



Suruhanjaya Sekuriti
Securities Commission
Malaysia



ASIAN ROUNDTABLE ON CORPORATE GOVERNANCE

AGENDA

Kuala Lumpur, Malaysia

5 - 6 June 2013

In partnership with the Government of Japan



Context

This meeting of the Asian Roundtable on Corporate Governance comes at a critical time. Equity markets all over the world are undergoing important changes. In the most developed markets, high-frequency trading, increased use of indexing and growing market fragmentation are being seen, along with a marked decline in initial public offerings (IPOs) and increase in de-listings during the last decade. Meanwhile, some of the larger emerging markets have picked up a growing share of IPOs. One consequence of this development is that, on a global scale, companies with concentrated ownership are becoming the norm.

Developments in terms of market structure, investment strategies and ownership have also raised questions about the conditions for equity-financed growth and the need to adapt corporate governance requirements and practices to changing circumstances. These are some of the questions and issues being discussed as the OECD prepare to revise the *OECD Principles of Corporate Governance* beginning in 2014.

This Roundtable meeting will serve as an opportunity to better understand the particular features and challenges associated with equity market developments worldwide and in particular, corporate governance policies and practices and their relationship to equity market growth in Asia. At center stage will be the question of how equity markets can serve the needs of the real economy and ensure that companies with growth potential gets access to the risk capital they need for innovation and job creation.

The Roundtable's sessions have been designed and structured to address several of the special characteristics of Asian markets, such as the prevalence of concentrated ownership, notably by the state and families and how corporate governance policies, regulations and practices have evolved or should be adjusted to fit the particular challenges and opportunities associated with such characteristics. Break-out sessions will focus on specific public supervision and enforcement issues, providing valuable input to the work of the Asian Roundtable Task Force on Enforcement. The final report on board nomination and election in Asia will be presented for endorsement at the meeting. This discussion will be structured through consideration of five main themes:

- 1) Risks and opportunities of controlling owners in Asia;
- 2) Asian equity markets and long term growth;
- 3) The role of institutional shareholders in Asia;
- 4) Board nomination and election in Asia : recommendations; and
- 5) Public supervision and enforcement in Asia : breakout sessions

Mandate

Established in 1999, the Asian Roundtable on Corporate Governance (ARCG) has become a unique platform for engagement by senior officials, regulators, and practitioners - including international and regional institutions and academics - committed to improving corporate governance in Asia¹.

¹ The participating Asian economies include: Bangladesh, China, Hong Kong China, India, Indonesia, Korea, Malaysia, Mongolia, Pakistan, the Philippines, Singapore, Chinese Taipei, Thailand and Vietnam.

The overall goal of the ARCG is to support decision-makers in their efforts to improve corporate governance in the region. This is achieved through Task Forces, informal peer review of corporate governance policy frameworks and practices in the region, benefitting from international experience. Participants share major developments and challenges, evaluate implementation and enforcement as well as discuss and analyse policy options to support viable and effective corporate governance reforms.

Concretely, the ARCG offers (i) evidence-based comparative policy analysis and advice in order to advance implementation of better corporate governance in the region, and (ii) consensus-building and real knowledge-sharing, including by providing a bridge between Asia and the OECD Corporate Governance Committee – the standard setter on corporate governance.

Guidance for moderators, speakers and participants

Moderators are invited to provide a very brief introduction outlining the key issues for their session, to maintain the focus on the theme of their session, manage time strictly and encourage open discussion among participants to draw out specific country experiences and conclude with agreed points.

Speakers are invited to highlight the main challenges related to the specific theme and related questions in the agenda, and illustrate with their country experience. Presentations are expected to be about 10 minutes. If slides are used, please limit to a maximum of 8 slides and circulate descriptive documentation in advance.

Roundtable participants are invited to react, expose their views and discuss the issues raised by speakers - related to the issues provided in the agenda. They are encouraged to actively and openly participate in discussions to share their country experience.

For the small group discussions: Moderators are invited to encourage open discussion during the break-out sessions and to summarise the discussion the next day, with the help of note takers.

