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## STANDARDS COMPLIANCE

• **CHINA (December 23):** On December 23, eStandardsForum completed a comprehensive review of China’s compliance with the 12 Key Standards for Sound Financial Systems. The level of compliance for Payment Systems and Securities Regulation was changed from “Insufficient Information” to “Intent Declared”. Amendments to the Securities Law represented a move in China towards the adoption of the International Organization of Securities Commission's Objectives and Principles of Effective Securities Regulation. Developments in China's payment system oversight have also been significant, particularly in institution building and in payment and settlement-related laws and regulations. Nevertheless, there is still room for improvement in some areas, including strengthening of the People’s Bank of China's oversight of the system. The Corporate Governance standard has been downgraded from “Enacted” to “Intent Declared.” Although corporate governance practices of listed companies have improved over time, problems persist due to the highly concentrated ownership structure, the dominance of state-owned enterprises, and the resulting weak minority shareholder protection. Following this review, China’s score in eStandardsForum Standards Compliance Index increased from 23.30 to 25.83.

**Source:** eStandardsForum

## IMPORTANT DEVELOPMENTS

• **INDIA (January 3):** India has entered into a pact with three major economies - Russia, Malaysia and Brazil - to ensure mutual flow of information pertaining to money laundering and terror funding. Negotiations to sign Memoranda of Understanding (MoUs) with more than 30 other countries are in process, a senior Finance Ministry official said. India has also signed similar MoUs with Mauritius and the Philippines in 2008. The MoUs will enable the country's Financial Intelligence Unit (FIU) to

share information with foreign FIUs whenever considered necessary and reciprocally obtain information from them on money laundering activities, the official said. This year, India received 69 requests of information from foreign financial intelligence units while it sent 17 such requests to other countries. The government has also established Joint Working Groups (JWG) - comprising senior officials from enforcement agencies - with a number of countries like the US, Germany, the UK and Russia on various operational issues relating to terrorism and other crimes including money laundering and drug trafficking. A joint meeting was held with Russia this year in this regard, the official added.

**Source:** Zee News India

**Impact:** Money Laundering

- **KENYA (January 1):** The Proceeds of Crime and Anti-Money Laundering Act and Arbitration (amendment) Act was signed into law by President Kibaki. The Proceeds of Crime and Anti-Money Laundering Act will introduce measures to identify, trace, freeze and seize proceeds of crime. The International Monetary Fund says that the aggregate size of money laundering in the world could be somewhere between \$725 billion (Sh56.5 trillion) and \$1.8 trillion (Sh140.4 trillion). The Bill provides for the offense of money laundering and introduces measures to deal with the offense. The Bill provides that any person who knows or ought to have reasonably known or suspected that any property is part of the proceeds of crime but conceals or disguises the nature or source of the same commits an offense. It also provides for the establishment, powers and functions of the Financial Reporting Centre. Those found guilty of the offense of money laundering will serve a jail term not exceeding seven years, or a fine not exceeding Sh2.5 million, or both.

**Source:** Daily Nation - Kenya

**Impact:** Money Laundering

## POTENTIAL DEVELOPMENTS

- **AUSTRALIA (January 5):** Shareholder and business groups have urged the government to seriously consider proposed new rules on executive pay, following the release of the Productivity Commission's final report on the divisive subject. While the commission's recommendations have been generally welcomed by businesses, including the Australian Securities Exchange and mining giant BHP Billiton, some stakeholders argue that more needs to be done to curb excessive remuneration as the economy recovers from the global financial crisis. The 500-plus page report, released late on Sunday, provides a detailed snapshot of executive salaries in Australia. Following its nine-month inquiry, the Productivity Commission has delivered 17 recommendations concerning the role of company boards in setting salaries, disclosure and accountability, which are due to be considered by the government later this year. The biggest change from the commission's earlier draft was to the contentious "two strikes" rule that would have forced boards to face automatic re-election in the event their remuneration report was rejected by 25 per cent or more of shareholders over two consecutive years. The commission is now recommending that a third vote be held before directors are put up for re-election. Such a move would require the support of at least 50 per cent of shareholders and was welcomed by the Australian Securities Exchange, whose listing rules and guidelines are the subject of many of the commission's recommendations.

**Source:** The Australian

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● **PHILIPPINES (January 4):** Relaxing the rules of the Bangko Sentral ng Pilipinas (BSP) on foreign-exchange transactions, which now exempt offshore investments below \$30 million from BSP scrutiny, may be misused for money-laundering activities by unscrupulous individuals, Sen. Loren Legarda warned on Monday. In a statement, Legarda voiced concerns that the new rule, where banks and nonbanks and their clients only need to get BSP approval for investments over \$30 million, could entice "some corrupt people in the government to park their ill-gotten wealth outside of the Philippines to escape garnishment." "There may be good and valid reasons for this move by the BSP to allow just anyone to buy \$30 million from local banks and to 'invest' the same abroad without needing approval anymore from the BSP," the senator said, but added that "anyone can see how this relaxation of rules may be used by unscrupulous individuals, whether belonging to the private or public sector, to hide ill-gotten wealth abroad under the guise of investing." Legarda pointed out that with a new administration coming in by July 1, "some people who may have made a killing in government contracts under the outgoing administration may take advantage of the new BSP rule." She added that "money laundering, despite our having already passed an anti-money laundering law, remains a serious concern here." The senator warned that the relaxation of the BSP rules may induce "capital flight" at a time when the Philippines should be enticing foreign investors to invest in the country.

