



**Task Force of Middle East and North African Stock Exchanges
for Corporate Governance**

Meeting Agenda

22 June, 2012

The Marmara Taksim Hotel, Istanbul, Turkey

Hosted by the Istanbul Menkul Kıymetler Borsası



**MENA-OECD
INVESTMENT
PROGRAMME**



Background and Objectives

The Taskforce of Middle East and North African Stock Exchanges for Corporate Governance was established as part of the MENA-OECD Working Group on Corporate Governance in 2011. It is composed of representatives of stock exchanges, securities regulators, and other experts from 18 MENA economies, as well as their counterparts in OECD member countries. The MENA-OECD Working Group on Corporate Governance is part of the broader MENA-OECD Investment Programme.

The Taskforce held its first inaugural meeting on 5 July, 2011 in at the OECD Headquarters in Paris. The objective of the meeting was to constitute the Taskforce and launch initial discussions on topics of priority for regional stock exchanges and regulators in relation to advancing corporate governance. On this occasion, the OECD presented the preliminary results of a questionnaire disseminated to all regional exchanges in April 2011.

This meeting was attended by heads of stock exchanges and securities regulators from the region as well as some OECD member countries. Participants engaged in a lively debate on the following issues, identified of priority:

- the landscape of the stock exchange industry and its impact on corporate governance;
- the role of exchanges in promoting listing standards,
- the regulatory powers of exchanges in relation to corporate governance;
- the enforcement of corporate governance codes/recommendations by stock exchanges;
- the role of exchanges in ensuring market transparency.

Second Taskforce Meeting

The second meeting of the Taskforce will be organised in a similar format of *a high level regional roundtable*, where heads and other representatives of regional exchanges will again be invited to participate, alongside regulators and relevant international and regional institutions, including the World Federation of Exchanges, the Arab Federation of Exchanges, and the Federation of Euro-Asian Exchanges. The meeting will take place on June 22, 2012 in Istanbul, Turkey.

The topics for discussion during this second meeting reflect the existing priorities for the development of regional stock exchanges and improving their global standing:

- privatisation and demutualisation of exchanges;
- attracting further listings: SMEs and family-owned companies;
- attracting and retaining institutional investors;
- the role of exchanges in monitoring market manipulation.

Each panel will provide an opportunity for all Taskforce participants to interact and discuss the issues raised by lead speakers and related to the questions provided in the agenda. The discussions will be informed by the *OECD Report on the Role of Arab Stock Exchanges in Corporate Governance*, which will be released on this occasion. This report is based on the draft paper presented at the first meeting of the Taskforce, enriched by ongoing discussions and questionnaire responses from MENA countries.



Moderators will structure discussions along the questions provided in the agenda and will keep the discussions interactive. Each of the panels will feature lead presenters whose role will be to outline the main issues. The objective is to stimulate reflection and encourage the exchange of views and experience among all Taskforce participants, as well as to identify a way forward for the Taskforce, leveraging the findings of the report.

Acknowledgements

The work of the Taskforce is generously supported by the Capital Markets Board of Turkey and the Istanbul Stock Exchange (Istanbul Menkul Kıymetler Borsası). Turkey, an OECD member country, has a relatively similar experience as MENA countries and close relations with the regional stock exchanges. Therefore, the Capital Markets Board and the Istanbul Menkul Kıymetler Borsası have volunteered to participate in and support the work of this Taskforce. The Arab Federation of Exchanges has also been participating and supporting this project, for which it is also thanked.



8.30-9.00 Registration

9.00-9.30 Opening Remarks

- Mr. Mats Isaksson, Head of Division, Corporate Affairs, OECD
- Dr. Ibrahim Turhan, Chairman and CEO, Istanbul Menkul Kıymetler Borsası; President, Federation of Euro-Asian Stock Exchanges
- Dr. Vedat Akgiray, Chairman, Capital Markets Board of Turkey; Vice Chairman, IOSCO

9.30-10.00 Presentation and Discussion of the Report: *The Role of MENA Stock Exchanges in Corporate Governance* and Press Conference

This panel will be dedicated to publicly launching the report on the *Role of MENA Stock Exchanges for Corporate Governance* with the presence of local and international media. Representatives of stock exchanges are welcome to comment on the report and highlight key developments from their market. Bilateral interview opportunities with the media will be also available during the coffee break.

