



LIECHTENSTEIN FOUNDATION FOR
STATE GOVERNANCE



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PLATFORM FOR STATE GOVERNANCE FINANCIAL AND CAPITAL MARKETS DEVELOPMENT

**BLUEPRINT AND TOOLS FOR INVESTOR EDUCATION, FINANCIAL
LITERACY, AND DEVELOPMENT OF FINANCIAL AND CAPITAL MARKETS**

Liechtenstein Foundation for
State Governance

www.lfsg.org



Financial and Capital Markets Development Platform

Introduction

Global Shift to Free Market Economies Created Need for Meaningful and Sustainable Financial and Capital Markets Development

The recognition that free markets are essential to economic growth and prosperity has led countries worldwide to transition from command to free market economies. Even in countries with relatively free markets, there has been a significant shift in recent decades away from state ownership and control of economic assets and activities. The need to create or further develop the underpinnings of free markets - and, prominently among them, effective, efficient, and transparent financial and capital markets - has, therefore, become an urgent priority worldwide.

Platform Needed to Address Failure of Past Financial and Capital Markets Development Efforts

In many countries, past and ongoing efforts to establish and maintain financial and capital markets have largely failed and continue to fail because they have not fully, effectively, and simultaneously addressed the three principal pillars of healthy, efficient, and fair financial and capital markets:

People

Education of both the general public and financial and capital markets professionals regarding existence, operation, regulation, and benefits of financial and capital markets

Laws and Institutions

Reform and development of the legal and institutional infrastructure upon which financial and capital markets are built

Enterprises

Improvement of corporate governance practices, policies, and procedures, and execution by enterprises of financial and capital markets transactions to increase the liquidity and volume of capital markets



Financial and Capital Markets Development Platform

Introduction

Importance of Investor Education and Financial Literacy for Social, Political, and Economic Stability

Any economic development, triggered both by ordinary growth patterns as well as by significant changes such as the deregulation of trading markets, can have highly destabilizing effects if it is not accompanied by strategic and comprehensive efforts to inform and educate the general public and universe of investors. Meaningful improvement of financial literacy in the general population requires effective education campaigns through mass media - television, internet, radio, print - and educational institutions. Such campaigns need to be implemented expeditiously in order to raise awareness levels and generate important social and political goodwill and trust among the citizens in a measurable and result-oriented manner.

Importance of Tailored Solutions Based on Local Expertise and Knowledge Base for Financial and Capital Markets Development as well as Employment Opportunities

Any lasting effect to investor education, financial literacy, and institutional development can only be achieved if the knowledge base for all such development efforts can be transferred to - and thereafter independently disseminated by - a central local team. In order to maintain such a team of excellence, it is crucial to develop local expertise that is tailored to the social, economic, cultural, and political conditions on the ground, rather than importing solutions from other countries, which would always remain inadequate in addressing a country's unique challenges. Following a strict teach-the-teacher methodology, the platform achieves consistent multiplication of the knowledge base, and creates a critical mass of educators that possess both the technical tools and integrity parameters to initiate and execute extensive investor education and financial reform for the benefit of the general population. Implementation of the platform and its education-based methodology not only improves the level of technical skill and public trust with immediate and substantial effect, but also provides a most welcome solution to the challenge of providing adequate employment opportunities to young professionals in the local economy and financial sector.



Financial and Capital Markets Development Platform

Introduction

Comprehensive Platform to Satisfy Economic Development Needs

The financial and capital markets development platform of the Liechtenstein Foundation for State Governance is designed to satisfy all the fundamental requirements of a country's financial and capital markets. The platform consists of a menu of programs and materials that allow a small local team quickly and efficiently to introduce, adapt, and implement a comprehensive financial and capital markets development project comprised of several independent but complimentary programs that together address each of the three principal pillars of financial and capital markets development:

