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SECURITIES AND EXCHANGE COMMISSION DIRECTOR GENERAL'S TALKING POINTS FOR ICAN ANNUAL CONFERENCE PLENARY: STANDARDS FOR THE PROTECTION OF PUBLIC INTEREST AND THE PERFORMANCE OF SUPERVISORY INSTITUTIONS

INTRODUCTION:

- I congratulate ICAN on its 44th Annual Accountants' Conference and laud your theme "Protecting the Public Interest: Enhancing Professionalism" for the conference. Indeed there is no better time or platform to engage players in a discussion on a topic to protect the public interest.

- I commend you for choosing this theme to avail participants the opportunity to critically appraise the role and expectation of professional bodies in nation building.

- My points on this plenary will focus on IOSCO Standards, Corporate Governance and the ISA, how these standards serve as determinants for protection of investors in the market and how they guide our work.

- The establishment of high quality standards by regulators coupled with strengthened auditing oversight are substantive reforms that should be in place to achieve a step-up quality of audits around the world. This in-turn will enhance the quality of financial reports and restoring public confidence. It is vital that the standard-setting process within the ecosystem should be seen to operate in the public interest.

GLOBAL PERSPECTIVE:

- On a global level, the Organization for Economic Cooperation and Development (OECD) responding to the Asian crisis, issued on June 21, 1999, a set of corporate governance principles to help governments around the world to make an assessment of the existing legal, institutional, and regulatory framework for corporate governance in their respective countries and use the OECD principles to strengthen them where necessary. The OECD Principles are deliberately focused on broad corporate governance features rather than detailed prescriptions. This approach to an international benchmark has clear advantages in a field where implementation needs to be adapted to varying legal, economic and social conditions.

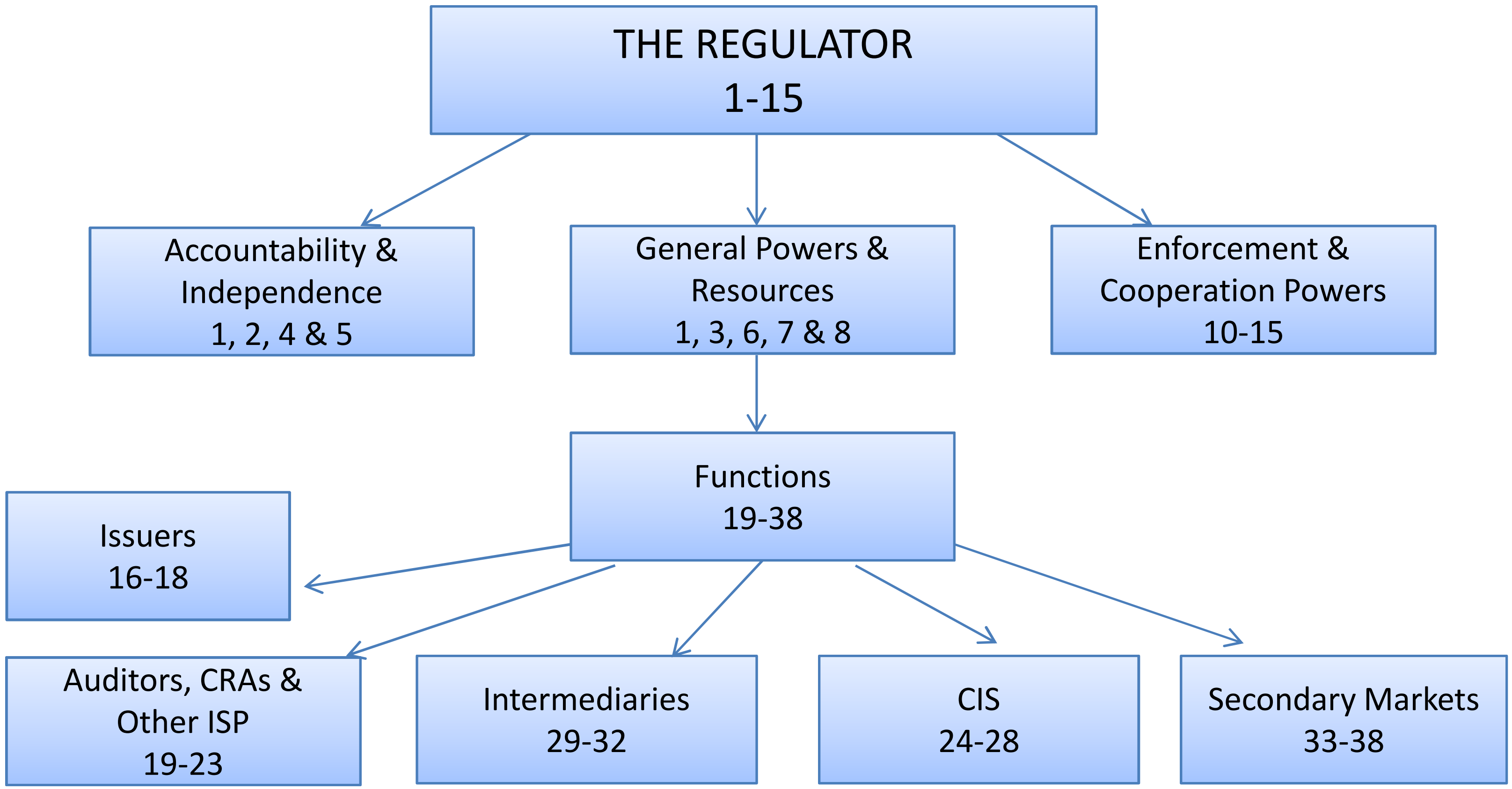
- These Principles were revised in 2004 to provide for a stronger role for shareholders, greater emphasis on preventing conflicts of interest and self dealing, controlling abuse of related companies, ensuring the basis for an effective corporate governance framework and promoting transparency and effective enforcement and accountability.

