



## **BEI's Launching of the WB Country Assessment of Corporate Governance in Bangladesh**

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### *Special Guest*

I heartily welcome BEI's launching today of the March 2009 WB Report on Observance of Codes and Standards (ROSC) of Corporate Governance in Bangladesh, providing updated benchmarking of where corporate governance now stands in Bangladesh in terms of global and local standards, taking due note of progresses made, and also putting forward recommendations about the reforms needed in lifting our corporate governance practices to the levels of global best practice standards. I hope this ROSC will greatly benefit all practitioners and regulators of corporate governance in Bangladesh in hastening the ongoing continual upgradation of corporate governance in Bangladesh.

We all know that sound corporate governance is crucially important for investor confidence and stable growth and development of the capital market. As the financial sector regulator BB has always been proactive in prescribing and revising the minimum required standards of corporate governance including disclosures, and risk management in banks and financial institutions. The financial and non-financial disclosure requirements for banks are now under review in BB following adoption of the Basel II capital regime, for effective market discipline, the third pillar of Basel II. For banks and financial institutions, BB has chosen to supplement the guidances of the Companies Act with more specific guidelines on key issues including roles, responsibilities, tenures and fit and proper tests for board members and senior managements; conflicts of interest, lending to connected interests and so forth. For some years now, the IFRS is already the financial reporting standards adopted by BB; financial reporting requirements for banks and financial institutions are gradually being brought into full convergence with IFRS.

Needless to say, financial and non-financial corporates operate not in isolation from each other but in one and the same business environment; corporate governance reforms cannot proceed smoothly in one part without progress in similar reforms in other parts. The ROSC has appropriately pointed out the need for comprehensive reforms in the Companies Act and other relevant laws, guidelines and practices regarding corporate governance in all corporate entities, financial and non-financial; the need for institutional strengthening, particularly of the office of the Registrar of Joint Stock Companies, has been correctly emphasized. I hear significant progress has already been made in improving the capacity of the Registrar of Joint Stock companies and IFC has been playing a very supportive role in achieving this success. Use of ICT has also been enhanced in this endeavor as well.

Thus far, corporate governance reform initiatives in Bangladesh have been driven mainly by regulators, in consultation with Chambers and other associations representing financial and non-financial corporates. In future, we would prefer to see the Chambers and other business associations taking larger role in coming up themselves with new reform proposals along lines of international best practices. Indeed, the future reform process should be more demand driven rather than regulator-led. Most companies, I am sure will find positive long term interests of their companies in this reform process. This approach will make it easier for regulators to shape up reforms that more closely fit the needs of the evolving corporate marketplace. I am also pleased to hear some positive comments about Bangladesh Bank's efforts in strengthening the capacity of the board members of banks and other financial institutions. We have recently issued a comprehensive guideline incorporating all the regulations under one cover along with a well-focused shorter version. I am happy to know about the strategic role of the media in taking the relevant issues of corporate governance to the people. Journalists can throw necessary lights on both dark and bright courses of companies if they can read the balance sheets properly. BEI deserves to be complimented for organizing necessary trainings for the journalists on corporate governance with support from Thomson Reuter Foundation. Finally, I must also thank BEI and others involved in strengthening corporate governance in Bangladesh. We surely need good companies to make good corporate environment.

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