Economic Development Needs

People

Laws and Institutions

Enterprises

The Platform: Financial and Capital Markets Development Initiatives

Public Education Program

Capacity Building Program

Financial and Capital Markets
Legislation Reform Programs

Banking, Capital Markets, and
Insurance Regulatory Authority
Reform Programs

Stock Exchange
Reform Program

Financial Court
Reform Program

Corporate Governance
Reform Program

Transaction Execution and
Privatization Program



Financial and Capital Markets Development Platform

Implementing Methodology

Training Center of Liechtenstein Foundation for State Governance

Strategically selected teams of licensee countries undergo an intensive training in all the financial and capital markets modules of the Platform for State Governance by members of the Foundation's staff. This initial training takes place over 5-7 days in the training center of the Liechtenstein Foundation for State Governance in Vaduz, the capital city of the Principality of Liechtenstein. The initial team that is sent to Vaduz consists of current- and future-generation leaders in politics and government, industry, business and finance, and is expected to undergo intensive group as well as one-on-one training sessions in all platform modules, and receives upon graduation both electronic and physical copies of the platform in accordance with the license agreement with the licensee country. Members of this team are mandated with (i) directly implementing the pertinent modules in their respective areas of responsibility, and (ii) instructing the next groups of professionals in the contents and applications of the platform in a clearly defined teach-the-teacher methodology (often in a dedicated national Center for Excellence and Education in the licensee country, as set forth below).





Financial and Capital Markets Development Platform

Implementing Methodology



Knowledge Transfer of Platform Modules: Focus on Efficiency, Effectiveness and Applicability

The transfer of the platform know-how in Vaduz to the strategically selected team from the licensee country can be accomplished in an intensive training period of 5-7 days because of the special platform methodology that emphasizes not just the transmission of the platform's substantive deliverables (such as television and radio scripts for the public education program, model laws and regulations, due diligence guidelines, etc.), but also contains all the necessary tools to ensure the efficient and effective transfer, absorption and implementation of this know-how. The participants in the training center of the Liechtenstein Foundation for State Governance acquire not just the understanding of all the necessary elements for the development of the financial and capital markets in their home country, but also the tools to ensure that (i) the platform's modules are properly tailored and applied in their country's own political, economic, social and cultural reality, and (ii) the pool of skilled professionals in the participants' home country is continuously expanded in systematic training programs based on the platform's specific methodology (these second phase training programs are often centered in a dedicated national Center for Excellence and Education).



Financial and Capital Markets Development Platform

Implementing Methodology

National Center for Excellence and Education in Licensee Country

Upon completion of the initial training in Vaduz, the platform is generally implemented by the licensee government through a dedicated national Center for Excellence and Education, in which senior representatives of participating institutions (e.g., public and private sectors, stock exchanges and securities markets, supervisory authorities, professional and commercial associations, universities and schools, judges and court administrators, all forms of media) undergo training sessions by members of the initial team that was sent to Vaduz, together with ongoing support by the staff of the Liechtenstein Foundation for State Governance. Upon completion of these training sessions, these professionals then have the task of implementing those programs and elements of the platform that are applicable to their respective professional activities and responsibilities (e.g., legislation and regulation, supervision, education, media, judiciary, transaction execution, quality and integrity standards, corporate governance). The training in this national Center for Excellence and Education is based on the same methodology that the initial team enjoyed in the Foundation's training center in Vaduz regarding the knowledge transfer of the platform modules, thereby ensuring that a substantial number of professionals can acquire the necessary know-how as well as the tools to implement this know-how in a relatively short period of time. The efficiency and effectiveness of the learning and implementation process enable immediate, successful reform initiatives in the country's financial and capital markets, and generate high visibility and appreciation of these reforms by the general population.



Financial and Capital Markets Development Platform

Platform Overview

▪ Public Education Program

Program designed to educate general public through use of wide variety of media (including television, radio, and print), as well as primary- and secondary-level students through a targeted curriculum, in order to create widespread public support and facilitate broad public participation in the financial and capital markets, and to empower individuals to control their own financial destiny and well-being.

▪ Capacity Building Program

Program designed to build capacity of financial and capital markets professionals in government, business, and academia through series of seminars and workshops to create broad base of individuals highly knowledgeable and skilled in theory and practice of financial and capital markets.

▪ Financial and Capital Markets Legislation Reform Programs

Program designed to analyze existing financial and capital markets legislation and formulate reform recommendations to establish or improve well-conceived laws to enable effective, efficient, and transparent regulation and operation of financial and capital markets.

▪ Banking, Capital Markets and Insurance Regulatory Authority Reform Programs

Program designed to analyze existing banking, capital markets and insurance regulatory authorities and formulate reform recommendations to establish or improve appropriately constituted, led, and managed regulatory authorities, in order to enable effective, efficient, and transparent regulation and operation of financial sector and capital markets.



