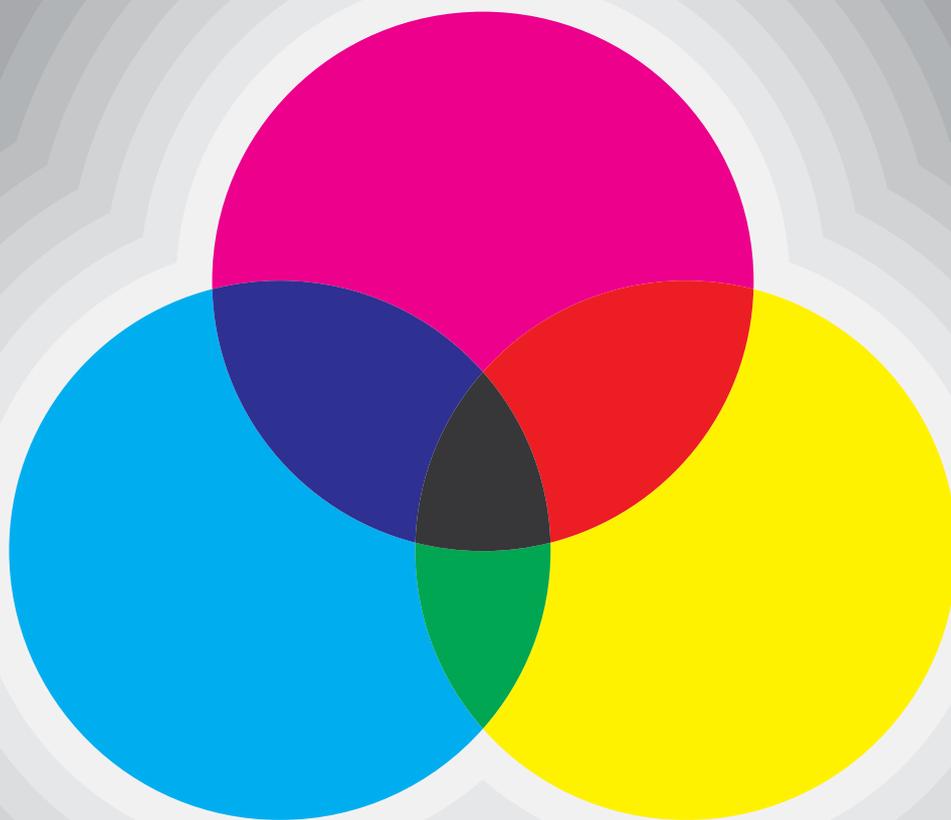


# INTERFEAS

FEDERATION OF EURO-ASIAN STOCK EXCHANGES SPRING 2015



## A RENEWED LOOK AT INSIDE JOB: RELATED PARTY TRANSACTIONS AND DISCLOSURE IN EXCHANGES

RELATED PARTIES  
MATTER TO CAPITAL  
MARKETS

CORPORATE  
GOVERNANCE BOOSTS  
IN MENA

ASIAN MARKETS  
TACKLE RELATED  
PARTIES  
INVOLVEMENT

HOW CAN CSDs ADD  
VALUE TO CORPORATE  
GOVERNANCE?

TIPS TO BECOME A  
TOP INVESTMENT  
DESTINATION

---

# Your gateway to the markets of tomorrow...

FEAS strives to help create fair, efficient and transparent market environments among 33 full members, 9 affiliates, 3 observers and 5 bilateral members in 34 countries and in their operating regions.

---



Borsa Istanbul Building, Emirgan 34467  
Istanbul, Turkey

**Tel:** (90 212) 298 2160

**Mobile:** (90 530) 735 0742

**Fax:** (90 212) 298 2209

**E-mail:** [secretariat@feas.org](mailto:secretariat@feas.org)

**Web address:** [www.feas.org](http://www.feas.org)

**Contacts:** Mr. Mustafa Baltaci,  
Secretary General  
Ms. Ege Adalioglu,  
Deputy Secretary General

The Federation of Euro-Asian Stock Exchanges  
Interfeas Magazine Spring 2015 is published  
by the Federation of Euro-Asian Stock  
Exchanges.

All editorial material was collated and  
edited by the Federation of Euro-Asian  
Stock Exchanges. The design, production  
and distribution was coordinated by the  
Federation of Euro-Asian Stock Exchanges.

**Designed by:** Tayburn

Although every care has been taken to ensure  
the accuracy of the information contained  
within the publication, the Secretariat  
cannot be held liable for any inaccuracies,  
errors or omissions, nor held liable for any  
actions taken on the basis of the information  
provided herein.

© The Federation of Euro-Asian Stock  
Exchanges

---

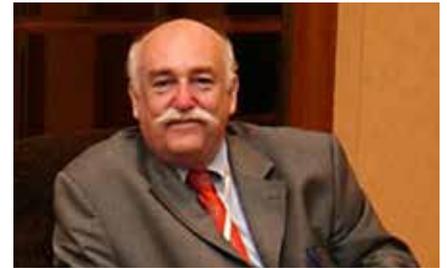
## IN THIS ISSUE



- 3 FEAS PERSPECTIVE**  
**Mustafa Baltacı**  
 FEAS Secretary General



- 4 RELATED PARTY TRANSACTIONS:  
 A NEW FOCUS IN THE MENA  
 GOVERNANCE DEBATE**  
**Alissa Amico**  
 Programme Manager, OECD



- 7 ASIAN MARKETS TACKLE RELATED  
 PARTY TRANSACTIONS**  
**Grant Kirkpatrick**  
 Corporate Governance Expert



- 14 NASDAQ OMX ARMENIA HOSTS  
 THE FEAS SPRING MEETINGS IN  
 YEREVAN**



- 16 EMIRATES BOOSTS CORPORATE  
 DISCLOSURE**  
**Dr. Ryan Lemand**  
 Senior Economic Advisor, UAE  
 Securities and Commodities Authority



- 18 CSDs ENABLE BETTER CORPORATE  
 GOVERNANCE**  
**Orcan Çörtük**  
 Executive Vice President,  
 Merkezi Kayıt Kuruluşu



- 20 17 TIPS TO BE THE BEST INVESTMENT  
 DESTINATION IN THE WORLD**  
**Dr. Mohamed Omran**  
 Chairman of The Egyptian Exchange



- 23 FEAS MEMBER STATISTICS**

## ABOUT FEAS

The Federation of Euro-Asian Stock Exchanges (FEAS) was established with its headquarters in Istanbul on 16 May 1995 with 12 founding members, and it has grown to 33 full members, 9 affiliates, 3 observers and 5 bilateral members in 34 countries as a not-for-profit organization. Membership in the Federation is open to exchanges in Europe, Asia and Mediterranean Basin as affiliate membership is available for post trade institutions and dealer associations in the same region. FEAS Organizational Structure is formed by General Assembly, Executive Board, Working Committee and the FEAS Secretariat.

The mission of FEAS is to help create fair, efficient and transparent market environments among FEAS members and in their operating regions. FEAS aims to minimize barriers to trade through the adoption of best practices for listing, trading and settlement. Federation also supports promoting linkages among members for cross-border trading.

### FULL MEMBERS

#### SOUTH EAST EUROPE

- Banja Luka Stock Exchange
- Belgrade Stock Exchange
- Borsa Istanbul
- Bucharest Stock Exchange
- Bulgarian Stock Exchange
- Georgian Stock Exchange
- Macedonian Stock Exchange
- Moldova Stock Exchange
- Montenegro Stock Exchange
- Sarajevo Stock Exchange
- Tirana Stock Exchange
- Zagreb Stock Exchange

#### MIDDLE EAST

- Abu Dhabi Securities Exchange
- Amman Stock Exchange
- Bahrain Bourse
- Damascus Securities Exchange
- Egyptian Exchange
- Iran Fara Bourse
- Iran Mercantile Exchange
- Iraq Stock Exchange
- Muscat Securities Market
- Palestine Exchange
- Tehran Stock Exchange

#### CENTRAL ASIA

- Baku Interbank Currency Exchange
- Baku Stock Exchange
- Belarus Currency and Stock Exchange
- Karachi Stock Exchange
- Kazakhstan Stock Exchange
- Kyrgyz Stock Exchange
- Lahore Stock Exchange
- NASDAQ OMX Armenia
- National Depository Center of Azerbaijan
- Toshkent Republican Stock Exchange

### AFFILIATE MEMBERS

- Central Securities Depository (CSD) of Iran
- Central Securities Depository (CSD) of Macedonia
- Istanbul Settlement and Custody Bank (Takasbank)
- Merkezi Kayıt Kuruluşu (MKK)
- Misr for Clearing, Settlement & Central Depository
- Securities and Exchange Brokers Association (SEBA) of Iran
- Securities Depository Center (SDC) of Jordan
- Tehran Securities Exchange Technology Management Company
- Turkish Capital Markets Association (TCMA)

### BILATERAL MEMBERS

- African Securities Exchanges Association (ASEA)
- Arab Federation of Exchanges (AFE)
- Association of Futures Markets (AFM)
- South Asian Federation of Exchanges (SAFE)
- Swiss Futures Options Association (SFOA)

### OBSERVERS

- Eurasian Trade System Commodity Exchange, Kazakhstan
- Mongolian Stock Exchange
- MSM Brokers Association

## FEAS PERSPECTIVE



**At FEAS, corporate governance has never floated from our agenda. Our exchange members and post-trade agents are poised to uphold governance of risk and surveillance vehicles due to increasing regulatory oversight and investor demand.**

**Mustafa Baltacı**  
FEAS Secretary General

As capital markets continuously evolve into sophisticated structures, market operators succumb to compliance mechanics ever more rigorously. Exchanges and post-trade agents are poised to uphold governance of risk and surveillance vehicles due to increasing regulatory oversight.

Along the same chords, public companies are pressured to align with corporate governance practices. Timely and precise disclosure of material information is a top priority that the regulators are diligent to keep a close eye on. Disclosure framework is similarly in metamorphosis since the coverage of must-be-revealed information keeps expanding.

