation to ensure an adequate level of reporting.

10:30 – 11:00 Coffee break

11:00-12:30 How to identify beneficial owners

Chairperson: *Mrs. Julia Kochetygova*, Director, Corporate Governance Services, Standard & Poor's, Russia

Presentation:

- *Mr. Andrei Abramov*, Deputy Director, National Depository Center, Russia

Discussants:

- *Mr. Paolo Camara*, Director of Department, Securities Commission, Portugal
- *Ms. Sue Rutledge*, Senior Private Sector Development Specialist, World Bank

Issues to be discussed:

A lack of transparency, particularly of beneficial ownership, contributes to tunnelling by concealing related party transactions. This opacity comes at a real economic cost. This session will explore the current practices on disclosure of a critical component of non-financial information, beneficial ownership. The discussion will consider to what extent and through which channels information on beneficial ownership is provided to shareholders and the market. It will also identify the main obstacles to disclosure of such information in Russia and what steps should be taken to encourage and facilitate such disclosure by individuals, companies as well as the roles of other agencies and intermediaries.

12:30 – 13:30 Lunch

13:30 – 15:00 Misuse of privileged information, including insider trading

Chairperson: *Mr. Gennady Kolesnikov*, Deputy Chairman, Federal Commission for the Securities Market, Russia

Presentation:

- *Mrs. Tatiana Medvedeva*, Senior Advisor for Legal Issues, Centre for Capital Market Development, Russia

Discussants:

- *Mr. Paolo Camara*, Director of Department, Securities Commission, Portugal
- *Ms. Ekaterina Makeeva*, Head of Legal Department, NAUFOR, Russia

Issues to be discussed:

Trading on privileged information significantly undermines confidence in capital markets and can discourage outsiders from purchasing shares. It is reasonable for investors to expect that the abuse of

insider information be prohibited, as far as these practices violate the principle of equitable treatment and therefore are a breach of sound corporate governance. This session will seek to define what is considered privileged information in Russia. Existing and draft legal provisions that restrict or prohibit insider trading in Russia and how these rules are enforced will be examined. The discussion will focus on the obstacles in implementing the regulations.

15:00 – 16:00 Summary and conclusions

Chairperson: *Mr. Rainer Geiger*, Deputy Director, Directorate for Financial, Fiscal and Enterprise Affairs, OECD

Presentation: Proposals for future work, *Ms. Fianna Jesover*, Administrator, OECD

Issues for Discussion: The session will summarise conclusions and identify priority issues for the future work of the Russian Corporate Governance Roundtable. Other bilateral and international agencies will also have an opportunity to outline their own activities on corporate governance in Russia.