

**SECURITIES AND EXCHANGE COMMISSION
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KEYNOTE ADDRESS

**Enhancing Competitiveness through World Class
Corporate Governance**

37th Annual Conference Of The
Institute Of Secretaries And Administrators Of Nigeria (ICSAN)

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Protocol.

1. I congratulate ICSAN on its 37th Annual Conference and commend your theme for the conference which is the “The Interplay of Risk Management and Compliance Issues in Corporate Governance”. Indeed there is no better time or platform to engage all stakeholders in a discussion on a topic that is very dear to my heart but more importantly essential for a well-functioning vibrant and strong financial ecosystem.
2. My key message for you in this Keynote is that you can enhance the competitiveness of a country through world class corporate governance because you are the custodians of world class corporate governance in Nigeria. In the course of my presentation I will define corporate governance, examine its evolution and share my perspective on Nigeria’s experience. I will afterwards focus a little bit on what I believe is the role of ICSAN and then conclude with some thoughts.

What is Corporate Governance?

3. Corporate governance has been defined variously as “the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders in a company - these include its shareholders, management, customers, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure”
4. “The corporate governance framework consists of explicit and implicit contracts between the company and the stakeholders for distribution of responsibilities, rights, and rewards; procedures for reconciling the sometimes conflicting interests of stakeholders in accordance with their duties, privileges, roles, and procedures for proper supervision, control, and information flow to serve as a system of checks and balances”
5. From the above definitions it is apparent that 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 a framework comes in to define roles and responsibilities.
6. To buttress the importance of good corporate governance, let me share with you two quotes, one from Sir Adrian Cadbury, who many of you know is essentially the father of modern corporate governance codes. He said, *“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". The other quote is from Mervyn King who many of you know chaired the King Report – the corporate governance code exercise in South Africa. He said *"Good corporate governance is about 'intellectual honesty' and not just sticking to rules and regulations.... "*

Evolution of Corporate Governance

7. Corporate governance in its present form began in England in the early 20th century, when a separation emerged between ownership and control. This separation of ownership from control made perfect economic sense as businesses could tap the market for capital and executive talent separately. However, this separation presented an agency problem, necessitating the emergence of modern corporate governance - a system to ensure accountability by those who run companies to those who invest in these companies.

8. Policy makers and regulators alike recognized the need for a body of rules and practices that will reconcile the interests of shareholders, management and the board of corporations. Since regulation is one proven way to provoke behaviour change, governments, policymakers and regulators around the world have devoted significant time and resources to the development of legislation and policies related to corporate governance.

9. One of the earliest bodies of corporate governance principles was the 1992, UK, Cadbury Report. The principles became imperative in the wake of major corporate governance scandals, particularly the collapse of Polly Peck, (a major UK company)

after several years of falsifying financials. The Cadbury Report was subsequently expanded and upgraded to a non-mandatory Code in 2010.

10. South Africa on the other hand, has a Corporate Governance Code which is not legislative, but rather a set of practices and principles which were issued in three different Reports, King I, 1994, King II, 2002 and King III in 2009. The distinguishing feature of the King Report was that the first Report in 1994 went beyond the financial and regulatory aspects of corporate governance and advocated a holistic approach of including principles of good social, ethical and environmental practice.
11. In the US, following the collapse of Enron and WorldCom (now MCI), there was an enactment of the mandatory Sarbanes-Oxley Act, in 2002. The Act is intended to ensure the reliability of publicly reported financial information and bolster confidence in US capital markets. It contains extensive provisions on duties and penalties for corporate boards, executives, directors, auditors, attorneys, and securities analysts.
12. 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.
13. These Principles were revised, as you know, 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, key areas that are important to a market conduct regulator like the SEC.

14. In dealing with conflicts of interest, the Principles now advocate not only disclosure, but also statements by the parties involved as to how the conflict is being managed. The special conflicts between controlling shareholders and minority shareholders were also explicitly addressed. The provisions include a new principle which recognizes the role of various providers of corporate information, such as rating agencies and analysts, whose advice should not be compromised by conflicts of interest. And we saw that happen, really fuelling the global financial crisis, which is why the global body for securities regulators that we belong to as SEC (IOSCO) issued new principles that define very specific regulations for rating agencies and auditors in this respect. The duties of the auditor have been strengthened, and include accountability to shareholders and a duty to the company to exercise due professional care in the conduct of the audit.

