

COSTA RICA APPROVES CORPORATE GOVERNANCE REGULATIONS

Costa Rica published this Monday July 6th, 2009 on its official Newspaper “*La Gaceta*” the new regulatory frame regarding the practices of Corporate Governance which will be of mandatory application for entities that are supervised by the Costa Rican financial system supervising bodies.

These rules have been put into effect through a Regulation issued by the Costa Rican Central Bank, which is the Government institution in charge of watching over the entire financial system in the country –including banks and financial institutions, stock exchanges, insurance companies, pension funds, etc.

Being that Corporate Governance is a relatively recent topic within the Costa Rican financial and corporate atmospheres, this Regulation entails a significant advance and importance in the country, for it will mean a whole new way for these supervised entities of managing their businesses.

The Regulation, following the most important rules in this topic from other legislations, establishes the obligation for the supervised entities to draft a Corporate Governance Code, which shall be approved by the Board of Directors, revised at least once a year and be available at the entity’s website. It is established that the deadline for the supervised entities to have this Corporate Governance issued is November 30th, 2009.

Among the various important and key factors established in the Regulations are:

- a. Integration and qualifications of the members of the Boards of Directors;
- b. Duties of the Board of Directors;
- c. Policies regarding Conflicts of Interest;
- d. Policies regarding the disclosure and access of information;
- e. Obligation of the Board of Directors to approve and publish every year the Corporate Governance Annual Report, which shall be of public access by the

means established by the supervising authorities. The regulations establish that the first annual report to be issued by the supervised entities shall be done including the information as from December 31, 2009, and be submitted to the corresponding supervising entity not later than March 31st, 2010;

- f. Rules regarding other governance members or bodies within the entity, such as:
 - a. General Manager
 - b. Auditing Committee

In general terms, this new regulation on Corporate Governance will mean an improvement in the corporate practices and the way of doing businesses by the supervised entities in Costa Rica, for the benefit of its shareholders, stakeholders, providers and the general public.

Given the novel of the topic of Corporate Governance, and especially of the Regulations itself, it will be necessary to wait some time to see in the practice the rules and stipulations of the Regulations, since it is important also the way in which the supervised entities will start to get used to these new rules.

Eugenio Vargas (evr@corderoabogados.com) and Ricardo Cordero (rcb@corderoabogados.com) are corporate attorneys at Cordero & Cordero Abogados. Eugenio has post graduate studies focused on Corporate Governance. They can be contacted at:

*Barrio Don Bosco, Calles 24 y 26, Ave. Segunda
Tel: 506.2258.2525
Fax: 506.2258.3820
Email: info@corderoabogados.com*

NOTE: The purpose of this publication is to provide general information on this particular topic and it is not intended to be a substitute for sound legal advice. Laws affecting business activity change frequently. Please feel free to contact any of our attorneys with respect to specific inquiries that you might have.