Over the course of fifteen years, Enron-like scandals have served as a catalyst to reinforce regulations describing corporate governance and disclosure principles. Such infamous incidents have also ushered significance of in-company

relations to the fore. Thanks to such fraud cases, regulators and investors are more cognizant of potential involvement of family members, executives and other related parties in abuses. This perception has led listed companies today to be required to disclose not only material information on the business but also key people and their company-related transactions.

At FEAS, corporate governance has never floated from our agenda. We have formed task forces to study the subject and conduct wide-ranging surveys. We have organized a multitude of trainings, seminars and conferences. Yet such capacity-building activities are usually never enough because of the ever-changing nature of market regulations.

In order for our audience to keep the topic fresh, we are now putting related-party transactions as an underlying theme of Interfeas Spring 2015 issue.

Hope you find the articles relevant to your business as they represent views from various angles of the financial industry. We are grateful for the support of our contributors at this issue: Ryan Lemand of Securities and Commodities Authority of UAE, Alissa Amico of OECD, Orcan Çörtük of Turkish Central Securities Depository (MKG) and Grant Kirkpatrick. You will also find in this issue 'Armenia country report' as we are to hold FEAS mid-year meetings in Yerevan on May 21, 2015.

Allow us to thank again for your support and interest as we hope you will find the Spring 2015 issue of the Interfeas Magazine enjoyable.

Sincerely,

## RELATED PARTY TRANSACTIONS: A NEW FOCUS IN THE MENA GOVERNANCE DEBATE <sup>(1)</sup>



The specific nature and source of provisions governing the disclosure of individual RPTs in the region appears to vary significantly.

Alissa Amico  
Programme Manager, OECD<sup>(2)</sup>

### WHY SHOULD WE CARE?

The regulatory treatment of related party transactions (RPTs) is a subject that, while perceived as being a technical detail, is key to improving corporate governance practices in the Middle East and North Africa. RPTs may take a variety of forms and may include: transactions involving the sale or purchase of goods, property or assets; provision or receipt of services or leases; transfer of intangible items; provision, receipt or guarantee of financial services; assumption of financial or operating obligations; purchase of equity or debt or establishment of joint ventures.

These types of transactions are quite common in the MENA region. For instance, transactions between the company and its controlling shareholder(s) are quite commonplace and raise concerns that the latter might be in position to extract private benefits of control. The prevalence of company groups in the region and the existence of business relations among their subsidiaries raise similar considerations. That said, not all related party transactions have negative implications and some might be in the legitimate interest of both parties.

Globally, RPT regulatory frameworks and practices have been subject to growing attention due to the risks associated with certain types of RPTs. Regulators worldwide have moved to review requirements concerning the approval and disclosure of RPTs and some have prohibited certain types of transactions such as loans to board members. In the MENA region, the regulatory treatment of RPTs has so far not been adequately addressed. To address this gap, the Organisation for Economic Co-operation and Development (OECD) and the Union of Arab Securities Authorities (UASA) conducted a survey of Arab securities regulators to better understand the regulatory treatment of RPTs in different jurisdictions in the region and to provide recommendations on how they should be addressed.

### WHAT IS A RELATED PARTY?

The starting point for monitoring RPTs is the identification of entities or persons that can be considered to constitute "related parties". The definition of a "related party" should be sufficiently broad to capture the kinds of transactions that present a real risk of potential abuse, that could not be easily avoided and that could be effectively enforced. The definition must take into account all parties that may exercise direct and indirect control in a given transactional context.

The International Accounting Standards, and notably IAS24, establish a broadly accepted definition of related parties and how transactions with such parties should be disclosed. National guidelines on related party transactions in the MENA region build on this definition, recognising the complexities posed by concentrated ownership, as well as family and government ownership of MENA listed and unlisted companies. 10 out of 14 surveyed countries are principally using the companies law, 7 the corporate governance code and 4 rely on accounting standards to define "related parties". In some countries such as Saudi Arabia and Qatar, corporate governance codes are the principal source of recommendations concerning RPTs.

Our review of existing definitions suggests that policymakers in the region should consider broadening the legal definition of "related parties" to capture relevant transactions that present a risk of potential abuse. The definition should be sufficiently harmonised in different bodies of law and regulations such as company and securities law, listing rules, accounting standards and the corporate governance code. The use of IAS 24 or an equivalent standard in some countries to define and disclose dealings with related parties represents a progress in the region which should be coupled with other measures for ongoing reporting of RPTs to the regulator, shareholders and other relevant parties.

<sup>(1)</sup> This article is based on a report titled Guide on Related Party Transactions in the Middle East and North Africa; prepared jointly with the Union of Arab Securities Authorities.

<sup>(2)</sup> The views expressed in this article do not reflect the official views of the OECD or its member countries.

## HOW TO OVERSEE RPTs?

Regulatory approaches to approving RPTs vary quite widely globally. In most OECD countries, the board is responsible for approving RPTs and shareholder approval is resorted to only for reviewing transactions proposed to be concluded not on market terms and/or large or unusual transactions. In the MENA region, shareholder review and approval remains the most predominant method (11 out of 14 surveyed jurisdictions). This difference reflects the fact that the majority of RPTs in the region are concluded with board members and hence board approval of such transactions would likely be ineffective.

In the Arab countries, the arrangements for how shareholder approvals are solicited and what governance organs are involved vary. In Tunisia for instance, both the board and the auditor are required to submit special reports to the AGM which can decide whether a given RPT should be approved. In Kuwait, RPTs are subject to shareholders' approval and must also be reviewed by the audit committee or its equivalent. In some countries of the region such as Jordan, securities regulator's approval is also required for specific transactions.

Experience demonstrates that shareholder approval tends to be most effective when applied on an ex-ante basis, as well as when shareholders are given access to the relevant information and independent expertise. In the region, shareholders' approval tends to be provided ex-post through the AGM. In addition, shareholders do not generally request independent valuations or further information allowing them to judge the fairness of a given transaction.

On the other hand, auditors appear quite involved in the approval process, which to some extent compensates for the lack of shareholder access to outside expertise.

For countries which rely on board approval, the issue remains that the relevant law or recommendations often do not mandate the involvement of independent board members in the approval of RPTs. That said, the requirement that audit committee be composed at least of half of independent directors - which exists in a number of countries - to some extent compensates for this gap since in a number of MENA countries the audit committee is involved in the review of RPTs.

Another potential weakness in the regulatory regimes highlighted by the survey is that RPT approval procedures in the region generally do not include provisions concerning materiality. While this approach subjects all RPTs to a presumably rigorous shareholder or board scrutiny, it risks not focusing the attention of the approving organs on high risk transactions. The lack of differentiation between recurring and non-recurring transactions also results in an approach which does not allow to target the most economically significant dealings and needs to be re-considered.

Our analysis of prevailing regulatory frameworks highlights the need for regulators to review existing RPT approval processes to ensure that they take into consideration the ownership context, notably the presence of controlling shareholders and company groups. Special consideration should be given to whether shareholder approval processes are effective in the context where an RPT is initiated by the controlling shareholder.

## HOW TO DISCLOSE RPTs?

Disclosure is a key mechanism of informing market participants of company dealings with related parties and assuring them that they were subject to the necessary approvals. Country approaches to RPT disclosure vary in terms of how (individually or cumulatively) and when (immediately, on a quarterly or annual basis) RPTs should be disclosed, depending on the size of a given transaction, its materiality, its terms and with whom it was concluded. Evidence from regulators globally demonstrates that the percentage of companies which report significant RPTs varies significantly from 7% in the United States to over 40% in Mexico.

Similar statistics, allowing to better understand the prevalence and size of RPTs in the MENA region are unfortunately not collected. Although in most countries, ex-post disclosure of RPTs is required, it is unclear whether companies' disclosure practices in this regard are satisfactory. Going forward, it would be important to better understand the size and impact of RPTs in Arab capital markets in order to allow regulators to deal with them appropriately and decide whether further regulatory capacity should be dedicated to their oversight.

The specific nature and source of provisions governing the disclosure of individual RPTs in the region appears to vary significantly. Only one country in the region (i.e. Libya) does not have legal or regulatory provisions specifying what disclosures shall be made with regard to RPTs. In most countries, the source of these regulations are the securities authorities, however in a few instances, specific disclosure provisions may apply as a result of the listing requirements

or other rules of the stock exchange. Likewise, the authority to which disclosures shall be made varies, although in most countries disclosures are to be made to the securities regulator.

Ultimately, RPTs should be disclosed to the market in a way that facilitates informed decision making by shareholders and stakeholders. Material transactions, including the terms on which they were concluded as well as the approval processes to which they were subject to, should be disclosed in the quarterly or annual reports of companies. Existing electronic disclosure platforms developed by stock exchanges and securities authorities could be a useful mechanism for facilitating continuous disclosure on RPTs.

## HOW TO ENFORCE AGAINST ILLEGITIMATE RPTs?

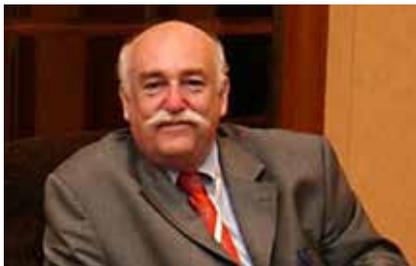
Enforcement against illegitimate RPTs appears challenging worldwide, as observed in OECD's recent review on Related Party Transactions and Minority Shareholder Rights. Most countries rely on market mechanisms that are based on extensive disclosure obligations. Securities regulators in OECD member countries can scrutinise disclosures on material RPTs and request improvements in disclosure. In addition, regulators in some countries have the right to reverse transactions or support derivative and/or class action suits.

Enforcement against illegitimate RPTs is nascent in the MENA region, owing to the developing capacity of regulators to enforce corporate governance breaches and to their emerging expertise with applying RPT-specific regulations. Practical obstacles to taking enforcement actions against illegitimate RPTs are linked to limitations in regulators' ability to detect such transactions and understand on what terms they were made. In few of the countries surveyed, authorities report to have taken no enforcement actions against abusive RPTs.