Financial and Capital Markets Development Platform

Platform Overview

▪ Stock Exchange Reform Program

Program designed to analyze existing stock markets, trading platforms, and exchanges and formulate reform recommendations to establish or improve appropriately constituted, led, and managed stock exchanges and trading platforms to enable effective, efficient, and transparent operation of capital markets.

▪ Capital Markets Court Reform Program

Program designed to analyze existing courts and formulate reform recommendations to establish or improve appropriately constituted, led, and managed specialized commercial or capital markets courts to enable effective, efficient, and transparent adjudication of complex financial and capital markets-related disputes and prosecutions.

▪ Corporate Governance Reform Program

Program designed to analyze existing corporate governance practices, policies, and procedures and formulate reform recommendations to establish or improve corporate governance practices, policies, and procedures to enable effective, efficient, and transparent governance of enterprises, as well as to build corporate governance capacity of directors, executive officers, and managers of enterprises.

▪ Transaction Execution and Privatization Program

Program designed to enable execution of large-scale transactions, including privatization transactions, through both public flotations and private placements in order to expand size of capital markets, build capacity of capital markets participants through direct experience, and test and evaluate financial and capital markets infrastructure as well as facilitate appropriate reforms.



Financial and Capital Markets Development Platform

General Platform Features

Based on Global Best Practices

- Platform reflects extensive research and analysis of financial and capital markets worldwide - including underlying principles of financial and capital markets legislation and regulations, as well as structure and governance of financial and capital markets institutions, of numerous developed and developing countries.

Facilitates Sustainable Local Capacity-Building and Implementation

- Entire platform designed to develop sustainable local capacity and solutions that, while taking into account global best practices, reflect local social, economic, cultural, and political conditions.
- Platform methodology places high importance on efficiency in the transfer of knowledge itself, both to the initial team of country representatives and to future professionals in the licensee country. This efficiency is accomplished through didactic tools that focus equally on academic excellence as well as effective applicability of the acquired knowledge.
- Platform prevents reliance on external consultants and experts who typically offer solutions and advice that are a copy of their own markets and jurisdictions and thereby perpetuate unfortunate dependence on outside assistance in an area of key national importance.



Financial and Capital Markets Development Platform

General Platform Features

Modular Design

- Platform modular both horizontally and vertically:
 - Individual programs can be rolled out separately, based on informed analysis of a country's current state of development.
 - Each program allows for significant degree of internal tailoring of its constituent elements with negligible incremental cost to fit a country's particular needs and development level.

Tightly Integrated Components

- Independent platform components work together seamlessly as part of larger project.

User-Friendly Deliverables

- All platform materials prepared in plain, simple language to facilitate comprehension and usefulness to broadest possible audience.
- Each program includes overview presentation for purposes of explaining and illustrating program.
- Each program also includes transmittal materials introducing and explaining program deliverables and justifying pertinent choices and recommendations.



Financial and Capital Markets Development Platform

General Platform Features

Novel Approaches to Persistent Problems

- Platform incorporates novel approaches to address persistent shortcomings in financial and capital markets; for example:
 - Currently existing fragmented and uncoordinated financial and capital markets initiatives replaced by internally consistent platform components.
 - Recognition of public education and capacity building as conditions for any sustainable capital markets and financial sector development.
 - Primary securities legislation consistently takes pragmatic, reality-based approach to normative provisions, as opposed to dogmatic, precedent-based duplication of another country's legislation that has resulted in market failure and loss of investor confidence in several emerging markets, thus perpetuating existing shortcomings and incorporating nuances appropriate only to original county, for example:
 - Establishment of effectiveness parameters for measurement of investment fund managers' expertise and track record, and establishment of fund manager qualifications standards.
 - Proper ring-fencing of privately placed securities to avoid trading in secondary market without necessary information disclosure and to establish highest degree of investor protection.
 - Appropriate size and sophistication categories and exemption rationale for large and institutional investors.
 - Primary securities legislation incorporates plain language and clarity requirements for all filings to avoid globally prevalent practice of unintelligible disclosure documents understandable to only small number of experts.
 - Regulatory authorities and stock exchanges establish ombudsman to facilitate impartial, efficient dispute adjudication.



