

Introduction by Antonio Borges, Chairman, European Corporate Governance Institute and Vice-Chairman, Goldman Sachs International

We are very pleased to have you here with us today and I'd like to welcome you to the launch of the Transatlantic Corporate Governance Dialogue (TCGD). This is a major new ECGI initiative and, we hope, the first event of a long series. The TCGD is a forum for debate and for the exchange of experiences across the Atlantic and we believe it will make a significant contribution towards better corporate governance on both sides of the Atlantic.

Let me remind all of you that just a little bit over two years ago in this very room, we launched the ECGI. Its goal was to promote research, to promote serious study of governance issues and to disseminate best practice. The Institute has developed considerably since its creation; it has attracted many corporate and individual members and researchers; it has organised several events and it has launched a few projects.

Our fundamental principle is that corporate governance requires serious study. Corporate governance is a complex matter. It cannot be based on fashion or fluctuations in public opinion. It requires in-depth research and since it concerns economics, finance and law, therefore it commands the commitment of serious academics and scientists to contribute their expertise. The ECGI's main achievement therefore is to have an extraordinary network of researchers who, with their expertise, are contributing decisively towards a better understanding of the issues involved and towards the development of best practice.

As everybody knows, the European Commission has been involved over the last few years in a major effort to develop and improve financial markets in Europe through an Action Plan that is now nearly concluded. In that effort to create better markets and a more integrated financial market in Europe, there is naturally a crucial component of corporate governance. We at the ECGI discussed with the Commission what we could do and how we could contribute towards that effort. We arrived at a proposition for a forum for dialogue across the Atlantic where we Europeans could present our views and debate them with our fellow Americans. We are at the early stages of that process. We have found a very good partner, the American Law Institute (ALI), here today as the joint organiser of this event. I will ask their director, Professor Lance Lieberman of Columbia University to introduce the ALI.

To underline the support and the endorsement of the European Commission, we also have with us today Director General Alexander Schaub and David Wright, Director of Financial Markets. We have attracted the interest of the Securities and Exchange Commission (SEC). One of SEC Commissioners will be with us and there is no one better than him to present the views of the US regulator on these matters.

We are delighted to be sponsored by the Commission and also by Goldman Sachs, from Telecom Italia, whom we would like to thank very much for making this event possible. Today's audience contains many of the best corporate governance experts from the academic and corporate worlds from which I can justly conclude that there is a great deal of interest in the serious study of these matters. We very much expect and encourage all of you to participate, contribute and share your views.

The basic principle from which we start is that dialogue is useful and productive. We have a great deal to learn from each other. The US, as everybody knows, has a long tradition of study of corporate governance matters and, in fact, the ALI itself has an excellent track record in this area. It is widely considered to have not only some of the leading experts in but also promoters of corporate governance best practice in the US. In financial markets and in particular in the area of financial market integration, we Europeans have a lot to learn from the US.

Often in Europe, as we discuss our own future, we start from the US benchmark, and if I can put it this way, then try to improve on it. In corporate governance, however, this is not so easy to do. Companies in the US are owned and controlled in a very different way from those in Europe – certainly from continental Europe. That too creates different challenges for us. The US system of corporate governance is undergoing very considerable change itself, given the recent problems that we're only too aware of. From my personal perspective, corporate governance in the United States relies on very powerful market mechanisms through which shareholders exercise their rights and protect their interests. These market mechanisms are not yet quite as strong in Europe. They are far more insipient.

Yet there is still much to be learnt from the US experience, in particular, from their extraordinary effort towards transparency and disclosure. Europe is adapting and the Commission is putting a great deal of emphasis on these in its own proposals. There is, furthermore, a wealth of experience in the US from, for instance, financial market integration and from regulatory competition across states, that to a very large extent is the centre of the subject that we are going to address today.

Europe is in an earlier stage of this process but nobody will dispute the fact that corporate governance is centre stage and of great concern for many European lawmakers, regulators and corporate leaders. There remain many unresolved issues. Unfortunately, we are not yet quite capable of relying on market mechanisms to enforce shareholders' sovereignty in quite the same way as in the United States. We have made huge progress but markets are still not as integrated as we would want.

I am sure many people would agree that confidence in corporate governance standards is a most important ingredient in generating trust and creating the proper environment in which financial markets can operate in a more integrated fashion. Because European markets are not as powerful, we need a more institutional approach. But should this be of a national or a European nature? How can we obtain the kind of legitimacy that we need and generate trust across all countries if it is only at the national level? And how do we avoid national efforts being used for protectionist purposes?

As we in Europe struggle with these issues, the US can also benefit from our own thoughts and from our own experiences. In the US, they're also moving towards stronger norms and a more institutional approach. Can our experience be useful to US researchers and policy makers? That's what we would like to find out today.

So, let me now turn to the programme. Director General Alexander Schaub has agreed to start the ball rolling today with his own views on this crucial subject. We will spend the morning discussing the European view and hand over in the afternoon to hear the American view.

There will be two major keynote addresses. The first, from my colleague at Goldman Sachs, Mario Draghi, famous for the Draghi law which has had a profound impact in Italian governance. Later, we will hear from SEC Commissioner Harvey Goldschmidt.

We will bring today's dialogue to a close with a summing up by my colleague Marco Becht, Executive Director of the European Corporate Governance Institute.

So, thank you for coming. We appreciate very much your interests. I encourage you strongly to participate.