

Action Planning Methodology

Regional Securities Program

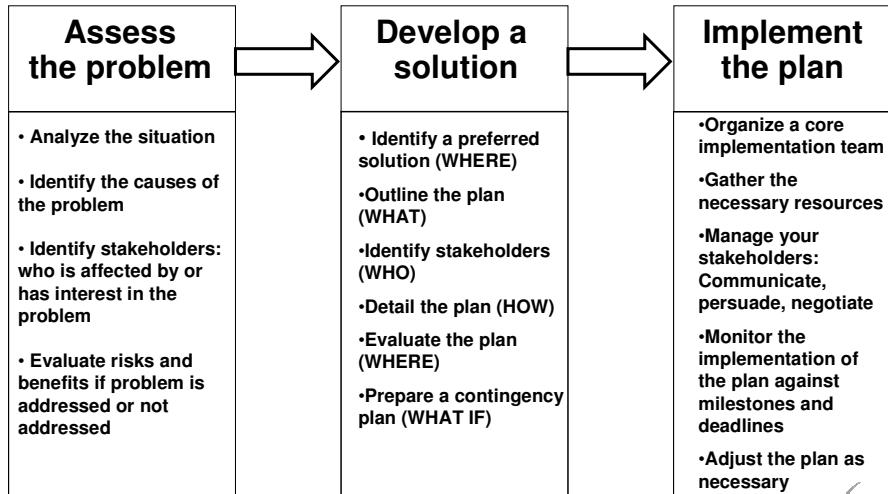
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Alan Cameron

Mr. Alan Cameron

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- Former Chairman of the Australian Securities and Investments Commission and its predecessor, the Australian Securities Commission (1993-2000)
- Former Australian Ombudsman.
- Chairman of IOSCO's Executive Committee (1995-1997), and the Joint Forum (1998-2000)
- Lawyer, Company Director, consultant on corporate governance, UK & Japan FSAPs

Action Planning



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A.1 Analyze the situation

- Identify the challenge you want to address →
 - Shares of well respected listed manufacturing company plunge precipitously after the company admits publicly that it holds a large portfolio of debt securities whose value has become impaired by the U.S. sub-prime mortgage crisis
- Analyze macro factors: social, political, macro-economic →
 - Active local market; constant struggle by regulator and exchange to encourage influential companies to make timely disclosure; rumours that other major companies are also affected

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A.1 Analyze the situation

- Analyze micro factors: market participant level →
 - Company previously denied that its investments were at risk; well connected and respected board of directors.
- Analyze internal factors: resource/expertise/people/systems/legal framework →
 - Commission mandate to maintain fair, efficient and transparent markets; its staff are knowledgeable and, recently, have gained respect of government officials

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A.1 Analyze the situation

- Timing, urgency and importance →
 - The story is getting big play in the media; analogies to debt and liquidity crises in other markets; confidence in markets is eroding
- Perception check →
 - Most listed companies have little or no exposure to the U.S. crisis, but regulators and investors can't assess which ones are exposed
- Gather relevant information →
 - Examine disclosure records of companies likely to be exposed; interview officers of relevant companies; determine how regulators in other countries are reacting to similar problems

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A.2 Identify the cause of the problem

- Lack of transparency by this listed company about a material problem that worsened as the U.S. crisis deepened
- Inadequate commitment by listed companies generally to the principle of timely disclosure

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A.3 Do we need to act?

- Analyze the factors which are relevant to deciding whether to act
 - Factors
 - Importance of stock market to local economy
 - Risk of collateral damage to otherwise healthy companies
 - Risk that access by local businesses to debt financing will be impaired; local liquidity crisis
 - Poor track record of timely disclosure by influential companies
 - Press stories critical of regulator
 - Minister likely to be asked questions in the legislature, and likely to ask regulator

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A.4 Risks and Benefits

- Not acting
 - Market turmoil; homegrown liquidity crisis
 - Further erosion of efforts to improve culture of timely disclosure
 - Media and government criticism

- Acting
 - Regulator intervention may confirm fears that there really is a crisis
 - Markets may over-react to first companies to disclose even minor exposures
 - Politician's over-reaction
 - Media and government criticism

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➤ State the problem precisely

- A significant listed company appears to have misled the markets by understating its exposure to the U.S. sub-prime mortgage crisis. Uncertainty is producing alarming volatility in local markets and threatens to widen into a liquidity crisis for local businesses. Efforts to strengthen an already weak culture of disclosure have been undermined.

