

A decorative illustration of several green bamboo stalks with leaves, positioned on the left side of the slide.

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*Session 5: The Role of Stock Exchanges in Promoting Corporate
Governance in Asia – ten years from now?*

A stylized map of the Asian continent, colored in shades of green and yellow, located on the right side of the banner.

Asian Roundtable
on Corporate Governance
10-year Anniversary

9-10 September 2009 - Manila, Philippines

Role of Stock Exchanges in Promoting Corporate Governance in Asia



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September 10, 2009, Manila Peninsula Hotel, Makati City



Convergence in the view that...

Stock Exchanges provide effective mechanisms for improving corporate governance through

- Transparency and disclosure regime (international standards)
- Investor protection system
- Accountability systems (Board Functioning)
- Effective enforcement
- Enables “market mechanisms” to apply
- Dynamism and responsiveness to changing times

Are the conditions favorable for Stock Exchanges to “deliver on the promise”?...

- **OECD Paper on the Role of Stock Exchanges (November 2008):**
 - ✓ Demutualization and listing of Stock Exchanges brought about inherent conflicts (for profit vs. regulatory roles, self listing)
 - ✓ Competitive environment raises risks of regulatory “race to the bottom” trend towards separating regulatory from business functions
- **CG issues faced by some Asian exchanges**
 - ✓ Regulating corporate actions that are allowed under the existing legal framework but are not consistent with internationally accepted CG standards
 - ✓ Existence of a group or sector that exerts control or significant influence over the exchange
 - ✓ Unwillingness to resort to de-listing and other punitive measures for CG violations.
 - ✓ CG is not seen as a priority by the exchange.



A Closer look at Asian Exchanges (AOSEF 2009)

Key activities are on:

- ✓ market development (new products/services, easing restrictions, collaboration with other exchanges, etc)
- ✓ operations (upgrade of trading/IT systems , reorganization, market surveillance, etc.)
- ✓ reputational (partnerships, CSR, etc)
- ✓ legal & regulatory (strengthening regulatory framework, improving CG, etc)



The AOSEF Corporate Governance Task Force

- ✓ Co-chaired by the PSE and TSE
- ✓ to discuss and study the current and emerging corporate governance issues faced by exchanges, particularly those of its members
- ✓ an instrument for gathering and exchanging CG experiences and initiatives well as networking with other organizations
- ✓ To conduct a survey that would lead to the development “Study Report on Corporate Governance of Asia-Oceania Stock Exchanges”
- ✓ To cover governance structure, regulatory function, enforcement concerns

Points for consideration

- A stock exchange's ability to be an effective tool for CG reform can be a function of :
 - legal and regulatory environment
 - its own ownership and governance structure
 - its capacity to develop and enforce CG standards
 - its commitment to CG
- The “Moral Case” vs. “Business Case” vs. “Legal Case” – the Exchange's developmental, business and regulatory agenda.
- In Asia, there are strong indications , if not concrete steps, by stock exchanges –collectively and individually- to actively push for CG reforms

Thank You

