



**6th Meeting of the
Eurasia Corporate Governance Roundtable**

15 February 2006

Enforcement of Corporate Governance Rules
Istanbul, Turkey

Session 1: Recent Developments and Future Reforms

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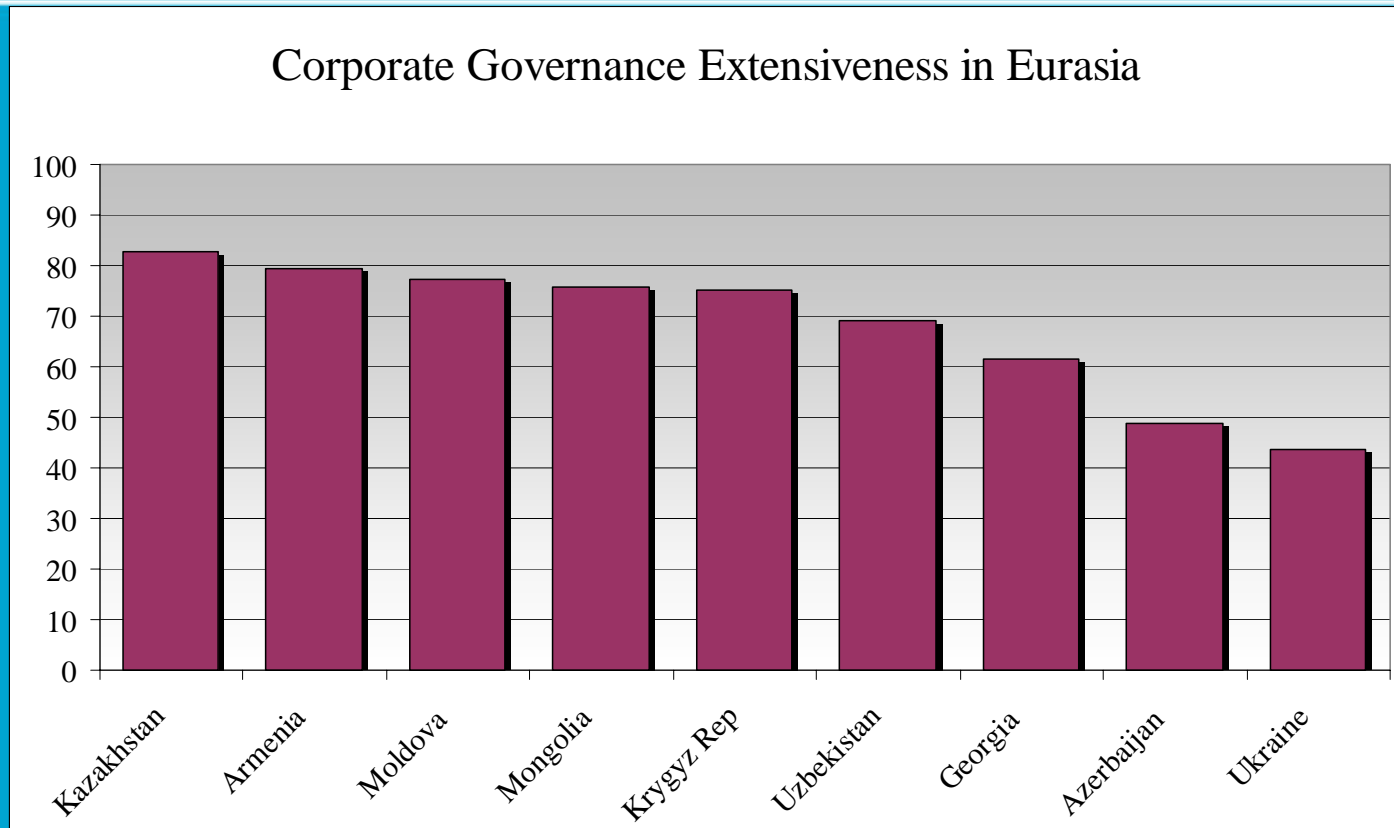
Effective Disclosure and Redress in Eurasia. Where do we stand?

