

**APEC CORPORATE
GOVERNANCE WORKSHOP
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*Why Corporate Governance is
important in APEC economies*

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Governance

- **Macquarie Dictionary**
 - **government; exercise of authority/control : method or system of government or management**
 - **starts at the top**
 - **reflects “well known concepts of behaviour based on good sense, duty, integrity and probity” - Glenn Stevens, Governor RBA**

2. Imposes serious obligations

- **on boards and management**
- **on governments and their regulatory/supervisory agencies**
- **on shareholders and consumers**
 - **obligations underpinned by enforceable legal requirements and/or market disciplines**

3. Critical to functioning markets

- **in financial markets, governance integral to efficient, competitive and prudentially sound markets**
 - **confidence to save and invest**
 - **necessary for risk management and returns**
- **equally important to other sectors in securing funds to invest and in risk and returns**

4. Impacts of regulatory and corporate governance failures

- **sub-prime/liquidity crisis - profound economic and social consequences – loss of personal wealth and property on a massive scale – loss of confidence**
- **serious slow down in global economic activity**
- **governance failures often not confined geographically - all economies – all systems**
- **varied responses – Sarbines/Oxley and “black letter” in the US cv principles based approach in Australia/Europe**
- **major revisions to US financial supervision and to international supervisory arrangements**

5. Why the need for better governance

- **to meet complex financial/economic/social challenges arising from**
 - **the drive for higher productivity and competitiveness**
 - **deepening community aspirations**
 - **changing demographics**
 - **convergence and integrated economic structures**
 - **new technologies**

6. Governance, and better governance – APEC

- a structural reform agenda issue in the Economic Committee
- Finance Ministers' agenda – in the context of “deepening and strengthening the region’s financial systems”
- a constant theme for APEC Business Advisory Council (ABAC)

7. APEC’s approach

- post Asian financial crisis - clear need to deepen and strengthen financial markets - FMP
 - promote best international practices and standards in financial sectors
- central theme of LAISR agenda for structural reform
- strongly endorsed by recent MMSR
- incremental and purposeful

7.1 APEC's approach (cont)

- **Capacity building**
 - **strongly supported through public private partnerships**
 - **ABAC committed**

8. Improving governance in APEC economies

- **implementing Basel II - banking**
- **risk management supervision in insurance and other non-bank sectors**
- **deeper consultation between rule-making bodies and smaller economies**

8.1 Improving governance arrangements in APEC economies

- **ABAC recommending more critical analysis by IFIs on data on hedge funds and HLIs**
 - focus is understanding potential impact of rapid changes in financial flows
- **Financial System Assessment Programs**
 - APEC economies are signing up
- **enhancing governance through structural reform agenda**

9. Assessment – getting better

Better

- **supervisory systems in place – in some economies**
- **capitalised banks in the region**
- **macroeconomic policy frameworks**
- **understanding of good governance principles and risk management principles**

9. No room for complacency

- **resilience of systems really only tested in bad times – as is now so clearly evident**
- **no risk-proof system and nor can there be**
- **governance – always under scrutiny and improvement – and central theme of structural reform**