Supervisory entities in the region generally resort to administrative as opposed to criminal sanctions to discipline abusive parties. In addition, most regulators have the right to cancel or reverse transactions they consider as detrimental to the interest of minority shareholders or otherwise abusive. While such rights are useful, further consideration should be given to the type of penalties that can be issued by the relevant supervisory entities and their ability to support private enforcement efforts where appropriate. In addition, the establishment of commercial courts or specialised economic expertise within the existing court system would also help improve enforcement outcomes, thereby improving shareholder rights' protection in the region.

The full list of recommendations proposed by the OECD and UASA to address the risks associated with RPTs is available in the forthcoming joint report titled Guide on Related Party Transactions in the Middle East and North Africa. For more information about this report or OECD's broader work on promoting corporate governance in the Middle East and North Africa, please consult our website <http://www.oecd.org/daf/ca/mena-corporate-governance.htm> or contact the Programme Manager, Alissa Amico ([alissa.amico@oecd.org](mailto:alissa.amico@oecd.org)).

## ASIAN MARKETS TACKLE RELATED PARTY TRANSACTIONS



Related party transactions are often a threat to minority shareholders, thereby raising the cost of capital for both jurisdictions and companies.

**Grant Kirkpatrick**

Former Senior Consultant for OECD and World Bank, Corporate Governance Expert

1. Around the world, one of the most commonly heard complaints about corporate behaviour relates to self-dealing transactions by corporate insiders that can be either management, directors and/or controlling entities or shareholders and their families.<sup>(1)</sup> The essence of the issue is the potential for insiders (i.e. related parties) to use their power and or influence to shift the terms of a transaction in their favour (i.e. an abusive related party transaction, RPT). The OECD's Asian Roundtable identified them as a major issue (OECD, 2009), and so have the Corporate Governance Roundtables in Latin America (OECD, 2011b, 2012b), which has conducted a review of experience, the Middle East and North Africa (MENA) (OECD, 2005) and Russia (OECD, 2005). The issue is not confined to these regions: a Green Paper of the European Commission (2011b) asked whether minority shareholders needed more protection against related party transactions and if so, what measures could be taken. Responding to these concerns, the OECD's Corporate Governance Committee undertook a peer review in 2012 covering five countries in depth (Belgium, France, India, Israel and Italy) and 31 other jurisdictions at a more general level (OECD, 2012a). In total, the OECD and its related Regional Roundtables have examined some 50 jurisdictions around the world. It is thus an appropriate time to draw together

what has been learned and whether a consensus is emerging about what might be considered "good practices". This paper while focusing on Asia also takes into account this broader experience.

2. The nature of the perceived problem with RPT varies across countries and regions. In some economies, self-dealing refers to executive compensation, and indeed these are treated by International Financial Reporting Standards (IFRS) as RPTs, since the executives are often in a position to exercise control.<sup>(2)</sup> Specialised reporting systems and shareholder input (e.g. "say on pay") are evolving around the world to manage executive remuneration. Since these are quite specific instruments, remuneration will not be considered here (see OECD, 2011, for a review). Rather, this paper focuses

on transactions and the movement of resources between the company and its major shareholders or managements, either directly or indirectly (Box 1). Sometimes, as in Brazil, RPTs also concern corporate restructuring and the question of appropriate valuations. In the case of Latin America, India, China and Russia, RPTs are an issue with state controlled companies where the authorities might structure transactions in favour of specific parties including other SOEs.<sup>(3)</sup> Denial of corporate opportunity by controlling shareholders is also frequently encountered as they shift new opportunities to other business entities they control. Either way, minority shareholders view their rights to equitable treatment as either potentially violated or threatened so that, *ceteris paribus*, the cost of capital will increase.

### Box 1. Examples of related party transactions covered in the Asian RPT Guide

- Transactions involving the sale or purchase of goods and services
- Transactions involving the sale or purchase of property and/or assets
- Transactions involving the lease of property and/ or assets
- Transactions involving the provision or receipt of services or leases
- Transactions involving the transfer of intangible items (research and development, trademarks, license agreements)
- Transactions involving the provision, receipt, or guarantee of financial services (including loans and deposit services)
- Transactions involving the assumption of financial/operating obligations
- Transactions that include the subscription for debt/ equity issuance
- Transactions that involve the establishment of joint venture entities

Source: OECD, Guide on Fighting Abusive Related Party Transactions in Asia, 2009.

<sup>(1)</sup> Self-dealing might involve no transactions at all but the abuse or misappropriation of a company's assets. Company laws around the world often define as a criminal act the misuse or abuse of corporate assets (e.g. Germany, France).

<sup>(2)</sup> The individual standards are termed international accounting standards (IAS) until revisions are next made when they will become IFRS.

<sup>(3)</sup> For instance, in 2008 Petrobras (an SOE) issued shares to the Brazilian state in exchange for oil reserves, which many viewed as dilutionary and an abuse of minority shareholders.

In many jurisdictions around the world, the corporate landscape is characterised by company groups, sometimes organised as pyramids. Company groups offer incentives and the power to transfer resources from one entity to another. Such intra-group RPTs raise a number of policy issues that are not yet fully reflected in the OECD's Principles.

It should be noted that many of the issues arise from the decision by policy makers to permit RPTs. It is true that some are now banned outright, especially loans to executives and directors where abuse in the past has been significant (e.g. WorldCom). However, in other cases, legal and regulatory frameworks around the world implicitly or explicitly acknowledge that RPTs could be productive and serve to increase corporate value by improving economic efficiency. They are therefore permitted, although the threat of abuse of minority rights is also acknowledged. A balance has to be struck but this appears difficult in a world characterised by company groups with, in some cases, fluid boundaries and different shareholders. The Asian RPT guide deals with how the trade-off has been dealt with in practice in the region: how RPTs are managed by companies, investors and policy makers through the corporate governance framework. The concern is to avoid "abusive" related party transactions.

### WHAT IS "GOOD PRACTICE"?

3. Many of the OECD's corporate governance Roundtables have been concerned to identify what is regarded as "Good practices". However, they are not a panacea providing off-the-shelf single solutions. A good policy will depend, inter alia, on legal traditions, administrative capabilities and ownership structures, that all vary across jurisdictions and over time. As noted by the OECD Principles and the OECD Methodology, what

matters for outcomes (i.e. are RPTs sufficiently managed to avoid material inequitable treatment of shareholders) is the consistency of the overall framework, with many different constellations of policy "choices" being functionally equivalent. What appears to be a "good" practice must be seen in the overall context.

4. Around the world, the potential to abuse related party transactions (RPTs) covering both equity and non-equity RPTs is viewed as an important policy issue because of some high profile cases that have damaged market integrity through inequitable treatment of shareholders. Moreover, RPTs are quite frequent both by number and value. Empirical work, while subject to considerable uncertainty, also points to considerable direct costs of RPTs to shareholders even though some are undoubtedly of benefit both to companies and shareholders. A policy trade-off is therefore clearly necessary permitting some RPTs while at the same time controlling/managing others. How the tradeoff is established will depend on a number of factors including the ownership structure, legal system and administrative/enforcement resources.

5. Many jurisdictions are moving forward with measures to approve and manage RPTs. Some are comparatively new so that their efficacy still remains to be determined. However, the various attempts to improve, for example, the definition of materiality and classifying RPTs are influencing policy makers in other jurisdictions about the possibilities that might need to be considered. The Asian RPT Guide assists the process by documenting what on a priori grounds appear to be evolving good practices, subject to the proviso that a given practice needs to be seen in the context of the overall framework for the management of RPTs.

### OUTCOMES ADVOCATED BY THE OECD PRINCIPLES

6. The highest level of guidance is provided by the OECD Principles. When the Principles were revised in 2004, a number of principles were introduced to cover not just self-dealing behaviour on the part of management (addressing the issue for economies with widespread shareholding such as Australia, UK and the US) but also on the part of controllers such as major shareholders that were identified by Roundtables in Asia, Russia and Latin America as an issue. This is a form of ownership structure common throughout the world. In other words, the Principles were restated to also cover the agency problems between controlling shareholders and minority shareholders rather than the traditional concern of agency problems between boards/management and shareholders.

7. The key Principles are:

- principle III.A.2 (Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress).
- principle III.C (Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation).
- Principle V.A.5 (Disclosure should include, but not be limited to, material information on ... related party transactions).

- Principle VI.D.6 (The board should fulfil certain key functions, including ... monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions).

8. In addition, the individual principles noted above are underpinned by more general duties of the board:

- Principle VI.A (Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.
- Principle VI.B (Where board decisions may affect different shareholder groups differently, the board should treat all shareholder fairly).

9. The duty of loyalty covered by principle VI.A is of central importance since it underpins many of the above principles, including principle VI.D.6, that are fundamental for monitoring and managing RPTs. Indeed, the jurisprudence in a number of jurisdictions such as the US appears to be tending to include a general duty of monitoring (e.g. Pan, 2011).