15. With regards to ensuring the basis for an effective corporate governance framework which was largely implicit in the 1999 Principles, a new chapter was introduced to deal with the regulatory system which is seen as a major barrier to fostering improved corporate governance in many countries. This new chapter sets out broad principles for governments to follow when they review the corporate governance framework which is necessary for them to achieve the objectives or outcomes advocated by the Principles. Some of the guidelines provided are that, the corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law, and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities. Such framework should be developed with regard to its impact on the overall economic performance, market integrity and the incentives it creates for market participants for the promotion of transparent and efficient markets. Also the legal and regulatory requirements that affect corporate governance practices in a jurisdiction should be consistent with the rule of law, transparent and enforceable.

16. Also the review touched on some specific stakeholder issues, especially important is a new principle to ensure protection for whistleblowers, including institutions through which their complaints and allegations might normally be registered. The role of employees as a stakeholder is also complemented by new principles calling for an ethical code to be established by the board, and for effective rewards and penalties to be established in order to ensure compliance with relevant laws and standards. These principles thus serve to establish a clear role for employees in the corporate governance process.
17. The guidelines have caught on as a benchmark for good practice in corporate governance. The Financial Stability Forum (FSF) have adopted these principles as one of its key instruments for ensuring international financial stability while the World Bank has adopted them as a benchmark for supporting the development of sound corporate governance in emerging markets.
18. 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.
19. Several other jurisdictions have revised their rules to identify gate keepers to include Auditors, Lawyers, Research Analysts, Broker Dealers and Board of Directors, and by so doing, raising the responsibility required of each stakeholder group in their corporate and individual capacities and I am sure all these groups are represented here today
20. Globally, corporate governance reform and stakeholder activism have emerged as critical business issues. Responsible and ethical business is essential for rebuilding trust in markets. But the sustainability of global markets goes far beyond

governance issues. In a more globalized, interconnected and competitive world, the way that environmental, social and corporate governance issues are managed is part of the overall management quality that a company needs to compete successfully.

21. Corporate social responsibility (CSR) is now becoming much more a part of mainstream corporate governance as there is a recognition that a company cannot in the long term exist in isolation from the wider society in which it operates. Sir Adrian Cadbury in 2002, captured this sentiment: *'The broadest way of defining social responsibility is to say that the continued existence of companies is based on an implied agreement between business and society' and that 'the essence of the contract between society and business is that companies shall not pursue their immediate profit objectives at the expense of the longer-term interests of the community'*.
22. The United Nations Global Compact launched a Global Africa Sustainability Barometer to encourage companies to adopt comprehensive reporting framework and standards that drive corporate disclosure on sustainability. The compact is based on broad principles which include: human rights, labour and employment, environmental, anti-corruption, corporate governance, corporate social responsibility and supply chain management. This initiative includes 8,000 companies from 145 countries.
23. There has been mounting pressure on companies to publish information on sustainability as a consequence of involvement of multinationals in a series of social and environmental disasters. Many of you are familiar with the Bhopal gas explosion in India, the BP challenge in the US and of course, we continue to follow on a daily basis the environmental degradation of many parts of our country, particularly in the Niger-Delta. Also an increasing number of corruption scandals in emerging markets have pushed corruption into the broader sustainability agenda. Nigerian companies make up 14% of the UN Global Compact Barometer and have been found to invest

in various corporate social responsibilities to respond to all of the requirements of the UN Global Compact. Many of these companies that have subscribed to the UN Global Compact are able to therefore raise money in other capital markets in addition to our own capital market.

