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**Intergovernmental Working Group of Experts on  
International  
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(ISAR)**

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Afternoon Session

**Regulatory and institutional foundations for high-quality  
corporate reporting**

Presented by

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**Legal and Regulation Framework:  
Corporate Governance (Pillar A6)  
ISAR: 29<sup>th</sup> Session, 2012**

**By**

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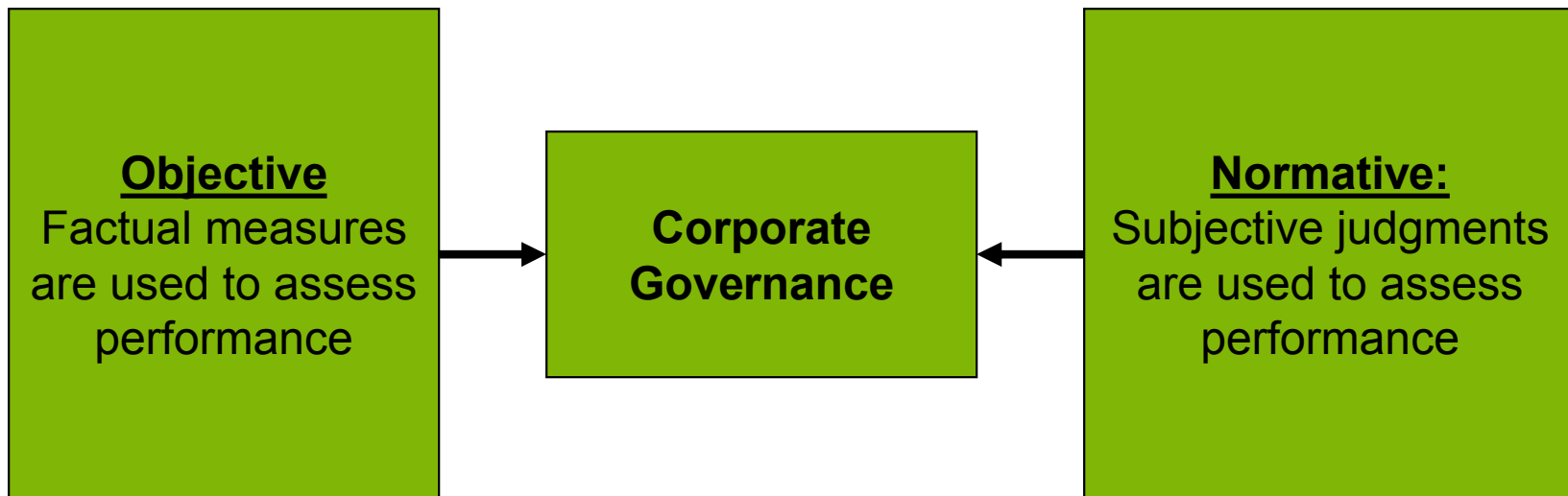
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# Objectives

- ◆ Identify the parameters of corporate government measurement (A6)
- ◆ Apply to the parameters corporate governance to the case of Turkey
- ◆ Present results of expanded parameters
- ◆ Raise some questions.

# Legal and Regulatory Framework Measurement



# Pillar A6: Parameters of Corporate Governance

- ◆ Regulatory requirements
- ◆ In line with OECD Principles of Corporate Governance
- ◆ Audit committee or equivalent required
- ◆ Financial literacy required of some directors
- ◆ Internal control procedures and framework required
- ◆ Financial statement certification by board or audit committee

# Pillar A6: Laws Governing Corporate Governance: Turkey

- ◆ Capital Market Law No. 2499
- ◆ Banking Law No. 5411
- ◆ Insurance Law No. 5486

# Pillar A6: Parameters of Corporate Governance: Turkey

- ◆ Regulatory requirements (3Yes-1No)
- ◆ OECD Principles (6Yes-0No)
- ◆ Audit committee (2Yes-2No)
- ◆ Financial literacy (2Yes-2No)
- ◆ Internal control (2Yes-7No)
- ◆ Financial statement certification (4Yes-0No)
- ◆ **Overall (19Yes-12No)**

(Needles, Turel, Sengur, and Turel, 2012)

# Pillar A6: Expanded Parameters of Corporate Governance: Turkey

## Corporate Governance Scorecard

	Parameters
◆ Shareholders	16
◆ Public Disclosure and Transparency	15
◆ Stakeholders	8
◆ Board of Directors	<u>15</u>
◆ <b>Total</b>	<b>54</b>

(Needles, Turel, Sengur, and Turel, 2012)



# Pillar A6: 60 Companies Groups by Scores on Corporate Governance: Turkey

<u>Quartile</u>	<u>Median</u>	<u>Mean</u>
1	22	20.3
2	28	28.1
3	32	31.9
4	<u>38</u>	<u>37.7</u>
<b>All</b>	<b>30</b>	<b>29.5</b>

**Range: 11-43**

**Possible: 54**

(Needles, Turel, Sengur, and Turel, 2012)

# Problems of Corporate Governance: Turkey

- ◆ Family controlled companies with a high degree of cross ownership
- ◆ Unclear separation of management and control roles
- ◆ Market abuse (market manipulation, insider trading)
- ◆ Weaknesses in enforcement
- ◆ Weak risk management and internal audit practices
- ◆ Poor reporting on transfer pricing and related party transactions
- ◆ No role for shareholders in major asset transactions
- ◆ Wide use of privileged share classes and share groups

(Needles, Turel, Sengur, and Turel, 2012)

# Pillar A6: Some Questions

- ◆ What are the causes of improper functioning of the corporate governance systems?
- ◆ How is quality ensured in the functioning of the Board of Directors and how is the collective wisdom of the Board enhanced?
- ◆ What is the essence of corporate governance and how is it related to value management?
- ◆ What should be roles and responsibilities of ordinary shareholders, institutional shareholders, large investors and other stakeholders? ?

## Pillar A6: Some More Questions

- ◆ Is it enough to have laws in place for corporate governance?
- ◆ How can enforcement be evaluated?
- ◆ Do more in depth studies of expanded parameters need to be made?
- ◆ Are objective measures sufficient or do more subjective measures also need to be incorporated in the assessment process?

# Review of Objectives

- ◆ Identify the parameters of corporate government measurement (A6)
- ◆ Apply to the parameters corporate governance to the case of Turkey
- ◆ Present results of expanded parameters
- ◆ Raise some questions.

**Thank you for your attention**

What questions do you have?