



**Asia-Pacific
Economic Cooperation**

2013/SOM1/EC/011

Agenda Item: 6

**Lessons from the Financial Crisis for Corporate
Governance and Law– Roles and Duties of
Enforcement Bodies on Corporate Governance
Implementation**

Purpose: Information
Submitted by: Chinese Taipei



**First Economic Committee Meeting
Jakarta, Indonesia
1-2 February 2013**

Lessons from the Financial Crisis for Corporate Governance and Law–

roles and duties of enforcement bodies
on corporate governance implementation

By Financial Supervisory Commission, Chinese Taipei
2013/02/01

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Project Objectives

- Principles
- Measures
- Practices
- Experience Sharing
- Action Plan

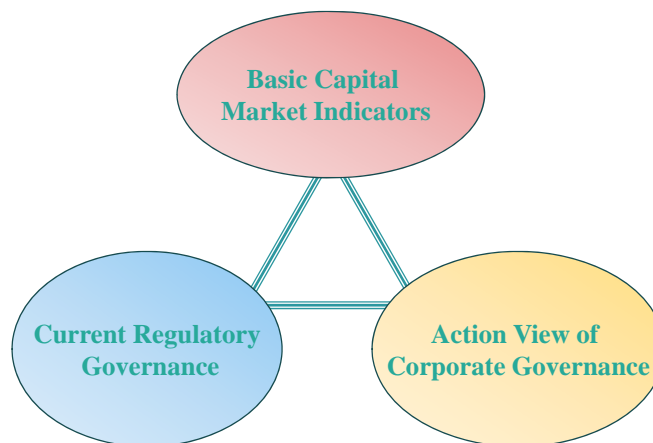
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Status Report

- Questionnaire to be sent to members
- In-depth interview with S. Korea

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Questionnaire Design



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Questionnaire Structure

- Reference
- Priorities
 - Public- and private-sector institutions should continue to make the business case for the value of good corporate governance.
 - All jurisdictions should strive for active, visible and effective enforcement of corporate-governance laws and regulations.
 - The quality of disclosure should be enhanced and made in a timely and transparent manner.
 - Board performance needs to be improved by appropriate further training and board evaluations.
 - The legal and regulatory framework should ensure that non-controlling shareholders are adequately protected from expropriation by insiders and controlling shareholders.
 - Shareholder engagement should be encouraged and facilitated, in particular by institutional investors

