Response: Consultation on Draft Revisions to the OECD Guidelines on Corporate Governance of State-Owned Enterprises

11 September 2023

Background

Established in 1961, the WFE is the global industry association for exchanges and clearing houses. Headquartered in London, it represents over 250 market infrastructure providers, including standalone CCPs that are not part of exchange groups. Of our members, 34% are in Asia-Pacific, 45% in EMEA and 21% in the Americas. WFE's 90 member CCPs and clearing services collectively ensure that risk takers post some $1.3 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. WFE exchanges, together with other exchanges feeding into our database, are home to over 50,000 listed companies, and the market capitalisation of these entities is over $100 trillion; around $140 trillion (EOB) in trading annually passes through WFE members (at end 2022).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back more than 40 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policy makers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system.

If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

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Response

General Comments

The WFE welcomes the opportunity to respond to OECD's draft revisions to the OECD Guidelines on Corporate Governance of State-Owned Enterprises (SOEs).

In general, the WFE is in favour of the changes proposed, particularly in relation to transparency/ disclosure as well as sustainability. SOEs can play an important and, sometimes, a dominant role in many economies, especially emerging and developing ones. Hence, it is essential that SOEs develop and maintain a solid governance structure, which will foster transparency and accountability in order to support and promote a just transition and strategies towards a more resilient, equitable future in line with the UN's Sustainable Development Goals. Moreover, SOEs with solid governance should be able to make a significant contribution to sustainable economic development, sending a strong signal to other market participants. To that end, it is extremely important that SOEs set clear, ambitious goals and strategies backed by consistent policies, procedures, and systems. In particular, it is crucial that SOEs have a professional, independent and diverse board of directors with the appropriate background, skill sets and professional experience to allow SOEs to tackle challenges head-on, helping solve the most pressing issues of our time.

The WFE has previously requested and will take this opportunity to request for more emphasis on the role played by exchanges. As noted by OECD, most SOEs are incorporated according to companies law and about half of these companies by value are listed on a national stock exchange. In such cases, investors and taxpayers are both benefiting from these companies; therefore stewardship can play a key role in ensuring transparency and accountability of SOEs which can only strengthen the application of the guidelines. Given this, we would like to request more emphasis be given to the role of exchanges.

The principles could elaborate on the role SOEs play in market development, where SOEs conduct new economic activities that will pave the way for other commercial entities to follow on. This might be particularly relevant in the field of sustainability and sustainable finance, where initial work (eg R&D, legal cost) may involve substantial cost without clear, short-term benefit, although in the long-term would be beneficial for the community or member state if more players enter the market.

Please see detailed comments below.

Specific Comments

Applicability and definitions

It is good to see a more detailed discussion of when a company that is not majority owned may be considered 'controlled' by the state. It makes sense to extend the definition of state 'ownership' to both direct and indirect control as this will help aid transparency in the market.

It is also good to see that OCED have clarified 'sustainability' definitions as those embodied in the United Nations Sustainable Development Goals.

Section (iii) State-owned enterprises in the marketplace

The WFE is in favour of broadening the range of identified practices that may unduly favour SOEs; this would help encourage a more transparent market and a more level playing field, particularly for companies that must respect the high standards associated with being listed.

In particular, it is in favour of additional language encouraging transparency through high-quality disclosures.

Section (v) Disclosure and transparency

The WFE believes that good quality disclosures can help aid well-functioning markets and therefore is in favour of increased guidance on disclosures. It is also pleasing to see that additional details are added related to guidance on assurance.

Section (vii) State-owned enterprises and sustainability

We are pleased to see the introduction of a new chapter for guidance on sustainability. The WFE welcomes clarification around responsibilities of the board, particularly in relation to sustainability.

We believe that state-owned firms should be setting a good example to the private sector. Indeed, given the climate commitments of Member countries, we would also suggest that this chapter include transition plans as state owned companies often arise in transition sectors whose value will only be maintained if they are successfully chaperoned through the challenging transition process.