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8.30 - 9:00	Registration
9:00 - 9:30	Inaugural Session
9:30 -11:00	Session 1: Recent Corporate Governance Developments in Malaysia
11:00 – 11:30	Coffee/Tea Break
11:30 – 13:00	Session 2 : Risks and opportunities of controlling ownership in Asia
13:00 – 14:30	Lunch
14:30 – 16:00	Session 3: Asian equity markets and long term growth
16:00 – 16:30	Coffee/Tea Break
16:30 – 18:00	Session 4: Small group sessions on enforcement in Asia
19:00	Dinner

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9.15 – 10:00	Session 5: Endorsement of the Board Nomination and Election in Asia Paper
10:00 – 11:00	Session 6: Reports from the small group sessions on enforcement
11:00 – 11:30	Coffee/Tea Break
11:30 – 13:00	Session 7: The role of institutional shareholders in Asia

Agenda - Discussion Points

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INAUGURAL SESSION

- **Datuk Ranjit Ajit Singh**, Executive Chairman, Securities Commission Malaysia
- **His Excellency Mr Richard Boucher**, Deputy Secretary General, OECD

Session 1 Recent Corporate Governance Developments in Malaysia

Corporate governance reform has been a priority for Malaysia since the 1997 financial crisis. The Securities Commission Malaysia, Companies Commission, Bank Negara and Bursa Malaysia have all been actively enhancing the corporate governance framework. In 2011, the Securities Commission released the *Corporate Governance Blueprint* (Blueprint), a five-year plan which seeks to further improve corporate governance standards in Malaysia. The Blueprint considers approaches aimed at strengthening self and market discipline, and promoting a corporate governance culture. Subsequently, the *Malaysian Code on Corporate Governance 2012* was introduced, which marks the first major deliverable following the Blueprint. What are the next steps and areas of opportunities for Malaysia in moving forward?

Moderator: **Dato Dr. Nik Ramlah Mahmood**, Deputy Chief Executive, Securities Commission Malaysia

Panel: **Mr. Gerald Ambrose**, Chief Executive Officer, Aberdeen Islamic Asset Management Sdn Bhd
Ms. Rita Benoy Bushon, Chief Executive Officer, Minority Shareholder Watchdog Group
Y.M. Tunku Mahmood Fawzy, Director, Telekom Malaysia Berhad

Session 2 Risk and opportunities of controlling ownership in Asia

A defining characteristic of listed companies in Asia is the large number of controlled companies, either by the state, the original entrepreneur or a company group often family-owned. Understanding the experience of ownership and governance practices is important to assess its influence on the ability of Asian companies to grow and attract capital, in a sustainable fashion. This is particularly important in light of a projected shortage of equity capital in the region in the next decade.

- The Asian SOE Task Force has focused over the years on the role of the state as an owner. Benefitting from this work and shifting the focus to listed companies, what is the experience with direct or indirect controlling state ownership? How were the SOEs selected for listing, were they reformed prior to listing and how was their performance and governance affected?
- Company groups, often family controlled, are wide-spread in Asia. What are the risks and opportunities in these companies, in terms of investor confidence and access to capital? What are the implications for the corporate governance rules and practices?

Moderator: **Mr. Rainer Geiger**, Consultant, Board Member, INEADEC (Institut Euro-Africain de droit économique), France

Panel: **Mr. Fuad Hashimi**, President & CEO, Pakistan Institute of Corporate Governance
Mr. Yuelin Yang, Managing Director, IMC Industrial Group, Singapore
Mr. Zhengjun Zhang, SOES Division Chief, Senior Research Fellow, Development Research Centre, China
Mr. Joseph Fan, Professor, Centre for Institutions and Governance, Chinese University of Hong Kong

Session 3 Asian equity markets and long term growth

This session will take stock of how corporate governance trends and other relevant factors have influenced capital market growth in the region. This should also be considered in light of global trends in capital markets – including declining use of markets for IPOs, increased use of high frequency trading and indexing and how governments are responding in terms of revised policy frameworks for corporate governance.

- What are the specific characteristics of capital markets in Asia and factors influence growth? How have corporate governance policies, regulations and practices evolved to fit the particular challenges and opportunities associated with “Asia-specific” characteristics? What factors inhibit the further rise of Asian markets?
- How do current market structures and trading practices influence the incentives and ability of owners to carry out their ownership function? To what extent do corporate governance practices of listed companies influence the level of appetite to invest in Asia?

Moderator: **Mr. John Plender**, Columnist, Financial Times, United Kingdom (tbc)

Panel: **Mr. Erik Vermeulen**, Department of Business Law, Tilburg University, Center for Company Law, The Netherlands
Mr. Yi-Hong Hsieh, Commissioner, Financial Supervisory Commission, Chinese Taipei
Mr. Khaloon Lee, Senior Policy Director, Asia Pacific, CFA Institute, Centre for Financial Market Integrity, Malaysia
Mr. Bandid Nijathaworn, President and CEO, Thai Institute of Directors

Session 4 Small group sessions on enforcement in Asia

Effective supervision and enforcement of corporate governance rules remains a challenge globally, including in Asia. Minority and foreign investors feel themselves particularly vulnerable to these abuses. Given the hurdles to private enforcement in Asia, strengthening public enforcement capacity is essential.