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Questionnaire Structure

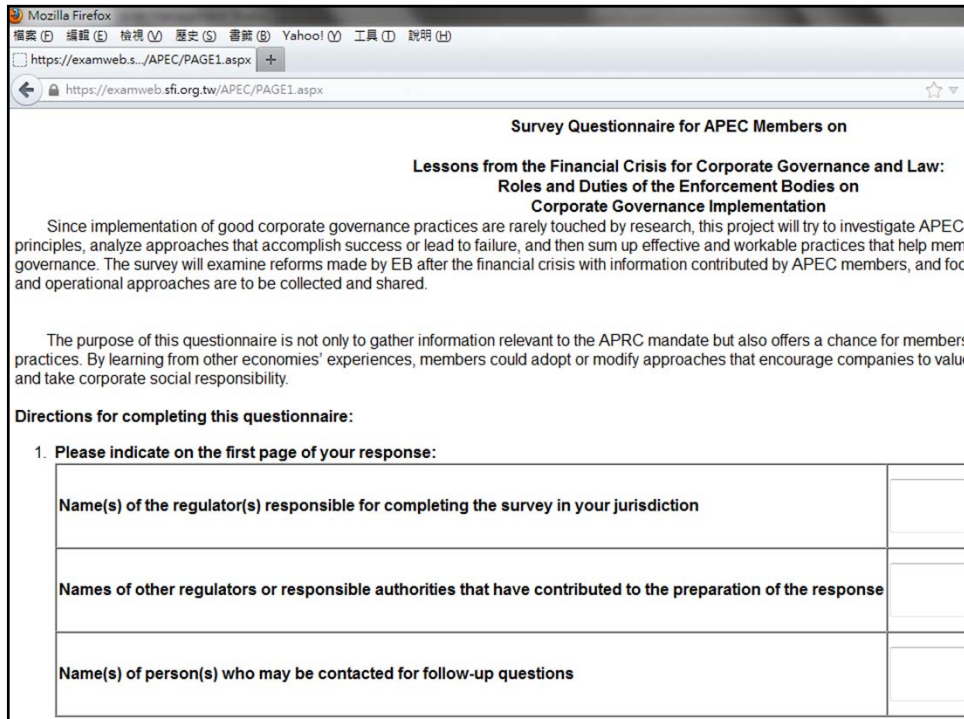
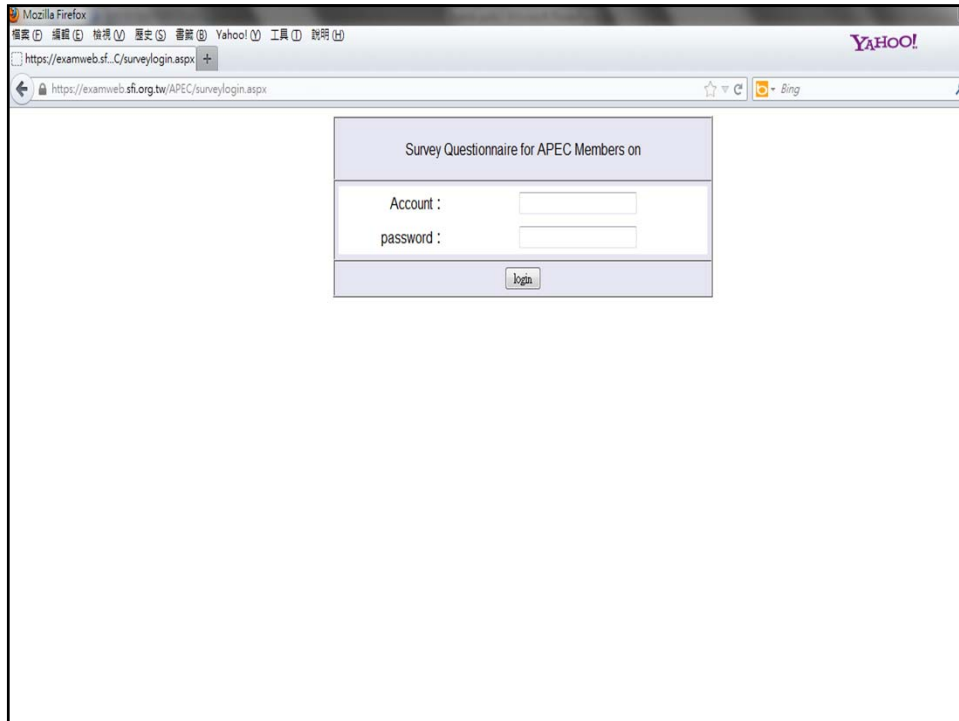
Intensity/Concentration design

Multiple choices, open questions

- e.g. financial information disclosure
- mandatory for disclosing annual financial reports
- mandatory for disclosing semi-annual financial reports
- mandatory for disclosing quarter financial reports

Fill-in answers through website

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IV. OECD 2011 Reform Priorities in Asia- Priority 4
 Board performance needs to be improved by appropriate further training and board evaluations. The board nomination process should be prospective board members, including their qualifications, with emphasis on the selection of qualified candidates. Boards of directors must monitoring of internal control and risk oversight systems. Boards should ensure independent reviews of transactions involving managers, d

1A. Before the 2008 financial tsunami, what functional committees did your jurisdiction require to be established by the boards of directors?
 None
 Compensation (remuneration) committee(Compulsory Voluntary)
 Audit committee(Compulsory Voluntary)
 Nominating committee (Compulsory Voluntary)
 Risk management committee(Compulsory Voluntary)
 Corporate governance committee(Compulsory Voluntary)
 Other relevant organizations for ensuring the independence of the board of directors. Please briefly describe:

1B. After the 2008 financial tsunami, what functional committees does your jurisdiction require to be established by the boards of directors?
 None
 Compensation (remuneration) committee(Compulsory Voluntary)
 Audit committee(Compulsory Voluntary)
 Nominating committee(Compulsory Voluntary)
 Risk management committee(Compulsory Voluntary)
 Corporate governance committee(Compulsory Voluntary)
 Other relevant organizations for ensuring the independence of the board of directors. Please briefly describe:

2A. Before the 2008 financial tsunami, which person or body was responsible for proposing the compensation of management and board n jurisdiction?
 CEO or chairman of the board

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VIII. Experiences sharing

1. Please list the six priorities set out in the OECD's 2011 "Reform Priorities in Asia" in the order of the importance with which they are view tsunami:

2. Please give examples of the challenges that your jurisdiction currently faces in corporate governance (please give at least three examples)

3. On which topics is your jurisdiction most interested in learning the experience and recommendations of other countries relating to the dev

4. Please describe any experiences your jurisdiction would like to share relating to corporate governance:

Previous Final

Possible Output--Statistics Analysis

Basic & Secondary Data
Status : (6+1, 1)

→ $A_{6+1,i}$

TW. B Year	Q1	Q2	Q3	Q4(IPO)	Q5(ROA %)
2004				125	4.81
2005				69	3.30
2006				51	0.95
2007				70	2.76
2008				55	-0.81
2009				50	2.38
2010				56	2.87
2011				90	2.71

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Possible Output--Statistics Analysis

Basic & Secondary Data
Status : (6+1, 1)

→ $A_{6+1,i}$

Ans. of Q	Q4(IPO) 2-YR Moving Average
2005	97
2006	60
2007	60.5
2008	62.5
2009	52.5
2010	53
2011	73

→ $\frac{\text{IPO}(2004)+\text{IPO}(2005)}{2}$

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Possible Output--Statistics Analysis

Basic & Secondary Data
Status : (6+1, 1)

→ $A_{6+1,i}$

Ans.	Q5(ROA %) 2-YR Moving Average
2005	4.06
2006	2.12
2007	1.85
2008	0.98
2009	0.79
2010	2.62
2011	2.79

$$\frac{ROA(2004)+ROA(2005)}{2}$$

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Possible Output--Statistics Analysis

Basic & Secondary Data
Status : (6+1, 1)

→ $A_{6+1,i}$

Ans. of Q	Q4(IPO) 3-YR Moving Average
2005	81.7
2006	63.3
2007	58.7
2008	58.3
2009	53.7
2010	65.3

$$\frac{IPO(2004)+IPO(2005)+IPO(2006)}{3}$$

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Possible Output--Statistics Analysis

Basic & Secondary Data
Status : (6+1, 1)

$$\longrightarrow A_{6+1,i}$$

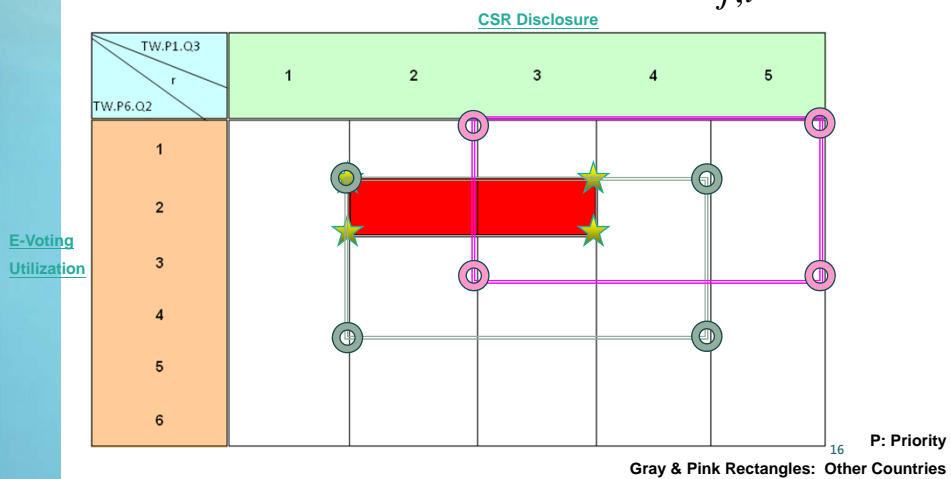
Ans.	OS(ROA %) 3-YR Moving Average	
2005	3.02	$\longrightarrow \frac{ROA(2004)+ROA(2005)+ROA(2006)}{3}$
2006	2.34	
2007	0.97	
2008	1.44	
2009	1.48	
2010	2.65	