24. Corporate governance and corporate social responsibility indices are becoming a basic barometer for benchmarking corporate governance practices and for evaluating compliance levels. In 2013, the World Bank/IFC conducted a study of corporate governance indices and I am very happy that the study revealed that emerging markets have led the way in efforts to raise the standard of corporate governance.
25. Among the eight stock exchanges (Brazil, China, Italy, Mexico, Peru, South Africa, South Korea, Turkey) in the world with Corporate Governance indices (CGIs), seven are developing/emerging markets. The Nigerian Stock Exchange will launch its own in early 2014. The study also revealed that CGIs can raise a country's overall corporate governance standards since they offer companies financial and investment incentives to make governance improvements. In 2007 the Chinese Securities Regulatory Commission led an initiative to improve corporate governance of listed companies which led to the launch of the Shanghai Stock Exchange (SSE) CGI starting with 199 companies. That index is very stringent because you have 953 companies listed on the Shanghai Stock Exchange, but only 266 companies are admitted to the index, as at February 2013.
26. Another important global initiative is the Sustainable Stock Exchanges initiative (SSE), developed by the United Nations as an initiative aimed at exploring how exchanges can work together with investors, regulators, and companies to enhance corporate transparency, and ultimately performance, on environmental, social and corporate governance issues and encourage responsible long-term approaches to investment. It was named by Forbes magazine as one of the "World's Best Sustainability Ideas". Eight exchanges with nearly 13,000 listed companies in

developed and emerging markets have already joined this initiative since its creation in 2009, including NYSE Euronext, NASDAQ OMX, BSE Ltd., BM&FBOVESPA, the Johannesburg Stock Exchange (JSE), the Egyptian Exchange (EGX), and MCX Stock Exchange Ltd. (MCX-SX). I am very delighted that our own exchange following our prodding has also done the same in the last month.

27. What I have attempted to do is review with you what corporate governance means, where it started, but most importantly, the breadth in terms of how corporate governance is perceived today. In a short summary, it is everything that is right, that is what I would say corporate governance is. And ICSAN is the custodian of everything that is right and the company secretaries are the custodians of everything that is right. You are the gate keepers; you are to stop people from doing the wrong thing. So your role is absolutely critical.

Now that I have given this broad overview as to where we are today, let us talk about our experience in Nigeria:

The Corporate Governance Landscape in Nigeria

28. The Investments and Securities Act (ISA) is the enabling law guiding the activities of the SEC. We are fortunate to have this law in Nigeria and a lot of the credit goes to the hard work of Dr. Ndanusa and other colleagues in the SEC for pushing its provisions. The law has a number of things that would make you stand boldly with great pride as to where Nigeria stands with others in terms of corporate governance, whether it be with respect to basic shareholders rights or issues of whistle-blowing. I think it is a great opportunity to have a law that is very supportive of best practice in terms of corporate governance within the Investment and Securities Act. We have, in addition to these laws, issued a variety of guidelines including to shareholders' associations. 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 financial sector regulators have issued codes to regulate conduct and to prevent any form of regulatory arbitrage on the part of the regulated institutions.
29. I think it is important to also look back on where we started in Nigeria. In the 90's, the effects of weak corporate governance were evident, manifesting in overvaluation and concealment of level of indebtedness by some companies and the collapse of some banks. In recognition of the losses suffered by investors the SEC, under the leadership of the then Director General, Dr. Ndanusa in 2003, in collaboration with the Corporate Affairs Commission (CAC) launched the first ever code of corporate governance for public companies in Nigeria. With the emergence of the global financial crisis and the lessons learnt, the Commission once again set up an industry Committee to review the 2003 Code to address its weaknesses and to recommend ways of effecting greater compliance in accordance with internationally acceptable practice. This was particularly important as several systemically important financial institutions were on the verge of collapse, largely due to weak corporate governance and weak risk management structures. The Central Bank had to intervene in these Banks to prevent a systemic collapse.