## IMPLEMENTING THE PRINCIPLES THROUGH GOOD PRACTICES

The Asian Roundtable Guide provides a check list for assessing what needs to be done in a jurisdiction (Box 2):

### Box 2. The Asian Roundtable Guide on Fighting Abusive Related Party Transactions

1. The legal definition of "related parties" should refer to control and be broad enough to capture relevant transactions that present a risk of potential abuse. It should be sufficiently harmonised with respect to different bodies of law such as company law, listing rules and accounting standards in each jurisdiction to avoid misunderstanding and an excessive regulatory burden, thereby underpinning better implementation and enforcement.
2. The legal and regulatory framework for "related party transactions" should provide appropriate and effective threshold-based tiers, referring to materiality for disclosure and shareholders' approval and/or board approval of related party transactions according to the risk of potential abuse. It should also take into account regulatory efficiency, weighing the potential costs and benefits.
3. A company should develop and make public a policy to monitor related party transactions that should be subject to an effective system of checks and balances as well as a disclosure process. This can include the possibility for non-controlling shareholders to review the independence of directors in a timely manner.
4. The external auditor should be independent, competent and qualified in order to provide an assurance to the board and shareholders that material information concerning related party transactions is fairly disclosed and alert them to any significant concerns with respect to internal control. The policy framework should support this role effectively.
5. Independent directors should play a central role in monitoring related party transactions, such as designing board approval procedures, conducting investigations and having the possibility for obtaining advice from independent experts. Their role should be supported by the policy framework.
6. Objective judgement in the decision making process of the board should be ensured. This would include giving non-controlling shareholders sufficient influence over the nomination and election of directors, in particular independent directors, and the design of their incentive structures, such as remuneration policy.
7. Where reliance is placed on shareholders' approval, a voting system should be established with a majority of disinterested shareholders for the approval of related party transactions at Shareholder Meetings.
8. The legal and regulatory framework should ensure that legal action, including specialised courts and alternative dispute resolution, does not prohibit minority shareholders from seeking legal redress quickly and cost effectively.
9. A coherent regulatory system dealing with related party transactions, particularly disclosure, board oversight and shareholder approval should be established in each jurisdiction to facilitate implementation and enforcement efforts.

Source: Guide on Fighting Abusive Related Party Transactions in Asia, OECD, 2009

In greater depth:

**Jurisdictions should support the collection and dissemination of information about RPTs including the type of transaction and the sums involved. Apart from better informing shareholders, it should also stimulate qualitative and quantitative research that should aid policy making.**

Around the world it is surprising how little detailed and timely information about RPTs is available to investors, researchers and policy makers (OECD, 2012b). Sometimes the information is highly aggregated so that important transactions and the terms on which they have been concluded may not be visible to investors and regulators on a timely basis. Moreover, there is often little information available about the ex-ante incentives (e.g. the difference between cash flow and voting rights) faced by controllers to engage in certain abusive RPTs or those transactions which disproportionately favour those with control. This means that policy might be drafted on the basis of an incomplete understanding of the situation.

**To ensure transparency, the adoption of IFRS or an equivalent disclosure standard is not sufficient. Attention needs also to be given to standards for continuous disclosure including establishing materiality thresholds and defining "normal" commercial transactions as benchmarks. These issues require effective public or private enforcement since both management and auditors must assume important responsibilities for interpretations.**

Disclosure along the lines of Principle V.A.5 has been supported by the widespread adoption of international standards such as IFRS and US GAAP that provide a definition of RPTs and related

parties. However, by itself adoption of the standards is not sufficient to ensure fairness of RPTs. A number of transactions such as asset sales, equity transactions and loan guarantees require continuous disclosure. To make the process manageable, RPTs should be divided according to the nature of the transaction including whether it is material. A number of jurisdictions thus focus on large non-recurrent transactions that are not on market terms. There is an arbitrary element in such a pragmatic move to reduce the number of transactions that need to be disclosed. This does tend to place a great deal of responsibility on regulators to see that the regulations are not exploited.

In some jurisdictions it has also proven important to make disclosures about intra-company transactions in order to underpin transparency. Usually such transactions are netted out when applying accounting standards to a consolidated entity. This may result in the whole transaction not being transparent but hidden from view.

**Companies should be required to formulate and to publish a policy on RPTs, including listing those which are banned and how others will be approved. Board members with a conflict of interest should not be allowed to participate in the approval mechanism. The latter is underpinned by Principle III.C**

As part of its disclosure about corporate governance arrangements, companies should be required to state their procedures for managing RPTs including the internal approvals mechanism, and policies with respect to which transactions are permitted, and by whom, and which are subject to special procedures. The latter might include rules for declaring a private interest in a transaction and then not taking part

in the approvals process. In some cases such as loans and guarantees to board members regulations might require a ban. Attention then needs to be given to how such rules might be circumvented.

**For the board to take primary responsibility for managing RPTs, board member duties need to be clearly specified and terms such as "fair value", "arm's length" and in the "best interest of the company" also need to be defined by regulation or preferably jurisprudence.**

As principles-based regulation, many jurisdictions have adopted high level principles such as fair value, arms length and concepts such as transactions needing to be in the best interests of the company. Such concepts or benchmarks can be abused or subverted so that some form of enforcement mechanism and more detailed advice is necessary.

**Independent board members need a supporting corporate governance framework, particularly in cases where company control is concentrated. This will involve not just formal definitions of independence from controlling shareholders but also a sufficient number of independent directors with well defined legal duties. Separate nomination and voting systems (not cumulative voting) for minority shareholders to elect some independent board members should be considered.**

One of the most controversial elements of the Principles has always been Principle VI.E: The board should be able to exercise objective independent judgement on corporate affairs. The Annotations note, inter alia, that in some jurisdictions "independence from controlling shareholders or another controlling body will need to be

emphasised, in particular if the ex-ante rights of minority shareholders are weak and opportunities to obtain redress are limited". The difficulty in practice is that independent board members are usually elected by dominant shareholders raising questions about their loyalties once in office. In jurisdictions with weak ex-ante rights and poor means of redress attention might need to be given to special board nominations procedures as a second best option. The downside of the option is that the board becomes further stratified into their and our independent directors whereas the board should in principle collectively shoulder their responsibilities.

**Effective management of RPTs requires that the audit profession and valuation experts be subject to a regulatory regime specifying independence criteria (i.e. what constitutes conflicts of interest) and professional standards such as international standards of audit, and enforcement mechanisms.**

A key part of an effective regime to manage RPTs is trustworthy gate keepers such as external auditors and valuation experts. This is already to some extent covered by principle V.C: an annual audit should be conducted by an independent, competent and qualified, auditor in order to provide an external and objective assurance to the board and shareholders that the financial statements represent the financial position and performance of the company in all material respects. As with fraud, it is difficult for the auditors to know all related parties and to detect individual transactions that might be an abusive related party transaction. Nevertheless there still needs to be a fall back regulatory position including more detailed audit guidance such as international standards of audit, enhance if need be by domestic advice and guidance.

**Although primary responsibility for managing RPTs should remain with boards, doubts about how board member independence works in practice suggests a direct role for shareholders, at least for particular transactions. Where there is concentrated ownership, approval should only be by disinterested shareholders but this must be supported by enforcement mechanisms. Where shareholder approval is a mechanism for management of RPTs, measures should be taken to ensure that interested shareholders do not also participate.**

Boards and auditors might not always function in the way advocated so that additional checks and balances might be necessary and certainly prudent from the perspective of policy. One method is to allow shareholders to approve certain transactions such as large one off transactions and those leading to a dilution of their interests. In addition, the approval mechanism might serve to make the transactions more transparent encouraging the financial press and analysts to research the transaction. However, regulators will need to have the powers to forbid interested shareholders from participating in the vote. This is particularly important where controlling shareholders are not obvious such as in cases of shareholder agreements that even if disclosed might need further analysis.

**Introducing a role for shareholders needs to be accompanied by a definition of the transactions to be approved and the definition of thresholds for disclosure and approval. Safeguards might be necessary to prevent hold-ups by small shareholders.**

Only significant transactions should require a decision by disinterested shareholders or transactions that can significantly dilute the interests of minority shareholders. Improved minority rights however does run a risk of hold-up behaviour by some shareholders, so called greenmailing. Protection of the majority is thus also required through methods such as squeeze outs and special approval mechanism that lead to similar outcomes.

**State owned enterprises should adopt the same accounting, disclosure and approval standards as do private listed companies. The duties of board members should be clear in this respect. Where RPTs between SOEs are not at market prices but rather are conducted as part of the fulfilment of non-economic objectives, they should be transparent and subject to compensation by the government.**

Many jurisdictions are characterised by State-owned enterprises prompting the OECD to complement the principles with the OECD Guidelines on Corporate Governance of State Owned Enterprises. In such enterprises there are many opportunities for the state as the controlling shareholder to act in their own interests and to the detriment of the minority shareholders, even if the transaction is viewed in the public good. Such transactions should be transparent and if held to be in the public good, should be subject to compensation.

**RPTs in favour of a controlling shareholder and to the detriment of minority shareholders can in principle be controlled or limited by defining an explicit fiduciary duty of the controller to the minority shareholders. This is the case in a number of jurisdictions and would serve to widen the instruments that can be used to manage RPTs.**

Consideration should be given to establishing a fiducial duty of controlling shareholders to other shareholders. This is already the case in a number of jurisdictions and gives some meaning to the concept of duties and not just rights of shareholders. It also establishes firmer grounds for minority shareholders to defend themselves against abusive actions by controlling shareholders.

**Consideration needs to be given to facilitating and supporting challenges by minority shareholders such as through derivative actions. This can be through monetary assistance. Specialised courts have also proven useful.**

Around the world it appears that faced with abusive RPTs, the rights to redress by minority shareholders are in practice quite limited. In part this is because courts are reluctant to unwind a business transaction that has entered into force since this might be very costly to the firm. Derivative actions against board members for breach of duties is a very blunt instrument since the individual shareholder is faced with the enforcement costs but only a fraction of the benefits. To reinforce the derivative action, support by regulators of any action appears to be justified given well known free-rider problems.

**With wide powers of interpretation available to boards and auditors, the regulatory authorities should retain a general power to check even "immaterial" transactions.**

Effective management of RPTs will involve using a number of high level principles that necessarily provide a great deal of leeway to interested parties. For example, transactions at arms length or transactions in the interests of the company, can be interpreted in many different ways. Moreover, important

details might be lost in broad aggregates. It is therefore important for the regulator to be able to scrutinise even immaterial transactions. Alternatively, it might be useful for shareholders to have access to additional information.

## CONCLUSIONS

Around the world related party transactions are often a threat to minority shareholders, thereby raising the cost of capital for both jurisdictions and companies. The necessary policy response must comprise a number of different measures as summarised by the Asian Roundtable: there is no simple silver bullet. The necessary policy response will be dependent on each jurisdiction including the structure of company ownership.

