

The objective of the corporate governance guidelines for bank directors is twofold: (i) to present a single source of information for bank directors regarding sound corporate governance principles and best practices relative to banks; and (ii) to provide a set of reference standards and guidelines that banks can use to voluntarily benchmark, assess and if need be improve their own corporate governance frameworks. The objectives of the high-level corporate governance workshop, in turn, are (i) to present the most recent trends in bank corporate governance to an audience of senior policy and rule-makers, banks and other stakeholders from the MENA region; (ii) to provide bank directors and managers on the one hand, and their public sector counterparts on the other hand with an opportunity to initiate a regional dialogue on corporate governance through the sharing of experiences and best practices; and (iii) build upon the workshop to initiate a corporate governance reform agenda for GCC countries' banking sectors.

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“What makes this joint initiative so unique,” added Saeed Al Hamiz, Executive Director of Banking Supervision and Examination Department at Central Bank of the UAE, “is that the director handbook intends to position the UAE banking sector at par with many developed country in this regard, particularly in light of the recommendations set forth in the revised Basel II Capital Accord and the Basel Committee’s Guidance on Sound Corporate Governance.”

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For the editor:

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What is Corporate Governance?

Corporate governance refers to the structures and processes for the direction and control of corporations. Corporate governance specifies the distribution of rights and responsibilities among the main participants in the corporation—including shareholders, directors and managers—and spells out the rules and procedures for making decisions on corporate affairs. By doing this, corporate governance provides the structure through which company objectives are set, implemented and monitored. A company committed to good corporate governance has well-defined shareholder rights, a solid control environment, high levels of transparency and disclosure, and an empowered board of directors.

The Business Case for Corporate Governance:-

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Corporate governance matters to:

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Banks and companies as it improves access to capital, attracts premium valuations and offers financing on better terms. Corporate governance also improves performance. Indeed, better leadership, oversight and strategic direction, efficient information flows and work processes, and better compliance, accountability and less conflict lead to better decision-making and affect the long-term prosperity of companies. Finally, effective corporate governance can enhance reputations, by creating confidence, establishing goodwill and building or restoring trust in the market.

Investors care about corporate governance as well-governed companies will tend to outperform their peers, safeguard and provide for higher returns on investment, protect shareholder rights, and provide assurance that management acts in the best interest of the company and all shareholders.

Governments care about corporate governance as it develops the public and private capital markets, reduces the vulnerability to financial crisis, and improves a country's ability to mobilize, properly allocate and monitor investments, all of which fosters economic growth.

The mission of the International Finance Corporation (IFC) (www.ifc.org) is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives. IFC finances private sector investments in the developing world, mobilizes capital in the international financial markets, helps clients improve social and environmental sustainability, and provides technical assistance and advice to governments and businesses. From its founding in 1956 through FY04, IFC has committed more than \$44 billion of its own funds and arranged \$23 billion in syndications for 3,143 companies in 140 developing countries. IFC's worldwide committed portfolio as of FY04 was \$17.9 billion for its own account and \$5.5 billion held for participants in loan syndications. The Private Enterprise Partnership for the Middle-East and North Africa (PEP-MENA) is IFC's technical assistance facility that supports private sector development in MENA. PEP-MENA focuses on improving the business-enabling and regulatory environment in the region; strengthening the financial sector; promoting the growth of small and medium enterprises and their support services, such as business organizations and consulting firms; helping restructure and privatize state-owned enterprises; and developing viable private sector and public-private partnership projects, especially in infrastructure.

(www.ifc.org)

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The Central Bank of the UAE (www.cbuae.gov.ae) formally under the name UAE Currency Board in 1973 then transformed into Central Bank of the UAE under the provisions of Union Law (10) of 1980, which superseded Union Law (2) of 1973. In defining the Central Bank's objectives, Article 5 of Union Law No. (10) of 1980 states that the Central Bank: "Shall direct monetary, credit and banking policy and supervise over its implementation in accordance with the State's general policy and in such ways as to help support the national economy and stability of the currency." For the attainment of these objectives, the said law empowers the Central Bank to:

(www.cbuae.gov)

1973

1980 (10)
1973 (2)

(5)
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- Exercise the privilege of currency issue;
- Endeavor to support the currency, maintain its stability internally and externally and ensure its free convertibility into foreign currencies;
- Direct credit policy in such ways as to help achieve balanced growth of the national economy;
- Organize and promote banking and supervise over the effectiveness of the banking system;
- Undertake the function of the bank of the government within the limits prescribed in the law;
- Advise the government on financial and monetary issues;

- Maintain the government's reserves of gold and foreign currencies. ▪
- Act as the bank for banks operating in the country; and ▪
- Act as the State's financial agent at the International Monetary Fund, the International Bank for Reconstruction and Development, and other International and Arab Funds and Institutions and carry out dealings of the State with such concerns. ▪