30. Also 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. A survey of disclosure practices, suggested a relatively high compliance with many good-practice principles. So we have always tried to endorse, as a Nation, best practice principles although we had a few challenges that have affected some of the performance indicators and I would share some of our indicators later on in my Keynote.
31. Since the ROSC review, and as an outcome of the work of the Industry Committee, the SEC launched a new Code of Corporate Governance, in 2011. The 2011 Code for public companies, addressed gaps identified in the 2003 Code and the ROSC report. Some of the relevant areas that were addressed in the 2011 Code include performance evaluation of boards, requirement for the establishment of an audit committee for each board, whistle blowing, risk management and the appointment of at least one independent director to the board of a public company. All these are important issues that I am sure will be discussed in the course of this conference. In my opinion, the global financial crisis and the crisis in our own stock market occurred essentially due to weak risk management and weak corporate governance. If we do not address these issues, we risk a reoccurrence of such unfortunate crises. But we are paying attention to them because the SEC will not permit any operator or company to be in this market without paying sufficient attention to risk management or corporate governance. On board evaluation, I would like inform you that under the leadership of Dr. Ndanusa we agreed that we as the SEC must be a role model of what we expect of others, so we are also going through an evaluation of our board. Clearly if you expect others to do something, you should be able to do it yourself. I think this is the first time the Board of the SEC is actually subjecting itself to a self evaluation process and I know many of you have encouraged your boards to do the same.

32. 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, prompting the CBN in October of 2007, to release a circular, outlining its position, on the definition and roles and responsibilities of independent directors, including placing a limit on the tenure of such directors - not to exceed four years for a single term and eight years total for two terms.
33. 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.
34. 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.
35. As part of strengthening compliance with the code, the SEC is reviewing the 2011 Code, to transition it to a mandatory code. Some of you may have seen the exposure draft of that transition which our Board has looked at and wants to get your comments to enable us decide how to implement a mandatory code. We are very determined as the SEC for Nigeria to be an example for the world. To improve the quality of corporate governance reporting, incentivize the right behaviour and promote competition among public companies, the SEC in partnership with the International Finance Corporation (IFC) is developing a comprehensive corporate governance reporting checklist and a Corporate Governance Score Card to provide a mechanism for benchmarking corporate governance practices amongst public companies. Companies will be required to provide information on compliance using

a standardized template. This information will be scrutinized and verified through on site reviews and off site inspections. The verified information will then be integrated into a score card which will provide a snapshot of how companies rank in their corporate governance practices. This will ultimately ensure more rigorous self-analysis of company corporate governance; forcing better governance disclosure that will allow the markets to pressure companies; and forcing boards to be more accountable by making them certify their corporate governance disclosure.

36. As I mentioned earlier, the NSE is also responding to SEC's advocacy and has taken commendable initiatives, including its recent step in joining the United Nations *Sustainable Stock Exchanges (SSE) Initiative*. The Exchange is planning to establish a Premium Board in 2014. To qualify for the Premium Board, the company must maintain the highest standards of corporate governance and have a minimum capitalization of \$1billion. The Exchange also plans to launch a corporate governance index in 2014, to assess corporate governance practice of listed companies in Nigeria.
37. Also the Commission is spearheading the entrenchment of International Financial Reporting Standard (IFRS). The SEC has partnered with the World Bank to provide training for the SEC in this regard. Subsequently, IFRS clinics will be offered to companies that are experiencing teething problems and challenges in the implementation 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.
38. Disclosure is one side of the equation in strengthening market discipline; the other side is the considered exercise of shareholder rights. Shareholders can play an important role in enhancing corporate governance by studying corporate statements, attending general meetings, and voting on key issues. Other stakeholders like the

media and research analysts have an equally important role of placing the spotlight on companies with exemplary corporate governance practices as well as call attention to questionable practices. Members of the media often hear me say that sometimes I think they have more influence than any of us will ever have with respect to the capital market, because a lot of people rely on what they write, what they say and what we see on television in terms of our judgment. But a lot of what they will write and say depends on the quality of what companies themselves produce which very much relies on the role of company secretaries in that respect. These responsibilities must be exercised objectively and constructively.

