



CORPORATE GOVERNANCE REFORMS ADDRESS FINANCIAL CRISIS RISKS IN THE MENA REGION

Business leaders and policy makers from the Middle East and North Africa, and international and regional experts convened for the Third Hawkamah Regional conference on corporate governance, “Is the Region Becoming a Global Player?: Corporate Governance & the Financial Crisis”, held in Doha on 9-10 November 2008. The conference was organized in association with the Qatar Financial Markets Authority (QFMA) with the support of the Qatar Financial Centre Authority (QFCA) and Doha Bank and in partnership with the International Finance Corporation (IFC) and the Organisation for Economic Co-operation and Development (OECD).

His Excellency Minister Yousef Hussain Kamal, Minister of Economy and Finance and Chairman of the QFMA delivered a keynote policy speech stressing the urgency of action in improving corporate governance in the GCC countries and the MENA region overall. Participants acknowledged the important progress achieved in Qatar in streamlining the financial regulatory authorities and developing a Corporate Governance Code in line with international standards and good practices.

Corporate governance reform, as exemplified by Qatar, is of crucial importance for the region, especially in the current economic climate. The current financial crisis largely stemmed from corporate mal-governance and failures in Western financial institutions, and its contagion and spillover effects are currently felt across the globe, which present us with significant challenges but also with great opportunities. The current environment can be characterized as one of Schumpeterian ‘creative destruction’ in the financial markets, whereby the destruction in Western markets will lead to creative expansion in the GCC, Hong Kong, Shanghai, Singapore, Mumbai and others, provided that emerging markets rise to the challenge.

Conference participants issued the Doha Declaration on corporate governance which charts out next steps for corporate governance in the region and constitutes Hawkamah’s agenda moving forward. Specifically, the Doha Declaration called for the:

- **EXTENDING** the regulatory & supervisory powers of central banks in coordination with the capital market authorities to investment banking and related non-bank financial intermediation.
- **REFORMING** of the risk management frameworks, processes, and implementation practices in order to redress the shortcomings revealed by the turmoil.
- **ADDRESSING** the role and form of regulation of credit rating agencies

- LINKING executive remuneration and incentive structures to long-term performance and risk profile of firms. More disclosure on executive remuneration schemes is required and companies should put their remuneration schemes to shareholder scrutiny and approval.
- STRENGTHENING corporate governance practices, in particular by increasing board competence and responsibility. Board members need to have up-to-date knowledge on financial issues and risk management to fulfill their functions and training should be required when necessary. Boards should conduct annual evaluations of their performance and report to shareholders.
- ADOPTING and IMPLEMENTING existing guidelines on good practices as promoted by the Bank for International Settlements and IOSCO on the governance and accountability of regulators.
- ADVANCING the corporate governance improvements being put in place by Islamic financial institutions focusing specifically on the disclosure rights of Investment Account Holders, the role of Shari'a boards, their integration within the corporate governance structure of the Islamic Finance Institution. The development and implementation of a harmonized Corporate Governance Framework Regulation and market oversight should fully cover these institutions.
- MODERNIZING effective creditor rights and insolvency systems and the development of strong rescue and restructuring frameworks for the region.
- ACKNOWLEDGING that good corporate governance is important not only for listed companies, but also for State and Family-Owned enterprises. To successfully address potential issues of succession of family-owned enterprises and preservation and protection of wealth, their progressive integration into capital markets should be encouraged.
- CONTINUING DIALOGUE and REVIEW of the “Santiago Principles” of the International Working Group (IWG) on Sovereign Wealth Funds An open investment climate should be maintained by recipient countries in line with OECD guidance and instruments.
- INCREASING ROLE for private equity to play a critical role in diffusing corporate governance principles and best practices across their portfolio companies in terms of board structures, administrative procedures, disclosure requirements and minority interest protection.

A review of the response of the regulators to the financial crisis and progress with corporate governance measures will be conducted at the next annual meeting.