## REFERENCES

- Armour, H. Hansmann, R. Kraakman, 2009, Agency problems, Legal strategies and Enforcement ssrn 1436555
- V. Atanasov, B Black and C Ciccotello, 2011 a, "Self dealing by corporate insiders: Legal constraints and Loopholes", B. McDonnell and C. Hill eds, Research Handbook on the Economics of Corporate Law
- V. Atanasov, B Black and C Ciccotello, 2011 b, Law and Tunnelling, ssrn1444414
- Jae-Seung Baek, Jun-Koo Kang and Inmoo Lee, "Business Groups and Tunnelling: Evidence from Private Securities Offerings by Korean Chaebols", Journal of Finance, 2006, vol. 61, issue 5, pages 2415-2449
- N. Balasubramanian et al 2009, Firm level corporate governance in emerging markets: A case study of India, SSRN
- Bertrand, Marianne, Paras Mehta, and Sendhil Mullainathan, 2002, "Ferretting out tunnelling: An application to Indian business groups", Quarterly Journal of Economics 117, 121-48.
- Bianchi, Marcello, Ciavarella, Angela, Novembre, Valerio and Signoretti, Rossella, 2010, "Comply or Explain? Investor Protection through Corporate Governance Codes", ECGI - Finance Working Paper No. 278/2010
- B. Black and A. Gledson de Carvalho et al, 2011 "What matters and for which firms for Corporate Governance in Emerging markets: Evidence from Brazil (and other BRIK Countries)", Journal of Corporate Finance,
- B. Cheffins and B. Black, 2006, "Outside director liability across countries", ECGI Law Working Paper, 71/2006
- S. Cheng et al, Chinese RTO audits and Related Party Transactions, www.auditorliability.com/other-articles/chinese-rto-audit-related-party/
- Chakrabarti et al, 2008, "Corporate governance in India", Journal of Applied Corporate Finance, 20, no: 1
- Cheung, Yan-Leung, Lihua Jing, Raghavendra Rau, and Aris Stoutaitis, 2006, "Tunnelling, propping, and expropriation: Evidence from connected party transactions in Hong Kong", Journal of Financial Economics 82, 343-386.
- Cheung, y-l, et al, 2009, "Tunnelling and propping-up: an analysis of related party transactions by Chinese listed companies", Pacific Basin Finance Journal, 17, 372-393
- Claessens, S., Djankov, S., Fan, J.P.H., Lang, L.H.P., "Disentangling the incentive and entrenchment effects of large shareholdings", Journal of Finance 57, 2741-2771.
- P-H Conac and L. Enriques et al, "Constraining Dominant shareholders Self-dealing: the legal framework in France Germany and Italy", ECGI Law Working Paper, 88/2007
- S. Djankov et al, 2008, "The Law and Economics of Self dealing", Journal of Financial Economics, 88 pp430-463

- L. Enriques, G. Hertig, and H. Kanda, 2009, "Related-Party Transactions" in "The Anatomy of Corporate Law – A Comparative and Functional Approach" (2<sup>nd</sup> edition, 2009), OXFORD UNIV PRESS p153
- European Commission, 2011a, Report of the Reflection Group on the Future of EU Company Law, Brussels
- European Commission, 2011b, Green Paper: The EU corporate governance Framework, Brussels, COM (2011)164
- J. Farrar and S. Watson, 2012, Self Dealing, Fair Dealing and Related Party Transactions: History, Policy and Reform, SSRN
- Friedman, Eric, Simon Johnson and Todd Mitton, 2003, "Propping and tunnelling", Journal of Comparative Economics 31, 732-750.
- M. Gelter, 2012, "Why do shareholder derivative suits remain rare in Continental Europe", Fordham University School of Law Working Paper
- R. Gilson and A. Schwartz, 2012, Constraints on Private Benefits of Control: Ex ante control mechanisms versus Ex Post Transaction Review, SSRN, 2129502
- Z. Goshen, 2003, Voting and the Economics of corporate Self Dealing: Theory meets Reality
- M. Holmen and P. Högfeldt, 2005, "Pyramidal discounts: tunnelling or agency costs", ECGI Finance Working Paper, 73/2005
- IOSCO, 2009, Protection of Minority Shareholders in Listed Issuers: Final Report
- IOSCO 2007, Board Independence of listed companies: Final Report
- Joh, S., 2003, "Korean corporate governance and firm performance", Journal of Financial Economics 68, 287-322
- Raja Kali, Jayati Sarkar, 2011, "Diversification and tunneling: Evidence from Indian business groups", Journal of Comparative Economics, (2011)
- R. Khanna and S. Mathew, 2010, "The role of independent directors in controlled firms in India: Preliminary interview evidence", National Law School of India Review, 22
- R Kraakman et al, 2009, The Anatomy of Corporate Law: A Comparative and Functional Approach, OUP
- Kohlbeck M. Et Mayhew B., 2010, "Valuation of firms that disclose related party transactions", Journal of Accounting Et Public Policy 29(2): 115-137.
- T. Kirchmaier and J. Grant, 2005, Financial tunnelling and the Revenge of the Insider System
- Kirkpatrick, G, 2009, "Applying RIA to Policy Making in the Area of Corporate Governance" in OECD Reviews of Regulatory Reform: Regulatory Impact Analysis, Paris.
- M. Lawrence and D Smith, 2011, Around the World in 80 Trades: Approaches to Related Party Transactions.ISS
- Lins, Karl V. and Servaes, Henri, 2002, "Is Corporate Diversification Beneficial in Emerging Markets?" Financial Management, summer 2002.
- Lo, Wong, and Firth, 2010, "Can corporate governance deter management from manipulating earnings? Evidence from related-party sales transactions in China", Journal of Corporate Finance 16 (2010) 225-235
- C. Milhaupt, 2008, "Reputational Sanctions in China's Securities Market", Columbia Law Review, 108, 929
- P. Oda, 2012, "Related party transactions, Corporate governance and performance: A panel Data Study", [quote]
- OECD, 2009, Guide on Fighting Abusive Related Party Transactions in Asia, Paris
- OECD, 2011a, Board Practices: Incentives and governing risks, Paris
- OECD, 2011b, Latin American Corporate Governance Roundtable Survey Report on Related Party Transactions, <http://www.oecd.org/dataoecd/60/26/49289164.pdf>
- OECD, 2003, White Paper on Corporate Governance in Latin America, <http://www.oecd.org/dataoecd/25/2/18976210.pdf>
- OECD, 2005, Advancing the Corporate Governance Agenda in the Middle East and North Africa: A Survey of Legal and Institutional Frameworks, <http://www.oecd.org/dataoecd/43/59/38186933.pdf>
- OECD, 2012a, Related Party Transactions and Minority Shareholder rights, Paris
- OECD, 2012b, Latin American Corporate Governance Roundtable Task Force: Report of Related Party Transactions.
- E. Pan, 2011, "Rethinking the board's duty to monitor", Florida State University Law Review, 299
- Shanghai Stock Exchange, 2011, 10<sup>th</sup> Corporate Governance Forum, Shanghai (in Chinese)
- Wahab, Haron, Lok, and Yahya, "Does Corporate Governance Matter? Evidence from Related Party Transactions in Malaysia" in Kose John, Anil K. Makhija (ed.) International Corporate Governance (Advances in Financial Economics, Volume 14), Emerald Group Publishing Limited, pp.131-164
- Xiao, Sheng and Zhao, Shan, 2011, "How Do Agency Costs Affect Firm Value? Evidence from China", Available at SSRN: <http://ssrn.com/abstract=1865306>

*Grant Kirkpatrick (ex OECD, retired). The views expressed in this article do not necessarily represent either the OECD or its member countries.*

## NASDAQ OMX ARMENIA HOSTS THE FEAS SPRING MEETINGS IN YEREVAN



### ABOUT ARMENIA

Armenia (Hayastan in Armenian), officially the Republic of Armenia is situated between Europe and Asia, in Transcaucasia occupying 29,800 sq/km area. Armenia is divided into 11 regions (Marz). The capital of the country is Yerevan. The population of Armenia is 3.01 million people. The country has a very homogeneous ethnic composition, 97.9% of the population are of ethnic Armenian origin. Among other minorities are Russians, Yezidi, Assyrians, Ukrainians, Greeks, Georgians, and Belarusians. Armenia has a very large diasporas, as an average of 8 million Armenians live world.

### CLIMATE

Armenia stands out with a large variety of landscapes, including 7 geographic zones, from deserts and semi-deserts to alpine and subalpine meadows. The climate is continental with a large difference between the seasons, including hot summers and cold winters. Average summer temperatures exceed 25 °C, while in winter the temperature is -5 °C. The best time to visit the country is from April to October.

### LANGUAGE

The official language is Armenian, while Russian and English are also broadly used. Armenian language is a separate branch of Indo-European language family, between groups of Slavic and Greek languages. The Armenian alphabet, created by Mesrop Mashtots in 405 AD, has been used until now, without any changes over the centuries.

### RELIGION

Armenia is the first country in the world, which officially adopted Christianity in 301.

The roots of the Armenian Church go back to many centuries, starting from the 1<sup>st</sup> century. According to historical information, the Armenian Church was founded by two of the twelve apostles of Jesus, Thaddeus and Bartholomew, who preached Christianity in Armenia from 40 to 60. In their honor the official name of the Armenian Church is Armenian Apostolic Church. Armenians also call it Gregorian Church, in honor of St. Gregory the Illuminator, the first patriarch (in Armenian Catholicos) of the Armenian Church.

### MONETARY UNIT

The national currency is AMD, with notes of 1,000, 5,000, 10,000, 20,000, 50,000 and 100,000 drams, as well as coins of 10, 20, 50, 100, 200, 500 drams. In all banks and exchanges you may freely change the currency.



## NATIONAL CUISINE

Armenian cuisine includes the foods and cooking techniques of the Armenian people, the Armenian diaspora and traditional Armenian foods and dishes. The cuisine reflects the history and geography where Armenians have lived as well as incorporating outside influences. The preparation of meat, fish, and vegetable dishes in an Armenian kitchen requires stuffing, frothing, and pureeing. Lamb, eggplant, mayonnaise, yoghurt and bread (lavash) are basic features of Armenian cuisine.