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*B.1 Identify a preferred outcome
WHERE do you want to go?*

- Formulate the desired outcome →
 - Market confidence that this apparent breach of timely disclosure laws has been properly dealt with by you
 - - Confidence that all other listed companies with similar exposures have been fully transparent
 - - Reinforce culture of timely disclosure in your marketplace

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*B.1 Identify a preferred outcome
WHERE do you want to go?*

- Define possible responses for achieving the desired outcome →
 - Investigation and possible prosecution of the company
 - Failure to make timely disclosure
 - Misleading disclosure
 - Require all potentially affected listed companies to file with you a questionnaire identifying any exposures
 - Investigation of other listed companies that may be concealing exposure to U.S. sub-prime mortgages
 - Issue policy guidelines on timely disclosure
 - Seek clarification of laws and/or stiffer penalties

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B.1 Identify a preferred outcome
WHERE do you want to go?

- Analyze and rank these responses, and select one, or more if necessary
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B.2 Outline the plan
WHAT do you propose to do?

- List main steps in your plan →
 - Commence investigation of the listed company
 - Identify and deal with other potentially vulnerable companies
 - Develop policy options
 - Formulate a communication strategy
- Identify potential barriers and enablers →
 - Barriers - companies argue that transparency will contribute to volatility and create a debt or liquidity crisis
 - Media sees this as totally inadequate response
 - Enabler – market participants and government support measures to restore market confidence

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*B.3 Analyze stakeholders
WHO are you going to deal with?*

- Classify stakeholders according to their power over your plan
- Investors
- Other listed companies
- The offending company
- Exchange
- Minister
- Central Bank
- Media

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*B.3 Analyze stakeholders
WHO are you going to deal with?*

- Identify the needs and interests of the key stakeholders
- Minister - reputation of market and government; avoidance of economic crisis
- Offending company – reputation; shareholder action
- Other listed companies – disclosure burden; maintenance of proper debt markets, adequate liquidity
- Investors – recovery of funds lost, confidence in market
- Media / News

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B.3 Analyze stakeholders

WHO are you going to deal with?

- Choose a communication/persuasion/negotiation strategy for each group of stakeholders
- Minister - focus on the market's reputation and need for quick, decisive action to restore confidence. Obtain commitment to support clarifying amendments to laws and/or stiffer penalties.
- Exchange - transparency – market depends on disclosure being prompt and accurate
- Offending company – full co-operation and quick resolution (settlement) will contain damage and enable it to begin restoring confidence
- Media - regulator acting quickly and decisively to ensure threats to confidence like this cannot recur.

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B.4 Detail the plan

HOW are you going to do it?

- Develop individual actions
- Determine resources needed for each action
- Define the timing and pre-conditions for each action
- Create working or steering group
- Commence and complete investigation (6 months)
 - Who will lead? Number of investigators? Mandate?
- Identify other vulnerable listed companies (10 days)
 - Prepare and deliver questionnaires and schedule due date (20 days)
 - Evaluate responses and determine whether investigations are needed (10 days)

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*B.4 Detail the plan
HOW are you going to do it?*

- Put it all together
- Identify the critical path
- Prepare persuasion/negotiation plan (3 days)
- Prepare policy guidelines paper for issuance (20 days)
- Negotiate with the government for enactment of clarifications to the laws and stiffer penalties (10 days)
- Prepare communication strategy (3 days) for each step of the plan

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*B.5 Evaluate the plan
Verify WHETHER your plan does it*

- Will the plan achieve the desired goals in time?
- Are the needed resources available?
- What are the implementation risks?
- What are the critical risk steps?

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B.6 Prepare a contingency plan WHAT IF the plan fails?

- Is the failure critical?
- Does it call for a change of course or and adjustment of the original?
- Prepare a new outline?
- What if new stakeholders emerge, (shareholders of the listed company suing for their losses)?

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Implement the plan C.1 Confirm project mandate

- Ensure Executive approval of project plan
(objectives, work plan, time-line, budget, human resources skills required, measures of success)
- Confirm member of Executive as project sponsor
- Announce project to key stakeholders

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Implement the plan
C.2 Organize the core implementation team

- Secure the required human resources
- Communicate the project plan, including vision and urgency
- Document and communicate individual team member responsibilities, and goal commitments
- Set up a communication system / process

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Implement the plan

- C.3 Gather the necessary physical resources
 - IT, facilities, administrative support
- C.4 Establish project governance
 - Set up a steering committee with terms of reference
 - Formalize nature and frequency of progress reporting to Executive
 - Establish a formal communication program for key stakeholders
 - Set up a project management system to track the project's critical path, human resource utilization and overall project costs

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Implement the plan
C.5 Monitor the achievement of results

- Are project milestones and individual team member goal commitments being achieved?
- Are deviations from the plan, problems and surprises being dealt with effectively and on a timely basis?
- Is the steering committee functioning satisfactorily?
- Is the Executive sponsor being kept informed of the project's progress?

Monitor closely, and adjust as required

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C. Implement the plan

TIME PEOPLE MONEY

M I L E S T O N E S

GOAL

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THANK YOU!