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ARTICLES

Factors that affect corporate governance practices in Saudi Arabian listed banks – *Ashraf Al-Sahafi, Marcus Rodriqs and Lisa Barnes*

The global financial crisis has resulted in increased attention to corporate governance practices, especially in one of the most affected sectors: banking. Good corporate governance is a significant issue in the banking sector, which is a major engine of economic growth and contributes to the stability of a country's financial market. This article examines the level of compliance with the Corporate Governance Regulations (CGRs) in the Saudi Arabian banking sector and the factors that affect the level of compliance. The annual reports for all listed banks in Saudi Arabia for the years 2006, 2009, and 2012 have been analysed. The results shown in this article demonstrate that the level of compliance with the CGRs in the Saudi Arabian banking sector has improved significantly since 2006. While the level of compliance was very low in 2006 (42%) it has increased considerably to 63% and 78% in 2009 and 2012 respectively. It has been found that the level of compliance is positively affected by board size, audit committee size, banks size and leverage ratio; whereas board independence is associated negatively with the level of compliance.

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Illegality as a ground for withholding payment in documentary credit transactions – *Hang Yen Low*

This article considers whether illegality provides a valid ground to withhold payment under a documentary credit. A distinction is drawn between two circumstances where the documentary credit is illegal, and where the underlying contract which a documentary credit supports is illegal. The refusal of payment in circumstances where the documentary credit itself is illegal is not a contentious issue since it is well established in the general law of contract that a contract which is illegal is void or unenforceable. However, whether payment can be refused on the basis of the illegality of the underlying contract connected to the documentary credit is open to debate. The refusal of payment on this ground will constitute an exception to the autonomy principle since the documentary credit itself is not directly illegal and is traditionally seen as a separate contract from the underlying contract. Unlike other jurisdictions, English law is slowly recognising an illegality exception, although the exception is in need of further refinement. The article proposes that illegality should be recognised as an exception to the autonomy principle and provides suggestions to define and limit the scope of the exception.

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