## ABOUT NASDAQ OMX ARMENIA

Armenian stock exchange was founded in November, 2000 by 24 members of the Securities Market Members Association who agreed to participate in establishing a stock exchange and carry out trading in securities on the exchange market. In November, 2007 it reorganized from "Armenian Stock Exchange" self-regulatory organization into "Armenian Stock Exchange" open joint-stock company. In 2008 exchange was acquired



by Swedish exchange operator OMX AB and after completion of the combination between U.S. Nasdaq and Swedish OMX exchange operators, the Armenian Stock Exchange has become fully owned by the world's largest exchange company, NASDAQ OMX Group, Inc. and started to act as NASDAQ OMX Armenia.

"NASDAQ OMX Armenia" OJSC is the only stock exchange currently operating in Armenia. The stock exchange offers market professionals a fully automated electronic trading platform and helps public companies to raise capital for fueling their financial needs through its listing service. Exchange has the following list structure:

- Stocks: Main list (A), Secondary list (B)
- Corporate bonds: Main list (Abond), Secondary list (Bbond)
- Free markets C and Cbond for stocks and bonds

NASDAQ OMX Armenia organizes trading through its registered members. Currently the exchange has 25 members 20 of which are banks and the other 5 are investment companies. Instruments

traded on the stock exchange include stocks, corporate bonds, Government and Central Bank bonds, REPO on corporate bonds, currency, as well as credit resources. Trading on the exchange is made through fully pre deposition ensuring the proper settlement of all the transactions.

NASDAQ OMX Armenia is still a young stock exchange with a big potential to grow. Market capitalization as of December 2014 was USD 153 million and during last year 215 trades for a total amount of USD 60.58 million were concluded which is more than 16 times higher compared to the results of the previous year. Capital market in Armenia has small capacity so it is sometimes burdensome to implement a new financial product widely accepted by all market participants. We always try to find the best solutions for the market and for our clients as well. The stock exchange works in close cooperation with the market regulator and the Ministry of Finance thus ensuring proper implementation of its projects for the future.

## EMIRATES BOOSTS CORPORATE DISCLOSURE



A strong investor communication strategy is not complete without the availability, reliability and comparability of financial data published by listed companies in their regular financial reports.

**Dr. Ryan Lemand**

Senior Economic Advisor, UAE Securities and Commodities Authority

Following the Securities and Commodities Authority's (SCA) Board of Directors meeting in March 2014 presided by H.E. Eng Sultan Al-Mansoori Minister of Economy, where it was decided that listed companies in the UAE's financial markets are mandated to establish an Investor Relations (IR) function, the Ministerial Resolution No. 518 of 2009, relevant to Governance Rules and Corporate Discipline Standards, was amended to include this new obligation. Following that, the SCA will issue specific guidelines to accompany this amendment, in order to assist listed companies in the establishment of the new IR function.

The SCA had established a collective working team composed of experts from of the Authority, Abu Dhabi Exchange and Dubai Financial Market to prepare the groundwork for this initiative, in collaboration with IR practitioners from international institutions.

Also, the working team thoroughly studied best practices with respect to IR in developed markets and reached the conclusion that all listed companies in these markets had a dedicated IR function that deals directly with investors with regards to disclosure and corporate announcements of all kinds.

Indeed, the aim from the IR initiative is to enhance the levels and quality of corporate disclosure made by listed companies towards retail and institutional investors, whereby a dedicated IR teams within listed companies would strengthen the communication process between investors and representatives of these companies. This in its turn would lead to better commitment of listed companies towards rules and regulations relevant to corporate disclosure and announcements made by the leaders of these companies.

It has been observed that emerging market countries have weathered the international financial crisis particularly better than developed countries, and the UAE's economy and financial system has proven the most resilient among other countries in the MENA region. In fact, the Emirates' economy has recovered relatively quickly from the downfall of the international financial crisis and managed to attract foreign investors thanks to an excellent communication made around new projects planned for. Furthermore, the low interest rates in developed countries are pushing investors to seek higher returns in emerging markets. Hence the UAE's emerging markets and Emirati companies have the opportunity to expand their institutional investor base.

Among the factors that could widen the institutional investor base by Emirati companies is to have a strong investor relations function to highlight the strengths of these companies and ensure adequate feedback and communication channels with these investors, while sustaining continuous dissemination of these companies regular financial information.

Furthermore, many empirical research papers have statistically shown that the cost of capital of companies that have strong investor relations departments are sensibly lower than companies that have weak or no investor relations communication strategy. Clearly this stems from the benefits that investor relations functions accomplishes and these can be summarized in the following points:

- **Force accountability:** Investor relations and communications, such as monthly and quarterly reports, will keep executives accountable to themselves and to investors.
- **Encourage evaluation:** The reporting components of investor communications ensure that executives are consistently evaluating themselves and the company.

- **Leverage relationships:** Strong investor relations make it more likely that an investor will be able to identify potential areas of growth, partnerships, or new business angles. Companies benefit when investors are active advocates for them and can use their relationships to help the company.
- **Secure new investors:** A record of strong investor relations and a documented history of the company's performance, which are outlined in investor communications, will attract new investors.
- **Build infrastructure:** Act like a big business and you will become a big business. Investor relations and reporting are important infrastructure components for larger companies and you should start developing this infrastructure early.

Obviously, a strong investor communication strategy is not complete without the availability, reliability and comparability of financial data published by listed companies in their regular financial reports. Hence this is the reason that led the SCA to complete the transition to the mandatory usage of the eXtensible Business Reporting Language (XBRL) by listed companies to publish

their quarterly and annual financial reports. In fact, XBRL is the reporting language used by listed companies in all developed markets around the globe, and when IFRS is followed, this insures the availability of this data since XBRL makes financial reports machine readable, reliable since the data is converted to XBRL automatically by the computer and comparable thanks to the adoption of IFRS.

Financial reporting using XBRL along with the recent investor relations initiative would insure that Emirati companies are at a level playing field with the top blue chip companies in developed markets on the corporate communication level, and that institutional investors' information needs are satisfied to the fullest.

## CSDs ENABLE BETTER CORPORATE GOVERNANCE



**The direct model account structure that MKK conducts is the first and most important step towards achieving transparency, and disclosure in Turkish capital markets.**

**Orcan Çörtük**  
Executive Vice President, Merkezi Kayıt Kuruluşu

MKK, as the Turkish central securities depository (CSD) for capital market instruments, utilizes full dematerialization model on a beneficial owner basis (direct model) for the Turkish capital market instruments. The direct model account structure that MKK conducts is the first and most important step towards achieving transparency, and disclosure in Turkish capital markets, which not only results in higher investor confidence and better asset protection but also enables providing other value added services.

In this sense, MKK has other functionalities with regard to value-added products. For instance, as per the Article 81 of the Turkish Capital Markets Law (CML), MKK was assigned with the task of "developing an electronic communication platform between companies, shareholders and other investors with the goal of ensuring companies' compliance with corporate governance principles". Similarly, "Corporate Governance Principles" of Turkish CML Article 17 has ruled that publicly-held corporations may fulfil their obligations via an electronic environment provided by MKK. We named those platforms as e-GOVERNANCE and e-GEM respectively. As described, "e-GOVERNANCE" and "e-GEM" were specifically developed in-house to attain corporate governance principles of "disclosure" and "transparency" in Turkish capital markets. Besides, most recently, we have added Public Disclosure Platform (PDP) into

our product range enabling us to better achieve transparency and disclosure in our services. Public Disclosure Platform, which we have been operating for a year now, is the primary official source of information of Borsa Istanbul listed companies for the uses of public. Hence, all kind of notifications (financial reports, any material events, other regulatory authorities' announcements) are initially performed through this channel.

### **"E-GOVERNANCE: CORPORATE GOVERNANCE AND INVESTOR RELATIONS PORTAL"**

The "e-GOVERNANCE: Corporate Governance and Investor Relations" Portal was introduced gradually to establish a bridge between companies and investors, placing special emphasis on corporate governance principles of "transparency", "public disclosure", "information access" and hence "investor confidence".

"e-Governance" is a corporate governance portal. It establishes prompt, continual, reliable and direct information exchange between companies and shareholders. With this portal, it is possible to maintain a two-way communication link between companies and their shareholders enabling all actors to interact with each other promptly.

By the help of e-Governance Portal, it is expected that the improvements in Corporate Governance Principles in Turkey will accelerate in parallel with the

OECD Corporate Governance Principles; "Shareholders' Rights and Fundamental Property Functions, Equal Treatment of Shareholders and Public Disclosure and Transparency".

### **WHAT DOES "E-GOVERNANCE" BRING TO ISSUERS AND INVESTORS?**

Issuer companies are given the opportunity to share any information and documents (such as, Articles of Association, Annual Report, Decisions of the General Assembly and Board of Directors, Prospectus and Circular, Company Reports and/or News and etc.) through the dedicated web pages on the portal. Apart from the legally obliged information sharing requirements, it is also possible for companies to have the capability to reach their target audience directly and without having any distinctions between investors (whether they are the company shareholders or not). For instance, issuers also have the ability to exchange ideas and communicate with their shareholders via blog and wiki provided by the Portal. With the help of MKK's broad database on the investors and within the limitations of laws and regulations, issuers are able to receive information such as, duration of company shares held by the shareholders, shareholders' demographic and financial characteristics, Analysis (report) on portfolio changes, etc.

Whereas on the investor side, utilizing the most of the investor based central securities depository system (of MKK), investors have the ability to connect directly and hence receive information on their investments. Through "My favourite Securities" service of the Portal, investors can create or update their private securities list and by the help of this feature they can monitor announcements, corporate information, security information, financial rights, corporate documents and corporate contact information of the related issuers. On the other hand, by using PDP Informing Service, investors can get e-mail and/or SMS notifications related to the companies that they choose. PDP Informing system allows investors and related parties to reach the corporate actions information. Besides, investors who are deemed as insiders can also send their insider transaction information to be published at the PDP by using e-Governance Portal. The identity of the sender is ensured by the use of this service.