Gian Piero Cigna
Counsel, EBRD

Istanbul, 15 February 2005



Starting Point: EBRD Corporate Governance Legislation (laws on the books) Assessment (2004)



Source: EBRD 2004 – Benchmark: OECD Principles

<http://www.ebrd.com/country/sector/law/corpgov/assess/index.htm>



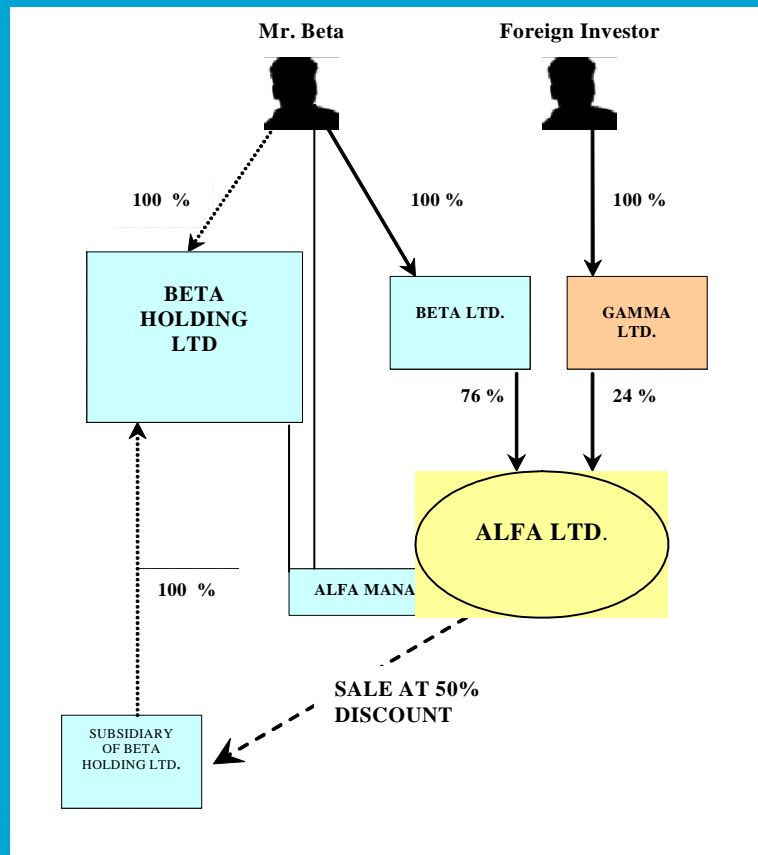
2005: Measuring Effectiveness

- **Benchmark: OECD Principles**
- **Instrument: Case study**
- **Criteria: 5 variables:**
 - Institutional Environment
 - Complexity
 - Speed
 - Enforceability

in measuring disclosure and redress



Case study: Related Party Transaction



Alfa, Gamma and Beta are three local joint stock companies.

Beta – controlling shareholder - 76% stake in Alfa.

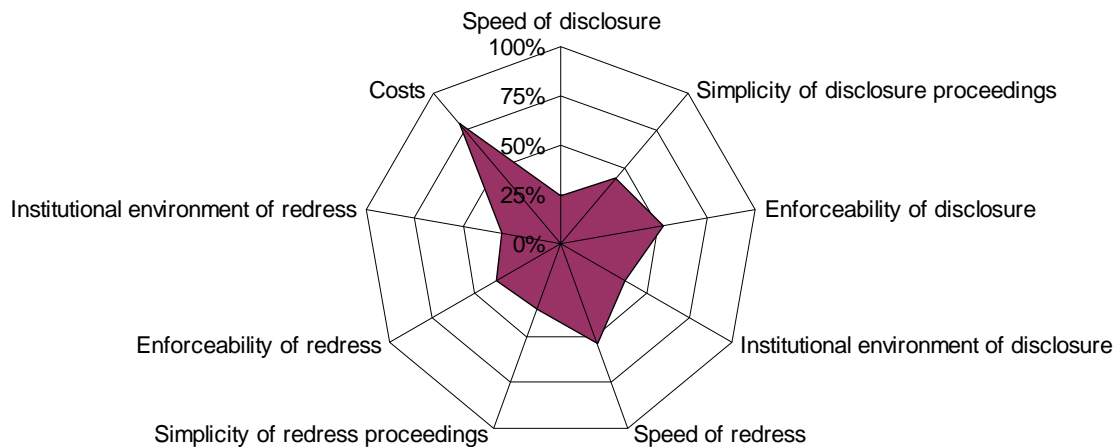
Gamma – minority shareholder - owns a 24% stake in Alfa

Alfa's board of directors is all appointed by Beta.

What Gamma can do in order to find out whether the related party transaction was concluded?

What Gamma can do to obtain redress?