Financial and Capital Markets Development Platform

General Platform Features

Public Relations Integral Component

- Deliverables for each program include media kit checklist and press release describing purposes and components of program to help implementation team build public awareness and support for program.

Reference Guides

- Materials for most programs include reference guide attaching or summarizing extensive source materials for certain provisions showing corresponding practices from selected countries.

Explanatory Notes

- Many of principal program deliverables include extensive endnotes explaining rationale for substantive policy choices and outlining alternatives.

Project Administration Significant Element

- Effective and efficient project administration built into each program in form of:
 - Program definition documents - goals and scope (Microsoft Word), and presentation (Microsoft PowerPoint).
 - Program plan documents - phase, milestone, and task list (Microsoft Word), schedule (Microsoft Project), presentation (Microsoft PowerPoint), and summary (Microsoft Word).
 - Key and full program working group organizational meeting agenda, cover letters, and contact lists.



Financial and Capital Markets Development Platform

Public Education Program

General Principle

Successful financial and capital markets development dependent on:

- Awareness of general population regarding importance of financial and capital markets to overall economic development and individual financial well-being.
- Possession by general population of basic financial literacy and understanding of pension management and how financial and capital markets function, their risks, and how to invest in financial and capital markets.
- Meaningful participation by general population in financial and capital markets.

Need

- Inadequate level of awareness and understanding of financial and capital markets or, in many cases, substantial cynicism and distrust among general population.
- No critical mass of informed financial and capital markets participants.
- No systematic educational efforts to date to reach full investor and pension holder community.

Goal

- Create widespread public support and facilitate broad public participation in domestic financial and capital markets to empower individuals to control their own financial destiny and well-being.



Financial and Capital Markets Development Platform

Public Education Program

Channels of Communication

- Rollout to include traditional and new media to reach widest possible audience:
 - Television for both educational programming and promotional advertising.
 - Radio for both educational programming and promotional advertising.
 - Newspapers and magazines for editorial comment and promotional advertising.
 - Internet for program-specific website containing all program-related content.
- Rollout can also include:
 - “Town hall”, religious group, or other community group meetings where educational materials are presented and distributed.
 - Schools and universities where program materials are taught directly by members of program working group, or indirectly through “teach the teacher” programs.
 - Regulatory authorities, which integrate program materials into their websites and make public education key part of their general public relations and communications objectives.
 - Banks and other financial institutions that the public may already have access to, where printed program materials are made available.
 - Posters, flyers, and other inexpensive, low-tech media for promotional advertising.

Components

- Television program
- Radio program
- Printed educational materials
- Website
- Promotion and public relations



Financial and Capital Markets Development Platform

Public Education Program

Television Program

- Centerpiece of public education program is television program consisting of twelve one-hour episodes designed to run weekly for twelve consecutive weeks, with entire series to run once or twice each year.
- Each episode comprised of several distinct segments intended to convey essential message in different ways.
- Television program segments include:
 - Introduction
 - Educational materials
 - Tip of the day
 - Guest interview
 - Investment game
 - Questions and answers (with studio and call-in audience participation)
 - Review and signoff
- Television program topics include:
 - What are capital markets and why are they important to the economy?
 - Why is it important to save and invest?
 - What savings and investment choices do citizens and residents of have?
 - How are securities bought and sold?
 - How does a person invest for long-term financial security?
 - What is investment fraud and how can an investor protect against it?
 - How are capital markets regulated?
 - How are public offerings of securities effected?
 - How does the stock exchange operate?
 - What can the experience of other countries teach?



Financial and Capital Markets Development Platform

Public Education Program

Radio Program

- Television program complemented by radio program consisting of twelve half-hour episodes designed to run concurrently with television program episodes in same week but on different day and at different time, in order to expand reach of television audience and to reinforce lessons of corresponding television episode.
- Radio program episodes shorter than television episodes, as they dispense with visual segments such as guest interview and investment game.

Printed Educational Materials

- Four brochures containing key information of public education program:
 - Investing basics - why and how to invest for long-term financial security
 - Assessing individual savings and investment needs and preferences
 - Investment fraud - what it is and how to protect against it
 - Privatization - why privatize and what can be expected
- Primary- and secondary-level school curriculum covering basic, intermediate, and advanced economic and capital markets topics.