- International organizations such as the Basel Committee, the International Organization of Securities Commission (IOSCO), and the International Association of Insurance Supervisors (IAIS) have also drawn from the collective supervisory experience of their members and other authorities in issuing supervisory guidance for sound policies related to corporate governance. These codes are all aimed at protecting the public interest.

IOSCO STANDARDS:

- The IOSCO issued 38 core principles that are based upon three objectives which aims to:

  - The Protection of Investors
  - Ensuring that markets are fair, efficient and transparent
  - The reduction of systemic risk



...IOSCO Standards (Con't):

- To achieve these objectives, IOSCO, the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), the World Bank and the Financial Stability Forum established the Public Interest Oversight Board (PIOB) to oversee the public interest activities of the International Federation of Accountants (IFAC).

- The establishment of the PIOB is the result of a collaborative effort by the international financial regulatory community, working with IFAC, to ensure that the auditing standards set by IFAC and its committees are set in the public interest. The creation of the PIOB is a landmark in the cooperation of world regulatory organizations for the oversight of international standard-setting for accountants/auditors.

CORPORATE GOVERNANCE

- Corporate Governance involves: shareholders, management, boards of directors and other key stakeholders - shareholders who provide corporations with capital and provide some supervision over the efforts of the board, management who utilizes that capital, and the board of directors who supervise management to ensure that it is using the resources efficiently. Expectedly the interests of these divergent groups are sometimes difficult to align, and this is where the law comes in to define roles and responsibilities.

- To buttress the importance of good corporate governance, consider the following quotes from World leaders and corporate governance gurus:

CORPORATE GOVERNANCE QUOTES:

- *"Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals…the aim is to align as nearly as possible the interests of individuals, corporations and society"- Sir Adrian Cadbury (Corporate Governance Overview, 1999 World Bank Report*)

- *"Good corporate governance is about 'intellectual honesty' and not just sticking to rules and regulations, capital flowed towards companies that practiced this type of good governance." -Mervyn King (Chairman: King Report, South Africa)*

- *"What corporate governance means is that people outside looking into the company will see that the people inside who are practicing qualitative governance are making decisions on an intellectually honest basis and are applying care and skill in making business judgments. An example of intellectual dishonesty in the corporate context is Enron." - (King Report)*

- *"We often think of change coming from the outside in rather than from the inside out . . . even if we recognise the need for change we usually think in terms of learning new skills, rather than showing more integrity to basic principles." - Stephen R. Covey (1932 –2012, Author of, Seven Habits of Highly Effective People)*

- *"Nobody made a greater mistake than he who did nothing because he could only do a little." - Edmund Burke (1729-1797 British political writer & statesman)*

CORPORATE GOVERNANCE IN NIGERIA:

- Nigeria is running with the rest of the world in institutionalizing sound corporate governance and best practices. Many basic shareholder rights are already protected by law and in addition, the Securities and Exchange Commission (SEC) has also issued guidelines to regulate shareholder associations. All key financial sector regulators have issued codes to regulate conduct of primary regulates and to prevent any form of regulatory arbitrage on the part of the regulated institutions.

- In the 90's, the effect of weak corporate governance were evident manifesting in overvaluation and concealment of level of indebtedness by some companies and the collapse of some financial institutions. In recognition of the losses suffered by investors, the SEC in 2003, in collaboration with the Corporate Affairs Commission (CAC) launched the first ever code of corporate governance for public companies in Nigeria.

