

**Questionnaire on the Role of Institutional Investors in
Corporate Governance and Capital Markets Development
in the Middle East and North Africa**

Rationale

The role of institutional investors in capital markets in the MENA region has received little attention to date. A number of markets in the region remain retail based (in terms of ownership and trading volumes) and regulators are aware of the need to diversify ownership and develop an active institutional investor industry. In addition, the level of investor engagement remains low, in part because retail investors lack the incentives and mechanisms for meaningful engagement, in part because local institutional investors tend to be less active in monitoring their investee companies.

Attracting long term, “patient” capital is a priority for the development of MENA capital markets and for improving the governance of listed companies. In recent years, the OECD has conducted a number of projects investigating the role of institutional investors in capital markets. Notably, it carried out a review among its member countries entitled, *The Role of Institutional Investors in Promoting Corporate Governance*¹, which presents an overview of different types of institutional investors in OECD countries and their role in corporate governance and capital markets development. More recently, the OECD conducted an analysis of the incentives faced by institutional investors to engage with their investee companies entitled, *Institutional Investors As Owners: Who Are They and What Do They Do?*²

The following questionnaire is the first to systematically survey MENA countries on the behaviour of institutional investors in domestic capital markets.³ The output of this survey will be a first of a kind report on the role of domestic and foreign institutional investors as owners of equity in MENA capital markets. The survey will use the data and information collected through this questionnaire, supplementing it with secondary research and interviews with regulators, stock exchanges, CSDs, investors and other market participants. The final report will be presented in English and Arabic to the MENA Taskforce on Corporate Governance and Capital Markets, in which heads of Arab stock exchanges and securities regulators participate, and will be distributed widely in the region.

¹ Available at <http://www.oecd.org/daf/ca/corporategovernanceprinciples/49081553.pdf>

² Available at: http://www.oecd-ilibrary.org/governance/institutional-investors-as-owners_5k3v1dvmfk42-en

³ IOSCO has previously conducted a survey on development of regulation of institutional investors in emerging markets, but this survey did not include all MENA jurisdictions and was focused only on regulation of institutional investors, not on their behaviour as owners of listed equity.

Instructions

For the purposes of this questionnaire, institutional investors will include: pension funds (both public and private), mutual funds (collective investment schemes), insurance funds, hedge funds, sovereign funds, endowments and, to the extent possible, family offices. Banks which directly own assets of listed companies (not through mutual funds they own) will also be included.

All data should be provided as of end of 2013 unless not available. When older data is used, this should be clearly indicated. When data is not available please note N/A or suggest alternative sources of information. All questions concerning institutional investors' holdings pertain to their investments in listed companies only.

The **collaboration of a number of market infrastructure and regulatory entities** might be needed to obtain a complete response from each of the countries being surveyed. Exchanges and securities regulators might be in better position to provide information on the regulatory framework, whereas central depositories might have a more detailed background on the trading activity and ownership of listed companies.

Respondents should feel free to submit additional information with their response if necessary. Texts of laws and regulations referred to in the responses, should be submitted. In instances where the relevant documents are only available in Arabic, please feel free to attach these to your response. Any data submitted by the respondents will be treated confidentially. The final report will be sent for approval to the participating countries.

This questionnaire will be distributed to all countries of the Middle East and North Africa region. **Responses to the questionnaire are kindly requested by March 20, 2014.** Please submit completed responses to: Alissa Amico, Programme Manager, Middle East and North Africa, Corporate Affairs Division, OECD (alissa.amico@oecd.org, +33 1 45 24 83 05). If you have any questions regarding the definitions or would like any particular question clarified, please do not hesitate to contact us. Thank you for taking the time to contribute to this survey.

Part I. The Regulatory Framework

Please list the principal legislation/regulations related to the organisation and investment policy of key institutional investors operating in your country.

Investor Type ⁴	Organisation and Registration	Investment Policy
Pension funds		
Insurance funds		
Sovereign funds		
Endowment funds		
Mutual funds		
Commercial banks		
Hedge funds		
Banks		
Foreign institutional investors ⁵		

Are there any limits on investments in equity or debt of listed firms by institutional investors, either domestic and foreign? (including IPOs, secondary offerings, specific financial products, etc.)

Are there any other regulatory considerations that might deter institutional investors from investing in the domestic stock exchange (i.e. repatriation of capital, etc.)?

Are institutional investors required to disclose their ownership of listed companies and to whom? Please elaborate if they are subject to any ongoing disclosure requirements on their holdings.

Are institutional investors required to disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments?

Part II. Institutional Investor Landscape

Please complete as far as possible the following table concerning assets under administration and the distribution of equity holdings (both foreign and domestic) among different categories of institutional investors in your jurisdiction. Data to be provided as of end 2013.

⁴ For the purposes of this questionnaire, all types of institutional investors are domestic unless indicated otherwise.

⁵ By category if such data is available.

Investor Type	Number of companies	Assets under management	Share of market capitalisation	Share of market turnover	Average Holding Period
Pension funds					
Insurance funds					
Sovereign funds					
Endowment funds					
Mutual funds					
Commercial banks					
Hedge funds					
Foreign institutional investors					
Family offices and HNWI					
Banks					

Please indicate the top 10 domestic institutional investors in your market and their estimated holdings as of end 2013.

Investor name	Type of Investor	Assets under Management	Assets invested in the capital market	Number of listed companies with equity participation

Please indicate the top 10 foreign institutional investors in your market and their estimated holdings as of end of 2013.

Investor name	Type of Investor	Assets under Management	Assets invested in the capital market	Number of listed companies with equity participation

In general, are there particular changes in the exposure of institutional investors (domestic or foreign) to capital markets in recent years (for example, in response to political events or introduction of particular instruments such as ETFs)?

Has the role of specific categories of investors been changing or expected to change in the coming years?

Are institutional investors in your country heavily exposed to instruments other than equity (bonds, private equity, hedge funds, etc.) and is this changing?

Are holdings of institutional investors concentrated in the top listed companies or diversified across the market? Does this change depending on the category of investor?

What percentage of the shares of listed companies in your country is typically voted at annual meetings?

Part II. Investors' Role in Corporate Governance

Do you think corporate governance is a major criteria considered by institutional investors and how might it be considered in their decisions on portfolio allocation?

Are certain types of institutional investors required to have a voting policy and/or disclose it publicly or the regulator? Are they required to disclose their voting decisions in AGM?

To what extent do institutional investors in your country use their voting rights? If available, please provide any statistics, by category of investor, if possible.

Are institutional investors allowed to consult each other, subject to exceptions to prevent abuse?

Please explain how in your jurisdiction the duties and responsibilities of different institutions are defined. Is there a general concept of fiduciary duty? Please provide reference to the relevant rules.

Is there statutory regulation, voluntary codes or other instruments that mandate or encourage the exercise of ownership rights as a duty by institutional investors (e.g. a code of behaviour covering investors)?

To what extent do institutional investors utilise asset management companies and other service providers that facilitate their exercise of shareholder rights?

What are the incentives or regulatory measures that could be introduced to increase the involvement of institutional investors in the governance and operation of their investee companies?