Promotion and Public Relations

- Television commercials
- Radio commercials
- Newspaper and magazine advertisements
- Radio interviews with experts in capital markets-related matters
- Editorials for publication in leading newspapers and magazines



Financial and Capital Markets Development Platform

Public Education Program

Website

- Regulatory authorities in many jurisdictions use internet to disseminate useful investor education information to public.
- Some post such information directly on their own websites; others have separate investor education websites.
- Public education program contemplates creation of website as additional channel for communicating investor education information to general public.
- If internet access and usage fairly widespread, public education program should exploit channel to fullest because:
 - Internet can be extremely valuable and cost-effective tool for providing public ready access to great deal of important and timely information relating to capital markets and to saving and investing.
 - Good website can be useful selling point to prospective foreign investors, as it would demonstrate commitment to transparent, deep, and liquid financial and capital markets.

Measuring Success

- Multiple methods to measure success:
 - In short term, did target audience watch television programming, hear radio programming, visit website, or otherwise receive program educational materials, and, if so, did it learn anything from it?
 - In long term, did behavior of people targeted change - e.g., have individual savings rates and accumulated savings increased; has individual participation in domestic financial and capital markets increased?
- Assessment parameters:
 - Accurately measuring market and other economic statistics and indicators before, during, and after program implemented.
 - Administering well-designed and -executed polls and surveys (both of general public and market intermediaries such as fund managers, brokers, and investment advisors) before, during, and after program implemented.



Financial and Capital Markets Development Platform

Capacity Building Program

General Principle

Successful capital markets development dependent on:

- Level of know-how, integrity, and experience of individuals responsible for building, leading, managing, and operating financial and capital markets institutions.

Need

- Limited number of available individuals with relevant and adequate finance and capital markets knowledge, skills, and experience.
- No critical mass of able professionals engaged in all aspects of financial and capital markets as well as fund management.
- No meaningful and systematic capacity building efforts with realistic program horizon to date.

Goal

- Create broad base of individuals highly knowledgeable and skilled in theory and practice of financial and capital markets as well as fund management in key government, business, and academic positions (e.g., regulators, stock exchange officials, representatives of pertinent ministries, pension funds, banks, insurance companies, other financial institutions, state-owned and private-sector enterprises, investment fund managers, brokers, traders, judges, lawyers, and accountants).

Components

- Series of six *seminars* on the foundations of financial and capital markets as well as privatization.
- *Workshops* and interactive assignments to complement seminar series.
- *Study materials* - six monographs corresponding to subject matter of seminars.



Financial and Capital Markets Development Platform

Infrastructure Development Programs

General Principle

Successful capital markets development dependent on:

- Degree to which financial and capital markets institutions and laws are effective, efficient, and transparent, and consistent with rule of law and principles of free market economy.

Need

- Financial and capital markets *institutions* (e.g., banking, capital markets and insurance regulatory authorities, stock exchanges, and judiciary) and *laws* (e.g., primary securities legislation) do not always adequately address challenges presented by large volumes of financial and capital markets transactions.

Components

- *Analysis* of current state of subject institution and laws.
- *Recommendation* of appropriate reforms.
- *Implementation* of approved reforms.



Financial and Capital Markets Development Platform

Financial and Capital Markets Legislation Reform Programs

Goals

Establish or improve:

- Well-conceived financial and securities laws to enable effective, efficient, and transparent *regulation and operation of domestic financial and capital markets*.
- Comprehensive capital markets legislation to codify full range of *normative principles and compliance and enforcement mechanisms* necessary for adequate *protection of investors*.

Program Modules

- *Securities and Exchange Act* and related forms - primary securities legislation
 - Regulation of financial intermediaries, including fund managers, investment advisors, and brokers.
 - Forms set forth actual form and content requirements for prospectuses; annual and quarterly reports; and material event, substantial ownership, director and officer, and meeting information reports.
 - Guidelines and specific forms for frequent issuers to incorporate into new prospectuses issuer-specific information from other filings with capital markets regulatory authority to avoid inefficient duplicity of previously disclosed information.
 - Streamlined reporting obligations to avoid duplicity and cost inefficiency.
 - Stringent but enforceable liability provisions (including reality-based insider trading provisions) to protect investors from full range of investor fraud.
- *Capital Markets Authority Act* - legislation providing proper constitutional and statutory foundation for capital markets regulatory authority.



