Material 1

BETTER POLICIES FOR BETTER LIVES

# Corporate Governance, Public Policy and the OECD Principles of Corporate Governance

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# The Overall Objective

"…to contribute to **economic efficiency, sustainable growth and financial stability** by improving corporate governance policies and supporting good corporate governance practices"

# The Economic Challenge

- Ensure that household savings can be used for corporate investments.
- Stimulate capital formation, which is the most important factor behind economic growth.

# The quality of corporate governance affects every stage of the investment chain

- **First step: Access to Capital** (are investors confident to part with their money?)
- **Second step: Allocation of Capital** (does capital get to the right companies?)
- **Third step: Monitoring of Capital** (is the capital well and actively used by the corporations?)

# The OECD Principles of Corporate Governance

- Issued in 1999
- Revised in 2004
- Designated as one of the Financial Stability Board's Key Standards for Sound Financial Systems
- Implementation is assessed through ROSCs and peer reviews

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# The OECD Principles of Corporate Governance

- Assist governments in their efforts to improve the legal, institutional and regulatory framework.

- Provide guidance to stock exchanges, investors and other market participants.

- Are outcome oriented. Identify objectives and how to achieve these objectives.

# The OECD Principles address 6 main issues

1. The Quality of the Legal and Regulatory Framework
2. The Rights of Shareholders and Key Ownership Functions
3. The Equitable Treatment of Shareholders

# The OECD Principles of Corporate Governance

4. The Role of Stakeholders

5. Disclosure and Transparency

6. The Responsibilities of the Board

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# The OECD Principles of Corporate Governance

*"The OECD Principles are evolutionary in nature and should be reviewed in light of significant changes in circumstances."*

Currently under review and a revised version will be issued in 2015.

# Some Developments to Consider

- Long term decrease in IPOs and the number listed companies in most OECD countries
- Longer and more complex investment chain
- Increased indexing, surge in ETFs

# Some Developments to Consider

- Changing business model for stock exchanges
- Cross listings
- New Trading Practices
- Rise of Emerging Markets

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# Thank you for your attention!