39. 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. And if you have ever been the subject of an SEC investigation, you can attest to how important we feel this whistle-blowing mechanism is. The whistle blower provision 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 and to protect the whistle blower from the reprisal of his employer. A former CEO of the Financial Services Board of South Africa, Rob Barrow, said it in a manner that I think is very apt. He said *“the earlier the regulator’s office becomes aware that a particular entity is not complying with regulatory requirements, the more likely it will be that corrective action can be taken to avoid significant loss to investors.”*

40. History tells us that we cannot rely on the motivation of individuals alone and that we need credible enforcement to require individuals to be driven by principles rather than just commercial expediency. Many of you are familiar with Voltaire, the French philosopher and historian and permit me, Chairman to share his argument culled from a Harvard study on the role of government in corporate governance. He said *“It is well to kill from time to time an Admiral, to encourage the others”*. Voltaire’s words are shocking if taken literally, but in essence it is a way of saying that rules must be

given bite through enforcement actions. I say *“it is okay to punish, penalize and impose fines from time to time”*. Enforcement actions level the playing field, sends a message to the broader public and deters would be violators.

41. In this regard we have strengthened our enforcement machineries and revamped our Administrative Proceedings Committee (APC) bringing on board, capital markets experts, academicians and legal luminaries. This is to ensure that we fulfil our mandate of protecting the ordinary investor by providing a neutral platform for hearing investor complaints, especially the ones that affect ordinary investors and threaten the integrity of the market. We have gone to great efforts to protect the integrity of this process by ensuring fair hearing for all parties, the independence of the Committee, speedy disposal of matters and to bring scope and diversity to the deliberations. Through this reconstituted Committee, we plan to send a message to the market that the SEC will not tolerate wrong doing and will be firm and resolute in bringing erring parties to book.
42. The dividends of the governance reforms include removing Nigeria from the Financial Action Task Force (FATF) list of non-cooperating countries with respect to combating money laundering, the acceptance of Nigeria’s Financial Intelligence Unit (NFIU) into the Egmont Group of Financial Intelligence Units to share intelligence, training and expertise, the removal of Nigeria from the international credit blacklist, stability in Nigeria’s credit rating despite recent downgrades for a number of other countries and better managed financial institutions.
43. Between 2010 and 2013, Nigeria has consolidated and in some instances advanced these gains. We have maintained the BB- rating, with a stable outlook. The macroeconomic environment over the last three years has been stable thereby promoting robust growth rates averaging 7% per annum. Inflation has been tamed to single digit down from 15% in 2010 while exchange rates have remained largely stable.

44. This macroeconomic stability has allowed our reforms to have significant impact on market performance within the last three and half years. The stock market capitalization has almost tripled hitting an all-time high of N12.85 trillion in June this year before moderating to the current level of about N12.06 trillion as at 31st October, 2013. Investor confidence in our market is surging evidenced by the increased participation of domestic investors.
45. The net asset value (NAV) of collective investment schemes has increased 43% over its value at the end of 2010 to a record N141.3 billion presently. In the domestic debt market, as a result of reforms such as the bond issuance process and introducing rules on book-building and shelf registration. Corporates have raised two and half times more from the bond market between 2010 and 2012 than all the corporate bonds raised from 1960 to 2009.
46. The SEC hopes that with these initiatives as well as a mandatory code that the corporate governance practices in firms will become world class. 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 competitiveness.
47. In spite of all the progress we have made, we need to do more to advance our competitiveness by institutionalizing sound corporate governance practices. The World Economic Forum in its 2013-2014 Global Competitiveness Index, ranked Nigeria 120th out of 148 countries assessed, while Brazil and South Africa ranked 56th and 53rd respectively. On specific indicators related to corporate governance, Nigeria ranked 131st in ethical behavior of firms, 106th in strength of auditing and reporting standards, 108th in board efficacy, 101st in protection of minority shareholders and 57th on investor protection. South Africa does better than Nigeria in the overall ranking due largely to its perceived strong corporate governance track record as it ranks highest in the world in three of the corporate governance sub-

indices. We must push even further and collectively sustain our efforts towards achieving world class corporate governance.

The Role of ICSAN in Raising the Bar

48. ICSAN's role as a leading professional body dedicated to enhancing the status and the practice of corporate governance, should be applauded and encouraged. Under the leadership of Dr. Suleyman Ndanusa, ICSAN is undertaking some commendable initiatives such as the production of a quarterly newsletter. This publication is dedicated to the dissemination of information on the tenets of best practices in corporate governance in Nigeria. ICSAN also hosts a yearly roundtable, providing a forum for robust discussion on developments in corporate governance practice. Measuring compliance and promoting a governance structure with integrated corporate social responsibility variables which are sustainable, is the future of corporate governance. I am happy that ICSAN plans to champion the development of indices to measure compliance and best practices both by private and public companies and the SEC will be glad to partner with ICSAN on this and other initiatives.