An effective and credible enforcement framework is shaped by the complementary and interdependent roles of both public enforcement² and private enforcement³. However, Asian Roundtable Taskforce on Enforcement agreed to focus specifically on advancing active, visible and effective public supervision and enforcement. This is to ensure that the ultimate deliverable, a good practices report on enforcement, provides focused, comprehensive and practical guidance.

Small group sessions on specific aspects of public supervision and enforcement will provide an opportunity for all participants to discuss specific challenges identified in an issues paper and survey.

Brief presentations on the results of the Task Force survey and issues paper will precede the discussions.

Introduction: **Ms Selvarany Rasiah**, Chief Regulatory Officer, Regulations, Bursa Malaysia Bhd

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Session 5 Endorsement of the Board Nomination and Election in Asia Paper

Nomination and election of board members is one of the fundamental elements of a functioning corporate governance system around the world. The discussion of the draft recommendations in Tokyo highlighted that while there was agreement on the desirable outcomes (e.g. board effectiveness, competence and a transparent process), finding specific solutions for implementation in a controlled ownership environment is a challenge. Some expressed the view that minority shareholders should have a more prominent voice in the process (like in Italy and Israel) while others believe that majority shareholders have a legitimate right and even responsibility to control the process.

Participants agreed that the focus should be less about differentiating between owners and more on having a transparent process, with accountability, that attracts the most competent board members. An independent nomination committee can play a more effective role in this regard as well as fair board evaluations. There was also a desire to see the recommendations become less prescriptive, more outcomes oriented and achievable. This paper seeks to do. Participants are invited to endorse the paper.

Moderator: **Mr. John Lim**, Chairman, Singapore Institute of Directors (SID)

Panel: **Ms Fianna Jurdant**, Senior Policy Analyst, OECD

Ms ETTY WULANDARI, Senior Specialist to the Chairman, Indonesia Financial Services Authority, Indonesia

Mr. Hasung Jang, Dean and Professor of Finance, Korea University

² Public enforcement encompasses enforcement actions and sanctions for breach of laws and rules by regulatory bodies, administrative, civil and in some cases criminal sanctions (e.g. securities commission, stock exchange or self regulated organizations, judicial).

³ Private enforcement involves actions taken by private parties to pursue civil remedy.

Session 6 Reports from the small group sessions on enforcement

Moderator: **Mr. Rainer Geiger**, Consultant, Board Member, INEADEC (Institut Euro-Africain de Droit Economique), France

Session 7 The role of institutional shareholders in Asia

In addition to influencing the conditions for access and allocation of equity, as discussed earlier, the corporate governance framework also decides how shareholders can monitor and engage in the corporate decision-making process. The possibilities for such monitoring and engagement cover a vast number of means and issues. It includes the ability to sell the stock, which may signal dissatisfaction but also more direct ways of engagement, through for example shareholder meetings, board representation or even a takeover.

While some obstacles for shareholders to exercise these rights may still exist in Asia, a more important question is whether institutional shareholders have the willingness and ability to exercise their rights. The issue of institutional shareholder engagement is one of six agreed priorities by the Asian Roundtable (2011, OECD – Reform Priorities for Asia, taking corporate governance to a higher level). This session will discuss:

- What specific concerns do different institutional investors (e.g. private equity, insurance, pension, sovereign wealth and hedge funds) face, including in their own governance? Do IIs have enough information to make informed decisions? How do IIs seek to influence corporate behaviour in Asia? What can the private sector and policy makers do to improve the corporate governance outcomes of institutional investors' behaviour?
- To what extent do different categories of shareholders actually perform their fundamental role to bring new and independent information about corporate aspects to the market? What are the fundamental incentives for active and informed ownership for institutional shareholders? How do the business models, competitiveness and investment strategies of institutional investors affecting their incentives? How do their actions relate to the objectives of the ultimate owners?

Moderator: **Mr. Charles Lee**, Advocacy & Research, ACGA

Panel: **Mr. Serdar Celik**, Economist, OECD

Mr. Mirza Baig, Managing Director, Hikma Governance Consulting, India

Mr. Clarence Yang, Head, Corporate Governance Asia ex-Japan Blackrock, Hong Kong, China

Mr. David Smith, Head of Corporate Governance, Aberdeen Asset Management Asia, Singapore

Concluding Remarks: Looking Ahead

Ms Fianna Jurdant, Senior Policy Analyst, OECD

Dato Dr. Nik Ramlah Mahmood, Deputy Chief Executive, Securities Commission Malaysia