- To further strengthen corporate governance policies and practices of listed companies in Nigeria, the Government of Nigeria invited the IFC/World Bank to conduct a corporate governance policy assessment (CG ROSC) in 2008. The Corporate Governance ROSC assessment of Nigeria benchmarked law and practice against the OECD Principles of Corporate Governance, focusing on the companies listed on the Nigerian Stock Exchange.

- The Central Bank of Nigeria (CBN) in the same vein introduced the CBN Code of Corporate Governance for Banks in 2003 (amended in 2006) to guard against the re-occurrence of corporate governance failure in banks as witnessed during the period leading to the financial crisis. The crisis threw up the urgent need to have independence on boards of financial institutions, especially banks. This prompted the CBN in October of 2007, to release a circular, outlining its position, on the definition and roles and responsibilities of independent directors.

…Corporate Gov. in Nig. (Con’t):

- In 2008, the National Pension Commission (PenCom) published a mandatory Code for licensed pension fund managers. In 2009, the National Insurance Commission (NAICOM) introduced a corporate governance Code for insurance companies.

- There have been efforts to consolidate all these codes into a single mandatory code as Regulators seek ways to elicit compliance and promote good corporate governance practices among companies. Mandatory or not, meaningful disclosure and a comprehensive reporting mechanism which can be verified by stakeholders as well as the Regulator, is required in eliciting and measuring compliance.

- The SEC is currently working on enhancing the reporting template with which disclosures of compliance with key principles in the Code are made, to facilitate comparability across listed companies.

SEC EFFORTS IN PROMOTING CORPORATE GOVERNANCE:

- The Commission spearheaded the adoption of International Financial Reporting Standard (IFRS), and partnered with the World Bank, provide training for the SEC in this regard. Subsequently, IFRS clinics will be offered to companies which are experiencing teething problems and challenges in implementing this process. Once this accounting and reporting standard is fully adopted and implemented, it will enhance the corporate governance profile and practice of companies in Nigeria by improving transparency in financial reporting and the quality of financial statements. It will also enhance global comparability of financial statements as well as timeliness of financial reporting.

- The SEC hopes that with these initiatives and the making of the Code mandatory, that the corporate governance practices in firms will become world standard. We are very committed to providing the regulatory and monitoring tools to check corporate governance practices of public companies, because as a policy maker, enforcer and overseer, the SEC recognizes that sound Corporate governance structures are particularly important for emerging markets like Nigeria that want to join the club of the "next 11", and the consequences of the flip side will be unimaginable – utter chaos and possible collapse of the entire financial ecosystem.

- <u>The ISA 2007</u>: Part II, VIII, IX and XVIII of the ISA are very pertinent to corporate governance and must be exercised objectively and constructively. Section 306 of the Investment and Securities Act (ISA) 2007, and Section 32 of the 2011 SEC Corporate Governance Code, provide adequate guidance on whistle blowing mechanisms and the required protection for persons who disclose information connected with the activities of their employer. This is enshrined in the law to strengthen disclosure and to encourage stakeholders to disclose information necessary for the regulator to intervene in a timely manner.

THE ROLE OF ICAN:

- ICAN's role as a leading professional body dedicated to promoting excellence and enhancing the status of corporate governance should be applauded and encouraged:

  - To provide information that is useful in making business and economic decisions;

  - To serve the public interest;

  - To communicate accounting information that is Relevant; Reliable; Timely and Fairly predictive.

- There is an urgent call to act in the public interest at all times;

- Maintain the good reputation of the profession and its ability to serve the public interest;

- Perform its functions with integrity, objectivity and independence, professional competence, due care, and professional skepticism, confidentiality, and not be associated with any misleading information or misrepresentation.

CONCLUSION:

- In concluding, let me reiterate that International best practice revolves around strong shareholder rights, high levels of transparency and disclosure, and strong and professional boards of directors and stakeholders – all supported by a strong legal and enforcement framework.

- The symbiotic relationship of business and society also calls for ethics in accounting; neither of these groups could succeed/exist without the other and we need to have faith in each set of people that we can trust their good faith and specialized knowledge, accountants act as protectors of the public trust and because accounting information can impact individual business decisions and the capital markets, accountants should be accountable for their work in a system of shared rights and responsibilities through two sets of moral directives:

  - A code of professional conduct to guide behavior: codes of ethics
  - A code of professional standards to guide process: Generally Accepted Accounting Principles/IFRS

Thank you