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Possible Output-- Contrast

Cross Analysis : (6+1, 2)

$$\longrightarrow A_{j,i}$$



Possible Output--Cluster Analysis

Cluster Analysis : (6+1, 3 or more)

→ $\Pi A_{j,i}$

	1	2	3	4	5		1	2	3	4	5
1	1	19	13	5	0	1	5	9	1	8	5
2	4	21	2	15	12	2	3	2	4	13	0
3	7	14	6	3	7	3	3	17	6	18	7
4	10	1	8	20	3	4	14	9	21	10	2
5	12	4	11	19	18	5	8	2	13	1	4
	1	2	3	4	5		1	2	3	4	5
1	2	4	20	3	10	1	0	14	8	4	0
2	9	17	11	6	1	2	9	6	18	21	20
3	13	12	8	8	5	3	12	19	14	16	7
4	17	15	14	9	0	4	21	11	20	9	3
5	5	1	2	19	4	5	1	22	5	10	9

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Roundtable Experience Sharing

- To be held on EC2
- Tentative topics for experience sharing
 - Investor class action suits
 - Education programs for independent director
 - Shadow directors
 - IFRS implementation
 - Separation of financial sector from other industries
 - NGO' s function

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Implication and Action Plan

- Not comment on each economy' s policies or implementation results
- Focus on CG implementation' s influences on capital markets
- Inspiration/implication acquired from analysis and experience sharing:
 - **ADVICE**: other' s experience was good, and we need to change.
 - **WARNING**: other' s experience was a warning to us, and we have to change.
 - **COMPLIMENT**: we were doing well, and will stay as it is in future.
 - **SUGGESTION**: we were doing badly, but need to live with it.
- Action Plan:
 - Important/Urgent
 - Planning

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In-depth Interview with S. Korea



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In-depth Interview with S. Korea

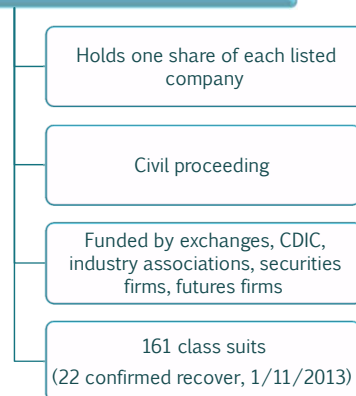
Observations

- High level recognition
- NGOs play important roles
- Minimize influences of majority shareholders on outside directors
- Chaebol issues
- Shareholder protection—less class action suits
 - Chinese Taipei's experience sharing
- Financial sector involves in non-financial businesses
 - Chinese Taipei's experience sharing

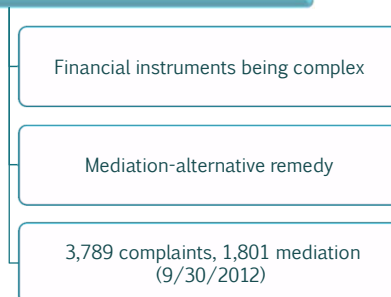
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Chinese Taipei's Class Action Suit and Ombudsman system

Securities and Futures Investor Protection Center, 2003



Financial Ombudsman Institution, 2012



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Chinese Taipei' s Separation Policy of Financial vs. non-Financial industry

- Very controversial
- Banking Act stipulates clear separation

Different development approaches should be reviewed in different cultures

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Seeking assistance ...

- Valuable research paper depends on adequate and good quality data
 - Please request related agencies to fill in questionnaires in time
- Experiences sharing benefits self and others
 - Please voluntarily be our in-depth interviewees
- Roundtable topics
 - Please tell us what interests you

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Comments?
Questions?

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