Armenia



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Good laws on the books

Low legal costs

Problems:

Long time needed for obtaining disclosure (> 1 year) and it is reported to be easy for the defendant to delay the proceedings further

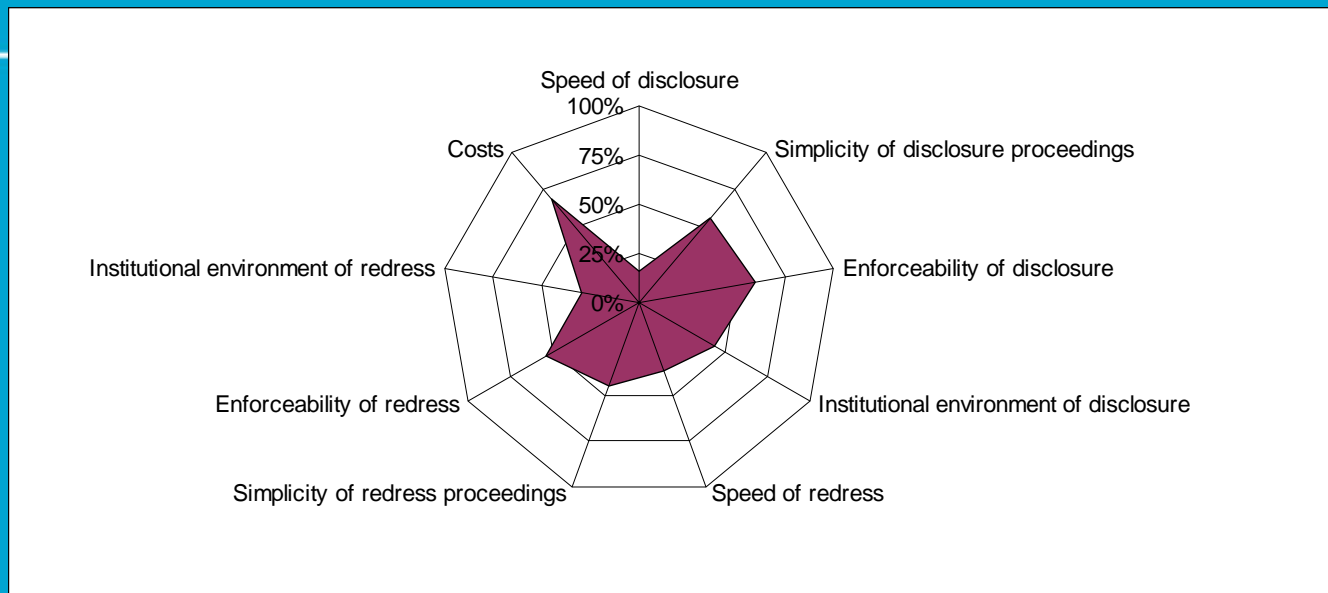
Complexity of proceedings

Difficult enforcement procedures

Weak Institutional Environment



Azerbaijan



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Low administrative fees for starting legal action

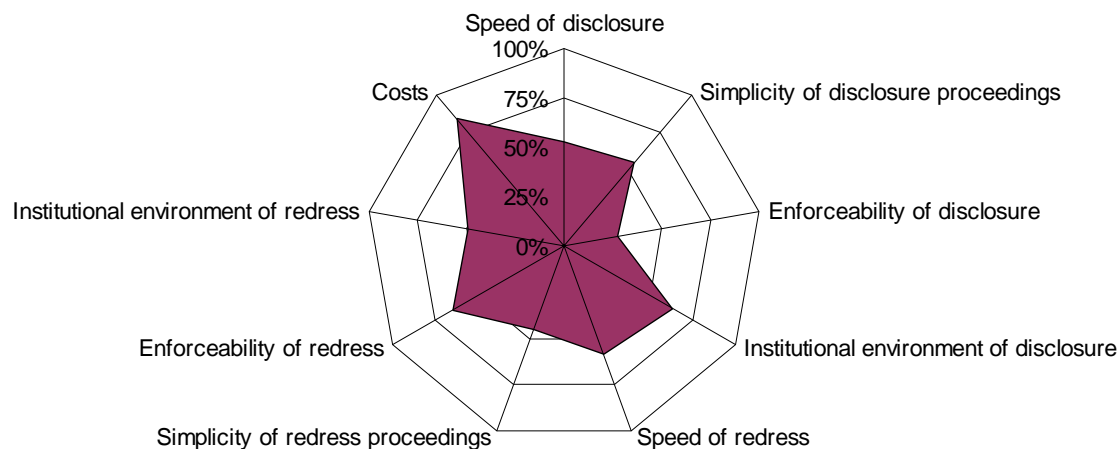
Problems:

