Global governance has to be customised for corporates

INSIGHT

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THE FINANCIAL REFORM agenda is developed by G20 as part of global governance to have more resilient financial system and ambitious structural reforms to lift growth.

Strengthening the oversight and regulation of shadow banking, building resilient financial institutions and lending "too big to fail are some the areas which are currently focused as part of global regulatory reforms.

Earlier prior to the crisis, the light touched regulation failed to spot the risk which could have caused the global financial crisis. Regulation should remain flexible to keep up with innovation in financial markets.

The Dodd-Frank Wall Street Reform and Consumer Protection Act in US implemented the regulatory reforms in response to the crisis.

G20 will look at reports from IMF and World Bank on issues which report transparency and comparability of public sector reporting, and monitoring the impact of financial sector vulnerabilities on public debt.

G20 has urged various jurisdictions to adopt the agreed Basel III reforms as expeditiously as possible. Global governance currently gives focus on issues which impact macroeconomic stability. A road map is also developed by financial stability board as part of global governance to reduce reliance on external credit ratings.

Global governance has given emphasis on convergence of accounting standards and on plans to expand the financial inclusion indicators covering quality of products, financial literacy and consumer protection.

The Basel Committee has given focus on governance areas such as board practices, senior management, risk management and controls, compensation, complex or opaque corporate structure and disclosure and transparency.

The UAE Central Bank has come up with regulation to improve liquidity risk management and governance framework.

Some of the areas which are covered in this regulation include board of directors responsibility on liquidity risk management, senior management role in liquidity strategy, process for monitoring and controlling liquidity risks, forward looking funding strategies, periodic stress tests, formal contingency funding plan and transfer pricing frameworks. Basel implementation as part of global governance will encourage regional regulators to focus on risk governance in GCC financial institutions.

The UAE Central Bank has come up with regulation to improve liquidity risk management and governance framework. — *KT photo*

GCC Financial Service regulators have also given importance to corporate governance and have come up with rules and regulations to implement the same.

Qatar Central Bank (QCB) has provided corporate governance guidelines for banks and financial institutions. QCB on site supervision as part of risk assessment indicators for financial institutions covers corporate governance.

Saudi Monetary Agency (Sama) has also provided principles of corporate governance. A recent move by Saudi Arabia on planning to open market for foreign investment will result in companies definitely trying to improve corporate governance practices.

The emphasis is given on long term financing by global governance through G20.

Foreign direct investment is also part of this. Global governance promotes long term financing whereas corporate governance can encourage foreign direct investment in the GCC region.

Corporate governance also benefits the GCC capital markets. Corporate governance will increase institutional participation and would bring a long-term perspective to the market and would also encourage the production of more high quality research. It will also support development of bond market in the region.

Awareness of the advantages of corporate governance is definitely improving across the family businesses in GCC.

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The priorities for governance in GCC family offices include succession planning, conflict management and professional management at board and senior management levels.

Overseas regulatory developments such as FATCA (Foreign Account Tax Compliance Act of the USA) and UK Bribery Act 2010 which have extraterritorial reach can impact GCC corporates. Global governance has to be customised for corporate governance and the reforms proposed as part of global governance which impact risk, ratings agencies and accounting framework will improve corporate governance framework in the financial institutions.

The writer is Group CEO at Doha Bank. Views expressed are his own and do not reflect the newspaper's policy