Financial and Capital Markets Development Platform

Banking, Capital Markets and Insurance Regulatory Authority Reform Programs

Goals

Establish or improve:

- Appropriately constituted, led, and managed banking, capital markets and insurance regulatory authorities to enable effective, efficient, and transparent *regulation and operation of domestic financial and capital markets*.
- Banking, capital markets and insurance regulatory authorities with structure, independence, authority, and resources sufficient to fulfill its mission to *enforce banking, securities and insurance laws, and protect investors*.

Program Modules

- *By-laws* - internal rules for governance of banking, capital markets and insurance regulatory authorities
 - Corporate-like structure to ensure high-quality management, decision making, and accountability.
 - Mechanisms for formalized interpretive, precedent-setting guidance, as well as informal interpretive assistance, with regard to meaning and application of applicable laws, recognizing important normative function of banking, capital markets and insurance regulators.



Financial and Capital Markets Development Platform

Stock Exchange Reform Program

Goals

Establish or improve:

- Appropriately constituted, led, and managed stock exchanges to enable effective, efficient, and transparent *operation of domestic capital markets*.
- Stock exchanges with structure, resources, and cutting-edge technical know-how sufficient to act as *central trading forum* for domestic capital markets.

Program Modules

- *By-laws* - internal rules for governance of stock exchange.
- *Participant rules* - admission, conduct, and trading rules for participating fund managers, brokers, dealers, and other securities intermediaries.
- *Listing rules* - quantitative and qualitative requirements for listing securities on stock exchange: introduce element of merit-based quality control to capital markets and complement information-based disclosure control in primary securities legislation.
- *Listing timetable* - practical overview of listing process and requirements with associated timeframes.



Financial and Capital Markets Development Platform

Capital Markets Court Reform Program

Goals

Establish or improve:

- Appropriately constituted, led, and managed capital markets court to enable effective, efficient, and transparent *adjudication of complex financial, commercial and capital markets-related disputes and prosecutions.*
- Specialized capital markets court to address in immediate and meaningful way need for *enforcement of investors' rights and claims*, thereby also addressing a major concern of foreign investors regarding the enforceability of their property and contractual rights.

Program Modules

- *Memorandum* - explaining benefits and drawbacks of specialized capital markets court to address potential shortcomings in judicial system, as well as general difficulty of judiciaries dealing with highly complex subject matter of capital markets regulation.
- *Capital Markets Court Act* - legislation providing proper constitutional and statutory foundation for establishment of specialized capital markets court.



Financial and Capital Markets Development Platform

Corporate Governance Reform Program

General Principles

Successful financial and capital markets development dependent on:

- Degree to which national corporate governance policies and enterprise-level corporate governance practices, policies, and procedures are effective, efficient, and transparent, and consistent with rule of law and principles of free market economy.
- Level of knowledge, skills, and experience of individuals and institutions responsible for designing and implementing corporate governance practices, policies, and procedures.

Need

- National corporate governance policies are not always adequately effective, efficient, or transparent, nor effectively implemented or overseen (despite extensive rhetoric regarding the importance of corporate governance).
- Enterprise-level corporate governance practices, policies, and procedures are not always adequately effective, efficient, or transparent.
- Limited number of available individuals with relevant and adequate corporate governance knowledge, skills, and experience.
- No meaningful and systematic corporate governance capacity building efforts.

Goals

- Establish or improve well-conceived *national* corporate governance *policies*, and improve implementation and oversight of such policies, to enable and encourage effective, efficient, and transparent *enterprise-level* corporate governance.
- Establish or improve well-conceived *model enterprise-level* corporate governance practices, policies, and procedures to enable and encourage effective, efficient, and transparent *enterprise-level* corporate governance.
- Create broad base of individuals highly knowledgeable and skilled in theory and practice of corporate governance in key government, business, and academic positions.



Financial and Capital Markets Development Platform

Corporate Governance Reform Program

Components

- Series of *seminars* on corporate governance topics.
- *Workshops* and interactive assignments to complement seminar series.
- *Study materials* - monographs corresponding to subject matter of seminars.

