



**Qatar Financial Market Authority**

**Corporate Governance Code**

**21<sup>st</sup> April 2008**

**Dr. Nasser Saidi**

**Executive Director**

**Hawkamah, The Institute for Corporate Governance**

# Agenda

- QFMA comments and Hawkamah responses on the Corporate Governance Code
- Timeline for the deliverables

# QFMA Comments

## Comment No. 1

The articles are the same with no changes at all in most of them, and where there are changes they are not significant. Although Hawkamah describes our comments as being very useful, there is no indication in the CODE that our comments have been accommodated.

### Response:

Hawkamah mentioned in the e-mail dated 10th March 2008, that the document attached was a 'Working Draft' and that we have dealt with Mr. Zumam's comments on the definition of 'Relatives', "Related party"/Company definitions as well as "Independence of Directors" in this working draft.

## Comment No. 2

"The Code is still mandatory or confusing to say the least, although the word mandatory has been replaced by the word voluntary. The imperative verb (shall) is used throughout the Code; The provisions of Article (31.2) in the most recent Code of March 2008, are the same as those of the previous draft of January 2008. They stipulate penalizing those who do not comply with the CODE.

# QFMA Comments

The Authority shall issue all regulations and / or take all decisions and shall take all necessary actions to enforce the provisions of this Code as and when it deems fit. This includes interpretation of the provisions of the Code, definition and stipulation of standards, issuance of rule books, forms, guidelines and all other required acts and / or actions in order to enforce and monitor this Code including investigations, verification of information, sanctions, fines, penalties and all other enforcement measures under applicable laws and regulations. How can that be? How can one reconcile saying that the CODE is voluntary with the above provision? Almost all voluntary codes use the words: Principles or Recommendations instead of Articles as titles for their provisions”.

## Response:

In the article reproduced above and the phrase “as and when it deems fit” was added by Hawkamah to help QFMA enforce this code **when** it wishes and deems fit to do so. This is also the reason why the word ‘shall’ was not changed to ‘should’. This by no way makes the code mandatory as it has been specifically provided in Article 31.1 of the Code that this is a voluntary code. We wanted to provide the QFMA with the flexibility of introducing reforms in the future.

The term “Principle” has a different meaning to a ‘Clause’ or an ‘Article’. We can call these provisions “clauses’ but not Principles.

# QFMA Comments

## Comment No. 3

"I have sent Hawkamah, on the 5<sup>th</sup> of this month, March 2008, a revised Code based on Hawkamah draft Code of January 2008. I have explained in my messages the changes I have made. It is a Voluntary CODE. Hawkamah is kindly requested to look into that CODE and give us its comments.

## Response:

The alternate Preamble drafted by Mr. Zumam cannot and must not form part of the CG Code drafted by Hawkamah. It was already explained in the e-mail dated 24<sup>th</sup> February 2008, the alternative Preamble drafted by Mr. Zumam is an investor education document. Investors should be made aware of the benefits of the implementation and adoption of this code (which are listed in its preamble drafted by Hawkamah), however, the alternative Preamble is not suitable 'platform' for this purpose.

The Draft alternative CG Code prepared by Mr. Zumam cannot be considered as a legal document because of the drafting and the way it has been constructed. Hawkamah therefore, strongly recommends not introducing it as a CG Code for QFMA. However, QFMA can brush up the document to develop it into a Corporate Governance guide and use it as an investor education document.

# QFMA /SZ Comments

## Comment No. 1

"With respect to the Agreement of Monday 29th October 2007, between QFMA and Hawkamah, the completion of the services stipulated in Schedule A is long overdue. So as to finalize the matter, we kindly request you to 1. incorporate our comments on required amendments to the Qatar Commercial Companies Law 5/2002 into your comments:- Send us English and translations into Arabic of the following six documents:

- a. The Code
- b. Recommended Amendments to QCCL 5/2002
- c. The Preamble to the Code;
- d. Fit and Proper Guidelines;
- e. Board Charter Form and
- f. The Gap Analysis Report

## Response:

Hawkamah is well aware of its contractual obligations towards QFMA. On 24 February, 2008 Hawkamah circulated a full and detailed reply to all comments received by Mr. Zumam, (despite the fact that these comments were received in separate packages, sent by Mr. Zumam in piecemeal fashion and at various

# QFMA / SZ Comments

dates). Hawkamah nevertheless decided to treat all comments as useful in the Code's review given that they reflect and reveal QFMA's perspective on corporate governance related matters. We had to spend substantial time for repeating the same work , as despite our requests (including at the meeting held in your offices on 17<sup>th</sup> December 2007) we did not receive updated laws.

# Timeline for Deliverables

Deliverable 1	'Corporate Governance Regulatory Gap Analysis Report' – Friday 16 November 2007
Deliverable 2	'Draft Corporate Governance Code for Joint Stock Companies Listed on the Doha Securities Market' along with a model Board Charter – Friday 07 December 2007
Meeting with QFMA	Draft CG code discussed and submitted. Requested for QFMA's feedback in writing – Monday 17 Dec 2007
Deliverable 3	'Revised Draft CG Code' along with related attachments with QFMA's comments until 30 December 2007 – Monday 31 December 2007. Additional comparison with OECD CG Principles and Draft Code for QFMA provided beyond scope of agreement
Amended Documents	'CG Related Amendments Document' based on English version of Qatar's Companies Law No. 5/2002 sent – Tuesday 01 <sup>st</sup> January 2008



# Timeline for Deliverables

	CG Related Amendments Document' revised again based on amendments made by QFMA to the CL – Saturday 05 <sup>th</sup> January 2008
	Draft CG Code revised again based on Mr. Zumam's comments – Friday 18 January 2008
"Mandatory" vs "Voluntary" CG Code	Mr. Zumam's e-mail stating decision taken to make CG code voluntary instead of mandatory – Monday 25 <sup>th</sup> February 2008
	Revised CG Code submitted based on Mr. Zumam's request – Monday 10 <sup>th</sup> March 2008

**Thank you**