Presentation:

- Ms. Alissa Amico, Manager, MENA, Corporate Affairs Division, OECD

Discussants:

- Dr. Mohammed Omran, Chairman, Egyptian Exchange, Egypt
- Mr. Jalil Tarif, CEO, Amman Stock Exchange, Jordan
- Mr. Ahmed Al Marhoun, General Director, Muscat Securities Market, Oman

10.00-10.15 Coffee break

10.15-11.45 Privatisation and demutualisation of exchanges

Since the early 1990s, most major stock exchanges have demutualised and some have self-listed. The listing of stock exchanges, perhaps even more than their demutualisation, has transformed their business model. Considerable debate and research has accompanied this transition of exchanges from public entities to private, sometimes listed companies. As several exchanges in the MENA region are currently considering their privatisation, this panel will consider experiences of other markets that have already undergone this transition and will seek to shed light on challenges in this process.

Moderator: Mr. Thomas Krantz, former Secretary General, World Federation of Exchanges

Discussants:

- Dr. Mustafa Kemal Yilmaz, Executive Vice Chairman, Istanbul Menkul Kıymetler Borsası, Turkey
- Dr. Ahmad Aweidah, CEO, Palestine Securities Exchange, Palestinian Authority



- Mr. Abdullah Al-Suweilmy, CEO, Tadawul, Saudi Arabia
- Mr. Michael Krogmann, Executive Vice President, Institutional Equity, Deutsche Börse, Germany

Questions for discussion:

- What has motivated the growing interest of MENA exchanges to transition to the private ownership model? What are some of the key considerations in deciding on privatisation or demutualisation of the exchange?
- What are the benefits and risks of demutualisation or privatisation of the exchange?
- What sequencing of reforms is required to be put in place to support this process?
- How should the regulatory responsibilities of exchanges and securities regulators be adapted following demutualisation or privatisation?

11.45-13.00 Preventing market manipulation and corruption: the role of stock exchanges

Corporate integrity and anti-corruption has been a focus of much debate in the region since the events of the Arab Spring. Some actions have been taken by stock exchanges to require listed companies to disclose their affiliations to parties which were implicated in corrupt practices. It is currently unclear to what extent this role of stock markets in the broader anti-corruption drive is feasible and appropriate, and how can interventions be coordinated with other regulatory bodies. Stock exchanges have more explicit mandates to deal with market manipulation, such as sales or purchases or shares based on insider information. This panel will discuss the role of stock exchanges in the broader transparency and anti-corruption agenda and their role in preventing market manipulation and insider trading more specifically.

Moderator: Mr. Mustafa Baltaci, Executive Vice Chairman, Istanbul Menkul Kıymetler Borsası, Turkey

Discussants:

- Mr. Ibrahim Muhanna, Director, Muhanna Actuaries and Consultants, Lebanon
- Mr. Ahmed Al Marhoun, General Director, Muscat Securities Market, Oman
- Dr. Ashraf El Sharkawy, Chairman, Egyptian Financial Supervisory Authority, Egypt
- Mr. Youssef Kortobi, Member of the Board, Tunis Stock Exchange, Tunisia

Questions for discussion:

- Do exchanges have a role to play in the anti-corruption agenda? Has their mandate changed in light of the events of the Arab Spring?
- To what extent do stock exchanges and securities regulators have reliable information on the beneficial ownership in companies and what measures need to be taken to facilitate better ownership disclosure in the region?
- Considering the prevalence of corporate groups, do exchanges and regulators have sufficient information on group structure and ownership to be able to monitor intra group transactions and other related party transactions?



- What technical tools are at the disposal of exchanges to monitor market manipulation and insider trading? How is the cooperation with the securities regulator structured in dealing with such matters?

13.00-14.45 Lunch (Tuti Restaurant, Marmara Hotel)

14.45-16.00 Attracting listings: the role of secondary listing tiers and SME markets

The hunt for listings has been one of the most significant preoccupations for Arab markets. While the global financial crisis is said to have only marginally impacted financial institutions in the region, portfolio investment flows to the region have been impacted. Furthermore, events of the Arab spring have significantly affected and continue to affect MENA markets, exerting pressures on markets to maintain a revenue stream despite significant market declines and instability. In the meantime, IPOs and secondary market offerings in the region have been limited in the past year. One avenue currently considered by several MENA markets is the establishment of secondary listing tiers, including for SMEs. This panel will consider the benefits of establishing multiple tier listing regimes for MENA markets.

