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Enforcement of Corporate Governance Rules

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Session 1: Recent Developments and Reforms

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Background information of the implementing Corporate Governance Principles in Uzbekistan

Main principles of corporate governance in Uzbekistan are stipulated in the Law «On joint-stock companies and protection of shareholders' rights». In addition, a number of Presidential decrees and Government resolutions have been adopted aiming to improve corporate governance in joint-stock companies.

In general, current legal and regulatory framework of corporate governance in Uzbekistan consistent with international standards and provides necessary conditions for implementation of best corporate governance principles in joint-stock companies.

I would like to point out micro problems, because many changes in macro level come from micro level.

Joint stock companies, where supervisory boards, audit committees and chief executive officers have been replaced, in general become more transparent and many factors impeding implementation of best corporate governance principles have been eliminated.

Some examples of such accomplishments may include:

- Requirements for minimum qualifications of supervisory board members, their independence and forms of representation of minority shareholders in supervisory boards have been developed;

- Practice of election into supervisory board and audit committee of joint stock company, especially in the former SOE, officials/employees of the same company have been abolished;

- Control mechanisms over efficiency of the activity of executive management bodies and their responsibility to shareholders (development, adoption and control over performance of business - plans, achievement of planned parameters of profitability, earnings per share and etc) have been improved;

- Practice of granting privileges to state representatives in related to other shareholders has been cancelled: 1) regulation according to which decision of supervisory board can not be made without agreement of state representative; 2) powers of state representatives to cancel decisions of general shareholders meetings.

2. There are a number of factors that impede further improvement of corporate governance and implementation of best international practice in Uzbek joint stock companies. Some of them can be summarized as follows:

- Appointment of executive directors (i.e. chairman of board) on uncompetitive and non transparent basis;

- Adoption of business plans not at general shareholders' meetings, what contradict the law of the Republic of Uzbekistan;

- Low quality of control of activities of executive directors (management bodies) by supervisory boards;

- Lack of critical analysis of executive directors activities in joint-stock companies;

- Information disclosure rules violation by issuers of securities;

- Violation of rules on conducting general shareholders' meetings;

- Lack of qualified staff working on corporate governance issues in joint stock companies;

- An inadequate level of competence of audit committees in the prevention of financial violations.

Thank you very much.