49. Being uniquely positioned as a body responsible for capacity building and certification of chartered secretaries and administrators, who have training ranging from law, finance, strategy, accounting to corporate governance, ICSAN must use this advantage to shape the corporate governance agenda and landscape by promoting the best practice essential for organizational performance. This is more so given that the versatility of members sometimes acting as chartered secretaries, company secretaries and compliance officers in corporations place them as gate keepers, who offer guidance to board members, update them on corporate governance developments, while concurrently exercising oversight functions by monitoring and reporting compliance or breaches.

Conclusion

50. The integrity of businesses is central to the vitality and stability of our economy. Businesses should, therefore, at all times foster a corporate governance framework that promotes market integrity, the independence of the board from management, transparency, an effective risk management system, and a system of accountability.
51. A published study in the US Global Journal of Management and Business Research, on the Link between Corporate Governance and Organizational Performance found strong relationships between a number of corporate governance variables and firm performance measures.
52. Overall, the study examined the relationship between corporate governance and the performance of Nigerian firms, using reliability of financial reporting, existence of a code of corporate governance, effective audit committee, board size, and separation of office of board chair from CEO as the variables of corporate governance, while return on assets and profit margin serve as proxies for firm performance.
53. According to the study, “Sub-optimal or outright failure of governance systems can be argued to be a major contributor to the collapse of many of the well-celebrated organizations that have littered the world’s corporate landscape. This failure, which translates into an inability of organizations to meet the expectations of their various stakeholders, has often been traced to weaknesses in the internal controls infrastructures and operating environments, and a lack of commitment to high ethical standards”.
54. 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. Good corporate governance can enhance investor trust, attract outside investment, and demonstrate a country’s commitment to

observing international standards. Ultimately, good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to global capital. Poor corporate governance, on the other hand, weakens a company's potential and may lead to financial difficulties and even fraud.

55. Capital is attracted by returns as much as good corporate governance and best practice. If there is a lack of good corporate governance in a market, capital will leave that market with the click of a mouse. As succinctly articulated by, Arthur Levitt, (Chair of the US Securities and Exchange Commission between 1993-2001) - *“If a country does not have a reputation for strong corporate governance practices, capital will flow elsewhere. If investors are not confident with the level of disclosure, capital will flow elsewhere. If a country opts for lax accounting and reporting standards, capital will flow elsewhere. All enterprises in that country – regardless of how steadfast a particular company’s practices may be – suffer the consequences”*.

56. I wish to commend ICSAN and particularly my honourable Chairman- Dr. Suleyman Abdu Ndanusa, the Chairman of the Board of the Securities and Exchange Commission and President of ICSAN, for his pioneering roles in the development of corporate governance in the capital market, particularly the 2003 SEC Code of Corporate Governance and for continuing this legacy by charting new corporate governance initiatives for ICSAN while at the same time pursuing already existing ones with commitment and zeal. I am very excited at the prospect of what the SEC and ICSAN can achieve in partnership, especially given the current leadership of ICSAN and the pronouncement of my dear Chairman during his investiture as the President of ICSAN on July 2, 2013, - *“As President, I will pursue the programmes of our administration with the strength of a bull, the speed of a cheetah, the tenacity of a lion and the wisdom of a serpent”*.

57. Let us all use wisdom in our deliberations here today, speed in actualizing the outcomes, tenacity and strength in overcoming obstacles and most importantly introspection in realizing that change begins with the individual.
58. Ladies and gentlemen, we are all stakeholders and gatekeepers. ICSAN is strategically positioned to effect meaningful change. We at the Securities and Exchange Commission are excited to partner with ICSAN to bring about this change. In the words of Mahatma Gandhi, “*You must be the change you wish to see in the world . . .*” I therefore urge you as you deliberate today, to brainstorm on how to bring about this change and further raise the bar on corporate governance amongst Nigerian companies.