Through e-Governance portal, investors are able to reach information in an outright and standard manner, not only on the securities kept in their portfolio, but also on any other securities that drive their attention for investing, from a single point. It is also made possible for investors to participate in the decision making process of their companies by responding to the (company) surveys or any other questionnaires that are sent to them through the portal. Investors also have the ability to monitor their portfolio and accounts' balance in various formats by tracking a calendar of events organized by the issuers. PDP and e-Governance Portal as a whole aim to improve the quality of information, to ensure the disclosure of complete, clear, required and correct information and to enhance transparency in the capital markets.

## "E-GEM: ELECTRONIC GENERAL MEETING PLATFORM"

Operational since October 1, 2012, our Electronic General Meeting System (e-GEM) is a platform with its software and, is a multilingual, real-time online general meeting, e-voting and e-proxy platform. With e GEM and without attending the meeting physically, investors have gained the ability to watch the meetings online, ask questions, express opinions and vote online during the meetings in different languages. Accordingly, e-GEM clearly contributes to transparency especially for international investors.

Dealing with excessive paper work, experiencing uncertainties with trading of shares due to share blockage, having difficulties in reaching reliable and timely information on meetings, observing inabilities in using partial or split voting and many more are only a part of the legal and operational barriers that international investors experience during execution of cross-border voting process. Regarding the mentioned barriers, Turkey used to be in a worse point than many peer markets, especially considering an effective system to get informed of general meeting agenda and receiving accurate feedback on voting, which are the main blocks of a transparency. But today, ahead of many European Union member countries, with the help of "e-GEM" Turkey is in full compliance with the most important international regulations and principles such as OECD Corporate Governance Principles, EU Shareholders Rights Directive 2007/36/EC, Market Standards for General Meetings and ICGN Principles.

Accordingly, in addition to the high calibre functionalities (such as e-attendance, e-proxy, pre-registration of votes and e-voting, live broadcasting of meetings, instant and limitless access to documents and information including voting results and simultaneous online sharing of opinions and comments during the meetings), e-GEM helps to raise shareholders' participation in corporate democracy and enhance shareholder activism by enabling management of companies by considering shareholder opinions/ suggestions in certain issues. Within this context, e-GEM highly contributes to make Turkish financial markets more attractive for global investors by increasing transparency and information exchange among shareholders and issuers. Hence, e-GEM is considered as a big and daring step towards corporate governance effectiveness, and competitive capacity of issuers focusing primarily on removing the barriers to cross-border voting and further improvement of corporate governance principles such as, disclosure, transparency and etc. Still, as a next step, we would like to achieve a better integration of our e-GEM and PDP platforms so that an issuer company's sole disclosure with regard to its general assembly meeting at PDP will not require any further declaration to our e-GEM platform.

All in all, our "e-GOVERNANCE" and "e-GEM" platforms are breakthrough platforms that not only give Turkish capital markets and MKK the competitive edge, but also play a crucial role for the better and enhanced progressing of corporate governance principles of transparency and disclosure in Turkey. To obtain such goal and also full straight-through processing, we integrate both platforms with Turkey's Public Disclosure Platform.

# 17 TIPS TO BE THE BEST INVESTMENT DESTINATION IN THE WORLD



What is amazing is that with time and with the market participants' feeling of strict surveillance, the violations have declined significantly in our market.

**Dr. Mohamed Omran**  
Chairman of The Egyptian Exchange

Egypt was chosen by Financial Times as the 2014 best destination for stock market investors worldwide, which is definitely considered one of EGX important milestones during last period. This in addition to choosing EGX as the Most Innovative Stock Exchange in Africa for the Year 2014. In fact, I was warmly congratulated from numerous stock exchanges, asking me to demonstrate how we could attain these appraisals given the tough economic and political challenges the region as a whole witnessed in recent years.

Thus, I preferred to write this article to lay down the plan that pushed us forward in recent years. I'll also focus on the lessons learned to deals with the crises and how to never surrender, getting out of these crises with the best results.

## FOCUS ON GAINING INVESTORS' CONFIDENCE

Despite the difficult circumstances facing the Middle East region in general, we took a clear decision to guarantee the continuity of trading without any interruption for investors. On top of that, we've cancelled all precautionary measures imposed since 2011, which in turn had a positive impact on EGX performance, given the investor's full faith that freedom of entry and exit is guaranteed whatever the circumstances are.

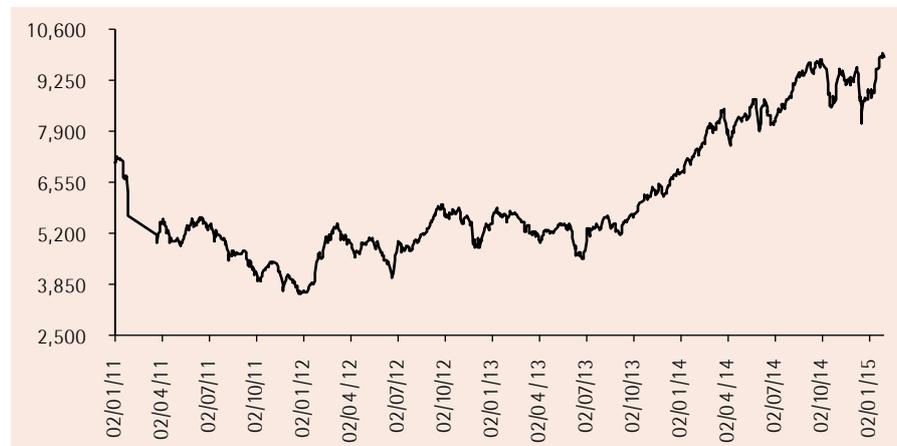
## PROTECTING SHAREHOLDERS' RIGHTS IN NOT A CHOICE

In spite of difficult financial situation that we faced at EGX, we've invested in our technological platform of the market surveillance. We had a state-of-the-art surveillance system, which in fact has enabled the Exchange to proactively, accurately and rapidly identify abusive behavior and conduct further investigations to maintain an orderly market. What is amazing is that with time and with the market participants' feeling of strict surveillance, the violations have declined significantly in our market.

We didn't stop at this point, but we have undergone various amendments to the Listing & Disclosure Rules that helped in ensuring more investors' protection and a wider application of corporate governance. This has contributed in improving Egypt's ranking as per Doing Business report 2015 issued by the World Bank and the International Finance Corporation (IFC), getting a high score in minority investor protections indicator, rising up by 18 points, which resulted from the amendments in disclosure requirements.

From another perspective, we have launched an internal system for dispute resolution to help in resolving commercial disputes among investors rapidly.

## EGX 30 INDEX PERFORMANCE



## DON'T FOCUS ON INDICES' MOVEMENTS

Well, one of the good things for EGX in 2014 was coming as one of the best performers in the world during this year; however, let us always concentrate on the issues that we can manage. It's not our role to control price movements, but our role represented in attracting investments and helping companies to expand and grow. This is a clear message that you always need to convey & discuss with your team, different market participants as well as the media.

## DON'T FORGET YOUR PRIMARY ROLE AS A SOURCE OF FINANCE

As I mentioned earlier, the upward price movements weren't our primary concern, instead we focused on helping companies to raise funds through capital increases and IPOs, whereby we facilitated the procedures and time span needed for companies to increase their capital to reach 24 hours in some cases. We also assigned a whole team to follow up with companies to make sure that there are no obstacles affecting the procedures of increasing their capital. As a result, more than 30% of the listed companies applied to increase their capital during 2014 and large IPOs returned back for the first time since the global financial crisis.

## THE ECONOMY IS THE MAIN PLAYER

Like it or not, the economy has significant effect on the market's performance, that's why we concentrated on the promotion of the national economy before promoting the Egyptian Exchange, as investors are not just buying financial securities as much as they are investing in a whole economic system. Always focus on your economic

situation and the available opportunities within the economy in all your reports & interviews.

## DON'T BE FRUSTRATED AND FOCUS ON DEVELOPMENT

In the time of crisis everyone thinks that you'll exert all your efforts to absorb its repercussions, but that should not be the case, instead, you have to focus more on continues development despite all the challenges facing you. For that reason, we had a comprehensive developmental movement; including launching the first exchange traded fund (ETF), introducing market maker & the block trade mechanism. In addition, new disclosure, listing and membership rules were launched; meanwhile, the rules of treasury stocks, voluntary delisting, capital increases and stock splits were amended. Furthermore, intraday trading mechanism and the discovery session were back... Do you believe that an exchange going through these circumstances would decide to extend the trading hours? Yes, it paid off even from the psychological point of view whereby it helped to boost investors' confidence.

## ALWAYS DEVELOP YOUR DISCLOSURE POTENTIALS

One of the most important things that we focused on was improving the disclosure capabilities. As a result, the number of annual disclosures sent to the market has jumped to 10 thousand disclosures on average compared to an average of 5 thousand disclosures earlier. Focusing on the number of disclosures was not only our aim but we've worked intensively on improving the quality of disclosure, following different approach in dealing with our companies. Instead of simply imposing penalties and fines,

we cooperated with investor relations' officers and developed their abilities. We also held several intensive training sessions for them to increase their awareness about the proper disclosure. We had very good results, whereby timeliness and timing of disclosure have risen dramatically.

Additionally, disclosure was our strong arm during the time of the crisis, during which investors were panicking. In that regard, we obliged the companies to submit additional reports about their financial & operational conditions to give the investor additional information about the company's status, and this helped in reassuring investors that the situation is not as bad as they imagine.

## TALK TO YOUR INVESTORS

Investor always want to see a clear and explicit image even if it was negative or bleak, that's why we relied to a great extent on transparency, we highlighted the challenges that we face before talking about the opportunities that we have, and we made our vision clear and how we will deal with those challenges and crises. Additionally we were keen to issue lucid press releases about all events. Don't let the media be your investors' channel of getting the news.