Long time needed for obtaining disclosure and redress (up to 2 years) and it is reported to be easy for the defendant to delay the proceedings further

Weak Institutional Environment



Georgia



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Low legal costs

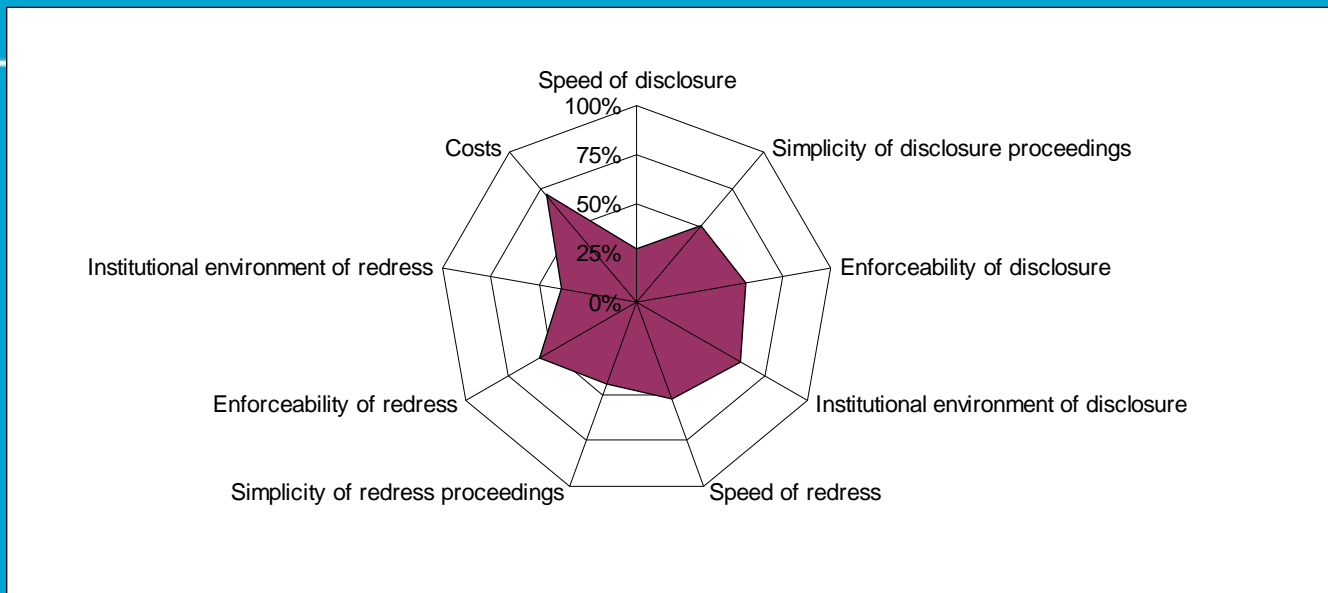
Corporate information considered reliable

Problems:

Enforcement of disclosure proceedings can be difficult

Redress proceedings can be complex

Kazakhstan



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

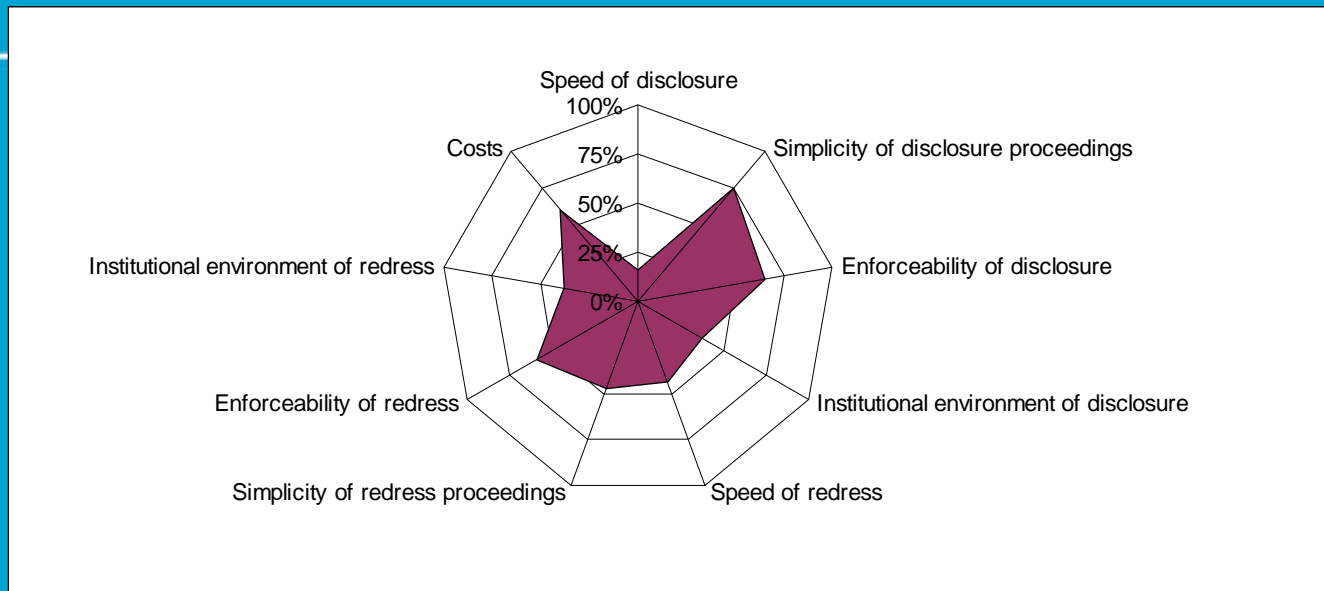
Good laws on the books
Corporate information considered reliable

Problems:

Long time for obtaining disclosure (up to 1 year) and it is reported to be easy for the defendant to delay the proceedings further
Complexity of proceedings
Possible bias by courts



Kyrgyz Republic



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Relative simplicity of disclosure proceedings

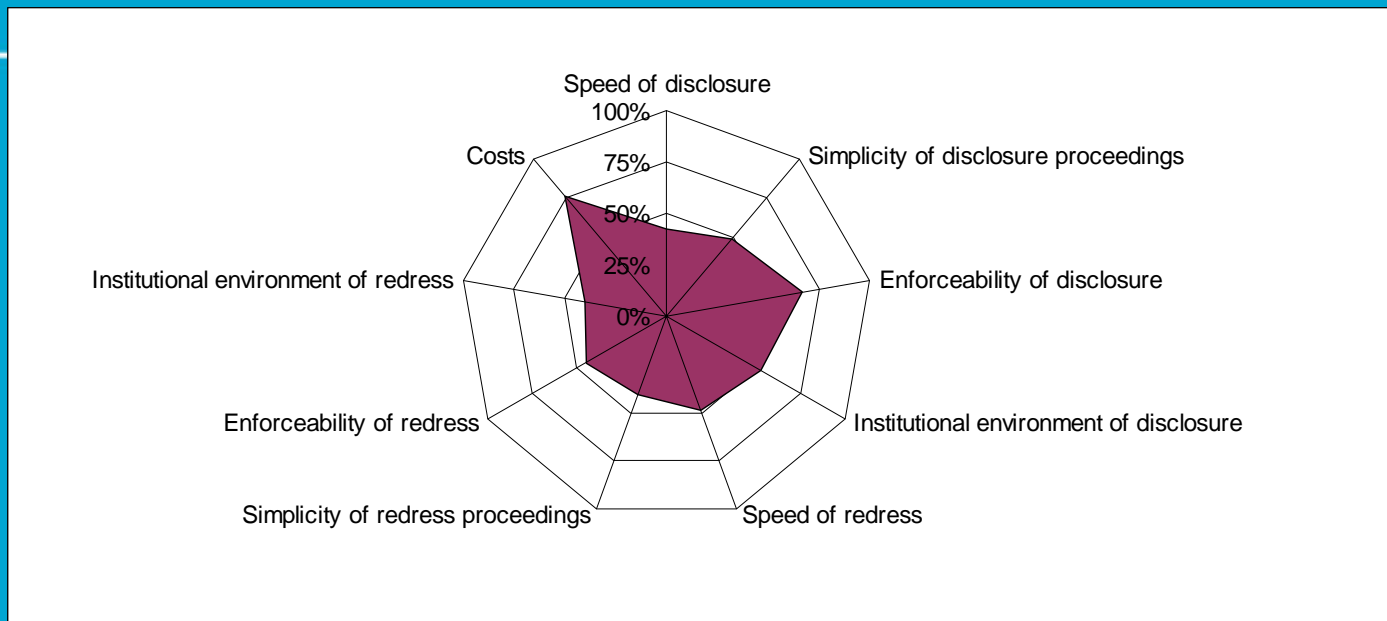
Problems:

Long time for obtaining disclosure and redress (> 2 years) and it is reported to be easy for the defendant to delay the proceedings further

Weak Institutional Environment



Moldova



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Good laws on the books

Problems:

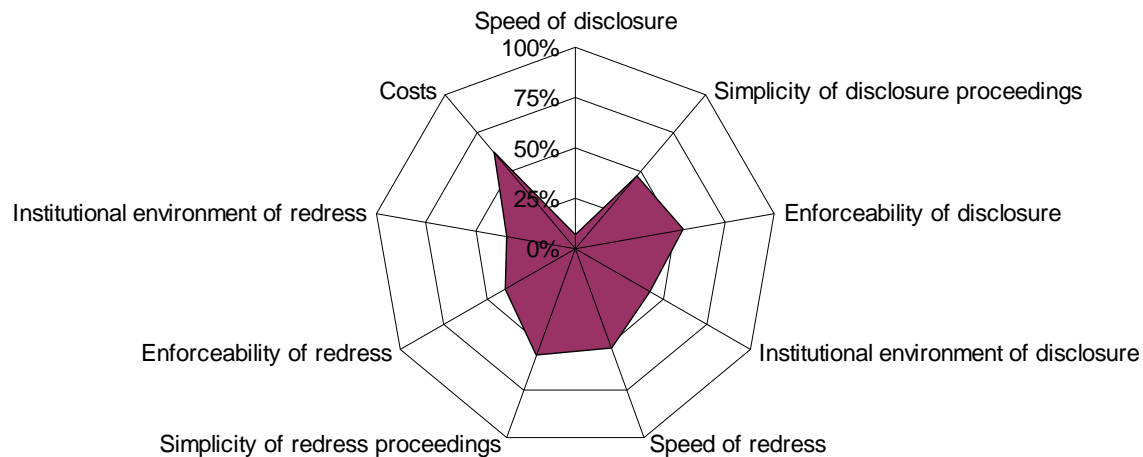
Complexity and Enforceability of proceedings

Long time needed for obtaining disclosure and redress (> 1 year) and it is reported to be easy for the defendant to delay the proceedings further

Weak Institutional Environment



Mongolia



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Several course of actions

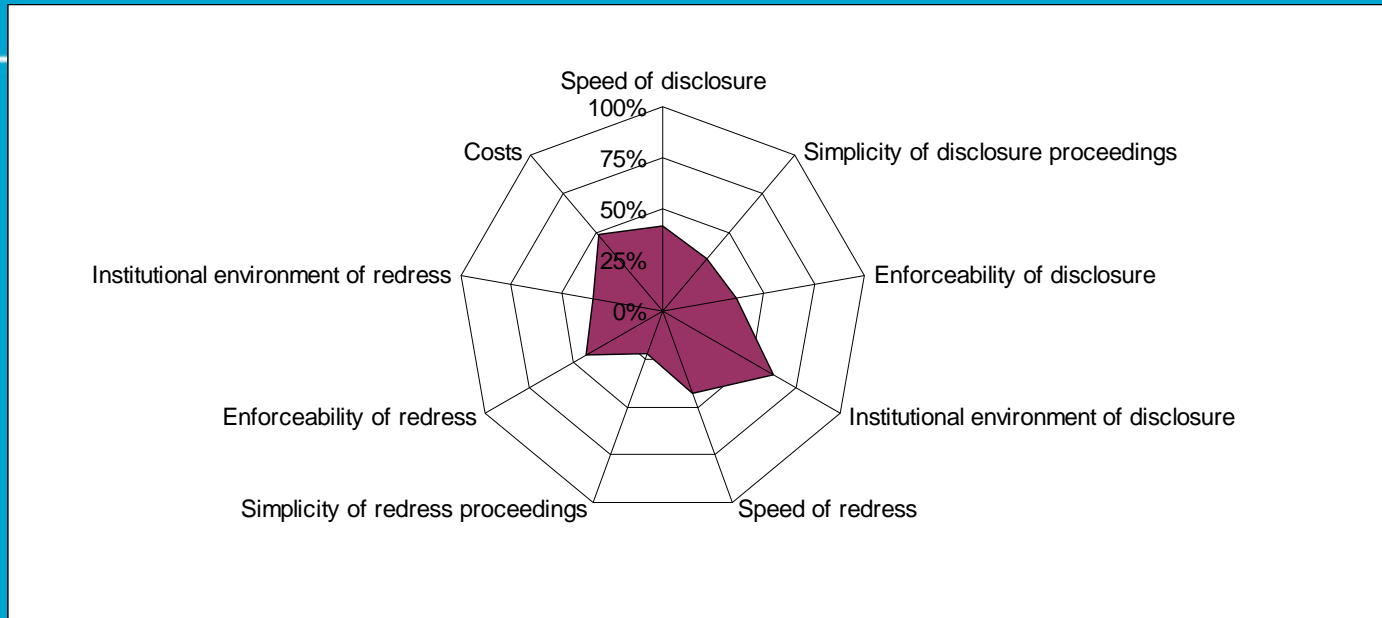
Problems:

Long time needed for obtaining disclosure (> 1 year) and it is reported to be very easy for the defendant to delay the proceedings further

Weak Institutional Environment



Ukraine



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Reliability of company books

Problems:

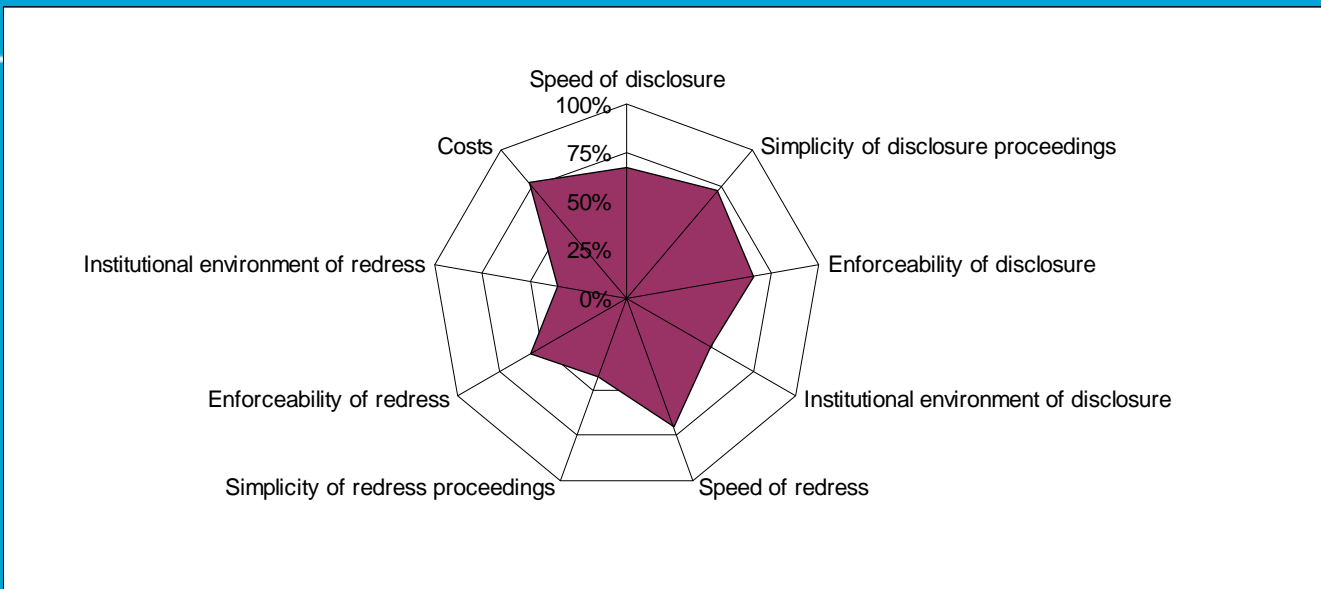
Long time for obtaining disclosure and redress and it is reported to be easy for the defendant to delay the proceedings further

Complexity of proceedings

Weak Institutional Environment



Uzbekistan



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Reliability of company books

Good timing for disclosure and redress

Problems:

Complexity of redress proceedings

Weak Institutional Environment (especially in redress)



Eurasia: Disclosure and Redress

Major problems in the region:

- Length of the proceedings
- Weak Institutional Environment
- Lack of effective enforcement procedures
- Complexity of the procedures



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