Moderator: Dr. Mohammed Omran, Chairman, Egyptian Exchange, Egypt

Discussants:

- Mr. Jalil Tarif, CEO, Amman Stock Exchange, Jordan
- Mr. Aoman Yidar, Chairman of the Board, Bourse de Casablanca, Morocco
- Dr. Hassan El Sady, Economic Consultant, Kuwait Stock Exchange, Kuwait
- Mr. Richard Webster Smith, Manager, International Primary Markets, LSE, UK

Questions for discussion:

- To what extent differentiated listing regimes might be beneficial in attracting additional listings of family owned companies or SMEs?
- On what criteria should secondary listing tiers be based? (i.e. financial metrics, free float, corporate governance characteristics, combination of the above) Should the reporting requirements be adjusted for secondary listing tiers?
- To what extent is the experience of the NILEX market instructive for other stock exchanges in the region and what other experiences might be useful to consider in establishing listing tiers for SMEs, family-owned companies, etc?
- What role can banks and private equity investors play in facilitating exit to public markets?

16.00-17.30 Attracting institutional investors: mechanisms and incentives

One consequence of the financial crisis is that long-term investing has become an important topic and objective of policymakers. With governments concerned about financial stability and searching for new sources of financing, institutional investors are in their sights. The OECD has launched a project on institutional investors and long-term investment and has conducted a peer review in this area, looking at the role of institutional investors in supporting good governance practices. From this



work, it is clear that institutional capital is no panacea to good corporate governance and it does not always represent investment aligned with the long term interest of the companies. That being said, the horizon of professional investors is often longer term. The issue is that institutional investment in the region – especially when sovereign investment management companies are excluded – is low, due to the ongoing development of the insurance industry and private pension funds. This panel will consider how domestic and international institutional investment can be facilitated and how it can benefit Arab stock markets.

Moderator: Dr. Grant Kirkpatrick, Deputy Head, Corporate Affairs, OECD

Discussants:

- Dr. Ryan Olivier Lemand, Senior Economic Advisor and Head of Risk Management, Emirates Securities and Commodities Authority, UAE
- Mr. Subodh Mishra, Vice President, ISS, United States
- Mr. Karim Hajji, CEO, Bourse de Casablanca, Morocco
- Dr. Omar Farooq, Professor of Finance, Aalborg University, Denmark

Questions for discussion:

- What factors account for the fact that in some MENA markets, institutional investors are more present than in others? What is the impact of the rise of ETFs in this regard?
- What role do institutional investors play in corporate governance in the MENA region?
- How can the impact of institutional capital on good governance be accentuated? (e.g. pooling resources between institutional investors, requiring them to disclose their voting, etc.)
- What kinds of conflicts of interest are institutional investors subject to and how can these be monitored?
- What role can sovereign investment vehicles play in promoting good governance practices in listed companies?

17.30- 18.00 Concluding remarks and way forward

This last panel will be structured as an open discussion so as to allow all participants to agree on the future activities of the Taskforce. Participants will be invited to indicate potential topics for the Taskforce to address in its future work. The Taskforce can continue meeting in its current format on an annual basis to consider issues of priority to stock exchanges and securities regulators. In addition, it could continue to undertake technical research based on surveys of exchanges and secondary materials on priority issues. It could also act as an advisory facility for individual MENA exchanges, whereby members of the Taskforce and other international experts could be mobilised to provide technical expertise on specific issues. Last but not least, the Taskforce could continue to support the promotion of MENA markets as an attractive investment destination.

- Ms. Alissa Amico, Manager, MENA, Corporate Affairs Division, OECD
- Dr. Fadi Khalaf, Secretary General, Arab Federation of Exchanges
- Mr. Bekir Safak, Executive Vice Chairman, Capital Markets Board, Turkey

Participants are cordially invited to dinner hosted by the Istanbul Menkul Kıymetler Borsası to be held at Four Seasons Bosphorus at 20.30.