## COOPERATE WITH THE REGULATOR

Exchanges usually complain about their relationship with the regulator, stating that the later may hinder the development process. However, with a lot of effort and direct communication, we were able to create a good relationship with the regulator, which helped a lot in speeding up the development & modernization process.

## BE FLEXIBLE

We've launched new listing and disclosure rules at the beginning of the year 2014, and after being applied we found out that some of them needed to be amended, so we took an immediate decision to make amendments within 11 months of issuing these rules.

## INSTITUTIONAL MANAGEMENT AND GOVERNANCE

There is no doubt that institutional management contributed significantly in achieving our targets. Having a clear strategy four years ahead helped the team to understand the institution targets and how to recruit the institution resources to achieve such targets. Not only should you have a strategy but you should also prepare follow-up periodical reports to track to what extent the targets were met. Hence, investors feel more confident that there's a clear vision regardless any changes in the management. In addition, we also set an example for listed companies in applying corporate governance, adding two new independent experienced members to EGX Board of Directors.

## INVEST IN TECHNOLOGY

Technology is considered a corner stone for any capital market and hence you can't overlook investing in it. Having that in mind, we established a back up data center to ensure that trading wouldn't be hindered due to technical problems. In addition, we shifted the OTC market system from manual to electronic system, which helped increasing trading figures significantly.

## "GO TO COMPANIES, DON'T WAIT FOR THEM TO COME TO YOU"

That was my advice to EGX listing team. Thus, we had dozens of seminars and informative meetings with numerous promising companies to convince them to list, and as a result the year 2014 witnessed the highest number of newly listed companies since 2010.

## LISTEN TO MARKET PARTICIPANTS

There is no doubt that having regular meeting with various market participants may draw your attention to several important ideas that can help in the market's development & it will also make the market more supportive of your decisions as they contributed in making them.

## STRENGTHEN YOUR INTERNATIONAL ALLIANCES

International relations have a crucial role in the financial industry, acting as a promotion for the exchange among the global investment arena, in addition to helping in creating opportunities and exchanging information and expertise. Thus, one of the important steps we've taken to restore EGX international relations was restructuring the international relation unit, which helped in enhancing EGX international presence. In that regard, EGX won the post of the President of the Federation of Euro-Asian Stock Exchanges (FEAS); we were also elected as a member of the Executive Committee of ASEA and I expect more coalition with international organizations in the coming period.

## PAY ATTENTION TO INTERNATIONAL PROMOTION

Some believe that international promotion is useless during the time of crisis but let's talk some figures to make facts more comprehensible for investors, in 2014 foreign investors generated an average trading value of LE 40 billion compared to LE 24 billion in 2013, recording a net inflow of LE 3.4 billion for the first time since 2011.

## DON'T FORGET THE SOCIETY

Building a good relation with society is very important. Encouraging listed companies to engage more in social responsibility activities will have a positive impact especially with the increased interest worldwide to invest in companies that apply clear social responsibility measures.

*In the end I'd like to say that every challenge is opportunity in disguise, and if crisis made wealth to investors then it should be used to the success of your organization.*

## FEAS MEMBER STATISTICS



### DOMESTIC MARKET CAPITALIZATION (USD MILLION)

| Exchange                      | 2015           |                |                |
|-------------------------------|----------------|----------------|----------------|
|                               | January        | February       | March          |
| Abu Dhabi Securities Exchange | 111,438        | 117,523        | 113,186        |
| Amman Stock Exchange          | 25,145         | 25,213         | 24,297         |
| Bahrain Bourse B.S.C          | 22,095         | 23,003         | 22,652         |
| Baku Stock Exchange           | 29             | 27             | 22             |
| Banja Luka Stock Exchange     | 2,359          | NA             | NA             |
| Belgrade Stock Exchange       | 1,951          | 1,983          | 1,814          |
| Borsa Istanbul                | 256,076        | 237,587        | 217,673        |
| Bucharest Stock Exchange      | 20,508         | 20,528         | 19,512         |
| Bulgarian Stock Exchange      | 4,989          | 4,904          | 4,800          |
| Damascus Securities Exchange  | 681            | 635            | 0              |
| Egyptian Exchange             | 70,097         | 68,031         | 67,394         |
| Georgian Stock Exchange       | 812            | 752            | 716            |
| Iran Fara Bourse              | 22,170         | 21,304         | 20,819         |
| Iraq Stock Exchange           | 7,345          | 6,519          | 7,622          |
| Kazakhstan Stock Exchange     | 21,110         | 20,611         | 20,562         |
| Kyrgyz Stock Exchange         | 158            | 182            | 142            |
| Lahore Stock Exchange         | 73,255         | 71,014         | 62,739         |
| Montenegro Stock Exchange     | 2,315          | 2,342          | 2,312          |
| Muscat Securities Market      | 38,549         | 38,748         | 38,258         |
| NASDAQ OMX Armenia            | 34             | 32             | NA             |
| Palestine Exchange            | 3,129          | 3,122          | 2,993          |
| Tehran Stock Exchange         | 108,771        | 104,973        | 104,535        |
| Zagreb Stock Exchange         | 19,031         | 18,765         | 18,388         |
| <b>Total</b>                  | <b>812,047</b> | <b>787,800</b> | <b>750,435</b> |

NA: Not available Source: FEAS

## NUMBER OF LISTED COMPANIES

| Exchange                      | 2015         |              |              |
|-------------------------------|--------------|--------------|--------------|
|                               | January      | February     | March        |
| Abu Dhabi Securities Exchange | 67           | 67           | 67           |
| Amman Stock Exchange          | 236          | 236          | 236          |
| Bahrain Bourse B.S.C          | 47           | 47           | 47           |
| Banja Luka Stock Exchange     | 636          | NA           | NA           |
| Belgrade Stock Exchange       | 8            | 8            | 8            |
| Borsa Istanbul                | 256          | 257          | 256          |
| Bucharest Stock Exchange      | 83           | 80           | 81           |
| Bulgarian Stock Exchange      | 372          | 371          | 369          |
| Damascus Securities Exchange  | 24           | 24           | NA           |
| Egyptian Exchange             | 249          | 247          | 251          |
| Georgian Stock Exchange       | 4            | 4            | 4            |
| Iran Fara Bourse              | 126          | 126          | 124          |
| Iraq Stock Exchange           | 67           | 67           | 71           |
| Kazakhstan Stock Exchange     | 77           | 77           | 78           |
| Kyrgyz Stock Exchange         | 21           | 21           | 20           |
| Lahore Stock Exchange         | 431          | 433          | 433          |
| Moldovan Stock Exchange       | 9            | 9            | 9            |
| Montenegro Stock Exchange     | 61           | 61           | 60           |
| Muscat Securities Market      | 117          | 117          | 117          |
| NASDAQ OMX Armenia            | 15           | 15           | NA           |
| Palestine Exchange            | 48           | 48           | 48           |
| Sarajevo Stock Exchange       | NA           | NA           | NA           |
| Tehran Stock Exchange         | 315          | 313          | 314          |
| Zagreb Stock Exchange         | 193          | 187          | 188          |
| <b>Total</b>                  | <b>3,462</b> | <b>2,815</b> | <b>2,781</b> |

NA: Not available Source: FEAS

## VALUE OF SHARE TRADING (USD MILLIONS)

| Exchange                               | 2015          |               |               | Total          |
|--|---------------|---------------|---------------|----------------|
|  | January       | February      | March         |                |
| Abu Dhabi Securities Exchange          | 1,153         | 1,187         | 1,359         | 5,822          |
| Amman Stock Exchange                   | 247           | 329           | 304           | 1,158          |
| Bahrain Bourse B.S.C                   | 9             | 22            | 15            | 86             |
| Baku Stock Exchange                    | 24            | 3             | 26            | 54             |
| Banja Luka Stock Exchange              | 1             | 0             | 0             | 1              |
| Belarusian Currency and Stock Exchange | 1             | 0             | 0             | 1              |
| Belgrade Stock Exchange                | 9             | 7             | 46            | 69             |
| Borsa Istanbul                         | 41,854        | 38,380        | 38,542        | 118,776        |
| Bucharest Stock Exchange               | 143           | 135           | 149           | 427            |
| Bulgarian Stock Exchange               | 36            | 14            | 13            | 70             |
| Damascus Securities Exchange           | 0             | 1             | 0             | 1              |
| Egyptian Exchange                      | 1,600         | 1,454         | 1,353         | 4,407          |
| Georgian Stock Exchange                | 1             | 1             | 1             | 4              |
| Iran Fara Bourse                       | 261           | 213           | 577           | 1,051          |
| Iraq Stock Exchange                    | 13            | 32            | 52            | 97             |
| Kazakhstan Stock Exchange              | 10            | 9             | 6             | 25             |
| Kyrgyz Stock Exchange                  | 0             | 0             | 0             | 0              |
| Lahore Stock Exchange                  | 8             | 5             | 3             | 20             |
| Moldovan Stock Exchange                | 2             | 0             | 0             | 2              |
| Montenegro Stock Exchange              | 2             | 7             | 5             | 14             |
| Muscat Securities Market               | 270           | 455           | 335           | 1,060          |
| NASDAQ OMX Armenia                     | 1             | 1             | 0             | 2              |
| Palestine Exchange                     | 9             | 25            | 59            | 114            |
| Sarajevo Stock Exchange                | 2             | 2             | 18            | 21             |
| Tehran Stock Exchange                  | 689           | 762           | 958           | 2,409          |
| Zagreb Stock Exchange                  | 31            | 66            | 28            | 149            |
| <b>Total</b>                           | <b>46,375</b> | <b>43,111</b> | <b>43,849</b> | <b>135,840</b> |

NA: Not available Source: FEAS

## VISIT THE FEAS WEBSITE



- Trading statistics
- Company data
- Price information
- Ratios
- and much, much more...

[www.feas.org](http://www.feas.org)

Subscribe to FEAS RSS Feed at  
[www.feas.org/feed/index.aspx](http://www.feas.org/feed/index.aspx)  
for the latest news



[www.feas.org](http://www.feas.org)