

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

Council of Experts Concerning the Corporate
Governance Code
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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

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 of Corporate Governance

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

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

Thank you for your attention!