Program Modules

- *Model* corporate governance documents:
 - Model code of corporate governance principles and best practices.
 - Model policy statement regarding enterprise corporate governance practices.
 - Model policy statement regarding notice, review, advice, and approval requirements for material enterprise actions.
 - Model board of directors and committee charters, meeting schedules, agenda, and notices, resolutions, and annual reports.
 - Model prospective director evaluation policy, including prospective director questionnaire.
 - Model new director orientation policy, including new director orientation manual.
 - Model enterprise, board of directors, and financial professionals codes of conduct and ethics.
 - Model policy statements and procedures for performance evaluation of board of directors, committees of board of directors, and members, senior executive officers, independent auditors, and internal audit function (including model performance evaluation questionnaires and reports).
 - Model director, senior executive officer, and employee manuals.
 - Model legal and regulatory compliance and contract compliance audit questionnaires, document request lists, and reports.



Financial and Capital Markets Development Platform

Transaction Execution and Privatization Program

General Principles

Successful financial and capital markets development dependent on:

- Domestic capital markets reaching *critical mass* in terms of *breadth* and *depth* (e.g., number of issues, number of investors, market capitalization, trading volume).

Transition of state-owned enterprises to private sector and ownership, or closely-held enterprises to publicly-held ones, by means of flotations of enterprises' shares in capital markets can represent ideal opportunity both to accelerate expansion of capital markets and to induce reforms necessary for ongoing health of domestic capital markets.

Successful large-scale capital markets transaction execution dependent on:

- Level of knowledge, skill, and experience of individuals and institutions responsible for executing such transactions.
- Degree to which transaction execution standardized and integrity parameters are implemented.

Due to visibility and sensitive nature of privatization transactions, any transaction execution failures or missteps can have significant negative economic, political, and social consequences.

Need

- Limited number of available individuals and institutions with relevant and adequate large-scale transaction execution knowledge, skills, and experience.
- Large-scale financial and capital markets transaction execution typically incoherent and left to varying preferences of multiple advisors and investors, as opposed to clear, effective, and predictable guidelines.



Financial and Capital Markets Development Platform

Transaction Execution and Privatization Program

Goals

Execute transactions in capital markets through both public flotations and private placements in order to:

- *Expand size* of domestic capital markets in terms of number of public issues, market capitalization, number of investors, etc.
- *Provide* domestic financial and capital markets participants (regulators, stock exchanges, investment banks, investment fund managers, brokers, etc.) with invaluable financial and capital markets *learning experiences* to facilitate both transaction execution and overall capacity building in the economy.
- *Test and evaluate* existing *economic infrastructure*, and *generate and facilitate* comprehensive *reforms* to ensure the existence of:
 - Well-established and protected *property rights*.
 - Effective *commercial, corporate, and bankruptcy laws*.
 - Fair and economically sound employment, environmental, and other *social laws*.
 - *Level competitive playing field* for all market participants.
 - Nondiscriminatory treatment of foreign investors.
 - *Accounting rules* consistent with prevailing international standards.
 - Fair, independent, effective, and efficient *regulatory oversight* of economic activities and *judicial enforcement* of private economic rights.
- Promote and showcase capital markets development efforts.



Financial and Capital Markets Development Platform

Transaction Execution and Privatization Program

Components

- General economic infrastructure analysis and reform;
 - Analysis of existing economic infrastructure.
 - Recommendation of appropriate reforms.
 - Implementation of approved reforms.
- Large-scale transaction execution - complete service taking state-owned and -operated or closely held companies through restructuring and divestiture process:
 - Identification, investigation, corporatization, and restructuring of large-scale financial transaction candidates.
 - Execution of large-scale financial and capital markets transactions.

Program Modules

- *Restructuring questionnaire* and *document request list* forms to facilitate the acquisition and analysis of all information necessary to transition operations, management, and, ultimately, ownership of state-owned enterprises to the private sector and of closely-held enterprises to being publicly held.
- *Restructuring report* (“blue book”) form to be used to summarize findings and recommendations for all large-scale capital markets transaction candidates, creating significant efficiency gains by allowing for “apples-to-apples” comparisons and avoiding “reinventing the wheel” with each restructuring.
- *Monograph* regarding due diligence in connection with public offerings of securities (including sample corporate and sovereign due diligence questionnaires, and illustrative timetables for both strategic sales by private placement and initial public offerings) - handbook for crucial examination of large-scale capital markets transaction candidates.