



## Corporate Governance

The Corporate world is witnessing great crises at regular intervals. The cost of such crises is huge; bankruptcy of large institutions, millions of lost jobs, hundreds of thousands of foreclosures on homes and billions of dollars lost in savings. While there could be many reasons for such crises, one important cause is the lack of transparency and disclosure. The world has seen emergence of complex ownership structures, which create a distance between actual owners of funds (shareholders) and managers. The nature of the financial incentives for the managers has at times driven them to take investment decisions whereby long term stability of the institution is sacrificed for short term gains. The shareholders meanwhile have kept a blind eye towards this situation, assuming that higher profit is a result of management efficiency and not risky investment decisions. This has led to the crisis and demise of a number of institutions which was unthinkable before 2008. In these circumstances, there is a need for a more concerted effort from the shareholders in improving the overall organizational structure and a clear and equitable distribution of rights and responsibilities between the stakeholders.



**Mr. Jamal Zaidi**  
IIRA's CEO

Corporate Governance is broadly understood to cover an organization's structure and practices for managing the business and the relationships among shareholders, the board of directors, managers and other stakeholders. Corporate Governance practices are now the focus of regulators and standards for good Corporate Governance are being set by regulatory authorities all over the world. These regulatory standards are usually set at a minimum and may be considered as adequate. Organizations complying with such standards should by no means feel complacent once they have adopted the regulatory standards. The objective should be to adopt best practices in managing the business and creating a framework of relationship among owners, directors, managers and other stakeholders in a way that the responsibilities and accountability of each stakeholder is defined with equity, fairness and clarity. An organization's interest will be served best by seeking an evaluation of their practices from a credible, independent and unbiased source. The purpose of evaluation should be to identify strengths and any weaknesses that may exist, but may not be visible to the management, and its relative position vis-à-vis its peers.

Evaluation of Corporate Governance is an integral element of all investment and credit analysis carried out by credit rating agency. IIRA believes that an entity can not sustain good financial health over a period of time without good Corporate Governance. IIRA, therefore, offers Corporate Governance Rating as a specialized rating service in addition to credit rating. The purpose of this rating is to analyze and focus on evaluation of all aspects of Governance practices, to identify strengths and any weaknesses and the relative position of an organization with reference to its peers. The rating is assigned on a scale of 10-1, 10 being highest, reflects the strongest quality of Corporate Governance.

## Islamic Int'l Rating Agency and Turk Credit Ratings Formalize Agreement to Cooperate in the Turkish Market



Islamic International Rating Agency (IIRA) announced that it has entered into a cooperative agreement with Turk Credit Rating Agency (TCR). Under this agreement, TCR will introduce IIRA's products and services to the Turkish market.

Based in Manama Bahrain, IIRA is a regional rating agency which started its operations in 2005. IIRA is completely independent and transparent, and follows a consistent methodical and rigorous analytical process consistent with international best practice. IIRA is recognized by Central Bank of Bahrain as External Credit Assessment Institution and is also in the list of approved rating agencies by Islamic Development Bank, Jeddah. Since its inception, IIRA has been expanding its client base and organizational capability to carry out rating assignments and currently has clients in many countries including Bahrain, UAE, Kuwait, Turkey, Jordan, Pakistan and Indonesia.

Turkish Credit Rating Agency (full name TCR Kurumsal Yonetim ve Kredi Derecelendirme Hizmetleri A.S. [www.turkkredirating.com](http://www.turkkredirating.com)), is based in Istanbul and is incorporated under the regulatory framework of the Capital Markets Board in Turkey. The company was established in mid 2007, and received its credit rating and corporate governance rating licenses in mid 2007 and mid 2008, respectively.

IIRA recently completed its sovereign rating of Republic of Turkey, subsequent to which it assigned a credit rating to one of the leading participation banks in Turkey. The management of IIRA and TCR believe that the efforts of both the parties under this cooperative agreement and technical cooperation will bring more awareness about ratings and will contribute to development of a healthy rating culture in the Turkish market.

## Mr. Yusuf, IIRA's Financial Analyst, Receives CSAA Certification and Admission

The Islamic International Rating Agency (IIRA) announced that Mr. Hussain Yusuf, IIRA's Financial Analyst, has successfully completed Certified Shari'a Adviser and Auditor (CSAA) program and received CSAA certification and admission. The CSAA program and CSAA certification are developed and endorsed by Accounting & Auditing Organization for Islamic Financial Institutions' (AAOIFI's) Shari'a Board consisting of sixteen Shari'a scholars. Mr. Hussain Yusuf joined IIRA as a financial analyst in 2007. He graduated from Leeds University Business School (LUBS) in the UK with a master degree in International Marketing & Management.

## IIRA Hosts a 2-Day Workshop on Financial Institutions Analysis



As a continuation of its strategy to disseminate the knowledge of analysis, and to generate awareness about ratings in the market, the Islamic International Rating Agency (IIRA) organized a 2-day training workshop on Financial Institutions Analysis on March 30 and 31, 2009 at a local hotel. This workshop was a continuation of the series of other workshop / seminars organized by the agency in the past in line with IIRA's mission of fostering development of the financial markets.

The first day of the workshop began with an introduction of Rating, IIRA and its services by its CEO – Mr. Jamal Zaidi. IIRA is a full service rating agency which provides ratings to Conventional and Islamic issues / issuers. In its brief history of approximately three years, it has achieved several milestones, including recognition by Central Bank of Bahrain as an External Credit Assessment Institution (ECAI) and being approved by Islamic Development Bank (IDB). IIRA has earned rating assignments from many countries which reflects on the agency's internationally growing franchise.

After the introduction, Mr. J.M. McMullen comprehensively described various aspects of analysis of financial institutions. Mr. Ali Abdulaal described the distinctions between conventional financial institutions and those offering Islamic services, on account of the risk that they face and the nature of relationship between the depositor and the bank. Day one closed with an overview by Mr. Hussain Yusuf of IIRA's rating process, rights and obligations of issuers and information requirements of IIRA. On the second day of the workshop, two case studies were analyzed on conventional and Islamic banks by Mr. Nasir Ali Merchant and Mr. Umer Zuberi.

The workshop was attended by a good number of participants from Bahrain and the GCC. The participants showed keen interest in the presentations and asked a number of inquisitive questions during the presentation, as well as at the end of session, about the various aspects of analysis and about the rating agencies, their work ethics and their rating methodologies. The feedback received from the participants was positive, as they expressed a desire to attend more such workshops in the future. This workshop was sponsored by Islamic Corporation for the Development of Private Sector (ICD).



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**Mr. Jamal Abbas Zaidi commencing the workshop**

<<< **Islamic International Rating Agency Officials at the workshop**

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