Working with Regulators and Policy-Makers

Efforts to improve the regulatory framework as it relates to corporate governance issues is a key component of most of our projects. Our partners in this work include securities commissions, ministries of economy/economic development, central banks, and stock exchanges.

Specifically, our work here involves:

- Providing advice on writing new laws and regulations;
- Suggesting amendments to existing legislation;
- Offering comparative analyses on laws and regulations from other countries; and
- Assisting in the development of corporate governance codes or listing requirements.

Frequently, the efforts take place under the auspices of a task force affiliated with or under the patronage of the local securities commission. This adds legitimacy to the reforms. It also helps ensure buy-in by involving all the various stakeholders: stock exchanges, investment funds, self-regulating bodies, think tanks, law firms, donors, and other technical assistance projects.

We generate additional public support for reforms through roundtables and other events, often co-organized with local government or NGOs to provide feedback from the private sector and facilitate private-public dialogue. The nature of our projects, incorporating a comprehensive approach that includes direct work with private sector clients, government, and other stakeholders makes it easier to bring all the parties to the table.

As a whole, work on legislative reform usually has many starts and stops along the way. Things might be slow during politically tense times—like an election year—but teams must be flexible enough to mobilize resources when there is sudden interest for reform from the government. Because of this, it is good to have a strong core team of professionals that can work on a number of project elements instead of staff dedicated to one element, such as policy reform.

While we have had relatively strong success in influencing the adoption of regulations or listing rules, more complex and far-reaching pieces of legislation, such as securities laws or laws on joint stock companies, have proven considerably more difficult to influence, because:

- Efforts require more resources and wide support from a broad range of stakeholders; and
- Initiatives are often hindered by the fact that lawmakers, many of whom hold interests in private companies, don't necessarily want legislation that promotes minority shareholder rights and increases transparency to apply to their businesses.

In countries where key laws are difficult to change, it might be more prudent for the project's policy efforts to focus on voluntary corporate governance codes. Such documents are seen as less threatening and can provide guidelines for local companies to follow in the absence of effective legislation. Once some of the company practices become more accepted in the business community, it becomes less controversial to introduce them into the legislative framework.

The SmartLessons that follow detail ways to engage effectively with governments and clients to bring about the needed regulatory changes that will support and encourage the mainstreaming of corporate governance improvements.