**Source:** Philippine Business Daily Mirror

● **PHILIPPINES (January 4):** The Philippine Stock Exchange is hopeful that the proposed Financial Rehabilitation and Insolvency Law will be passed before Congress adjourns this year but will have to wait for the next Congress for the passage of two other financial reform laws it is lobbying for. PSE president Francis

Lim said the Financial Rehabilitation and Insolvency Law, which will replace the antiquated Insolvency Law of 1909, is needed to make the local capital market attractive and competitive. Among the features of the bill is that, if a debtor gets the approval of 85 percent of its creditors, it does not need to go to court to start implementing its corporate restructuring or rehabilitation plan. Lim explained that the new law will cram the rehabilitation on the 15 percent dissenting forces "because what we have seen in the past is that what we call the tyranny of the minority." "For example, even if 95 percent of the creditors have already approved the restructuring plan, but creditors representing 5 percent of total debt can hold it back and the company does not get rehabilitated and that is bad for the economy in the long term," he said

**Source:** Manila Bulletin

● **CHINA (December 31):** The central bank, along with relevant departments, has released China's first plan to tackle money laundering. China will build its own anti-money laundering system in the new year, drawing on international standards. Several tasks include improving the legal system for punishment, building anti-terrorism networks, improving supervision, setting up systems for non-financial institutions, strengthening cooperation between government departments, cultivating experts, actively cooperating with international agents and tracking money movement overseas. PBOC Vice governor Su Ning said, "Our work is gradually expanding from financial institutions to non-financial institutions. Lotteries and clearing institutions are not financial institutions, but they may become channels for money laundering." The central bank has examined over three thousand financial institutions this year. More than 500 of them have been punished for violating rules.

**Source:** China Central Television

## GENERAL INFORMATION

• **PAKISTAN (December 30):** The fundamental credit outlook for the Pakistani banking sector is negative, reflecting challenging operating conditions as a result of the continued economic slowdown, domestic security instability and the weak sovereign position of Pakistan. However, the banking system remains relatively resilient overall, says Moody's Investors Service in its new Banking System Outlook on Pakistan. Moody's negative outlook for the Pakistani banking system expresses the rating agency's view on the likely future direction of fundamental credit conditions in the industry over the next 12 to 18 months. It does not represent a projection of rating upgrades versus downgrades. "Overall credit conditions in Pakistan remain unfavorable as the security situation hinders both foreign and domestic confidence, lending rates are high, the political environment remains fragile and structural impediments in the supply of power and gas persist," says Christos Theofilou, a Moody's Analyst and author of this report. "Despite the negative credit outlook, all of the Pakistani bank financial strength ratings (BFSRs) have stable outlooks, as strong capitalization levels and adequate liquidity profiles ensure a level of stability. However, if the economic recovery is sluggish or Pakistan's repayment capacity is impaired, leading to a further deterioration in the rated banks' financials, downward rating pressure may result," cautions Mr. Theofilou.

**Source:** Moody's Investors Service

• **DATA DISSEMINATION (December 30):** The International Monetary Fund has released their Quarterly Update on the Special Data Dissemination Standard. As of the end of the third quarter of 2009, all 64 SDDS subscribers were in observance of the SDDS requirements for the coverage, periodicity, and timeliness of the data and for the dissemination of advance release calendars (ARCs). The IMF's Dissemination Standards Bulletin Board (DSBB) disseminates a complete list of SDDS subscribers. Recording the observance of SDDS metadata requirements for summary methodologies is discontinued; it has become obsolete because all metadata are presented using the Data Quality Assessment Framework structure. The IMF monitors the punctuality of data releases of each SDDS subscriber. Punctuality is monitored by comparing the first appearance of new information on the subscriber's National Summary Data Page (NSDP) against the last release date announced in the subscriber's ARC for each of the SDDS data categories. The ARC release dates should meet the SDDS timeliness requirements for the various data categories.

**Source:** International Monetary Fund

## ESTANDARDSFORUM INDICES

• **ESTANDARDSFORUM INDICES (January 4):** Included for your information are the Standards Compliance Index and Business Indicator Index taken from the eStandardsForum site. The Standards Index ranks a country's compliance with the Twelve Key Standards for Sound Financial Systems (Standards and Codes); the Business Indicators Index ranks a country's overall political, economic, and business environment. Both indexes can be accessed from the eStandardsForum home page as well as from the country summary pages. A more detailed description of the methodology is located in the "Help" section of the site.

### Standards Compliance Index

Rank	Country	Score
1.	Denmark	70.00
2.	Australia	69.17
3.	United Kingdom	68.33
4.	Hungary	66.67
4.	Italy	66.67
6.	France	65.83
7.	Netherlands	65.00
8.	Norway	63.33
8.	Portugal	63.33
10.	Estonia	62.50
10.	Germany	62.50
12.	Belgium	60.83
12.	Slovenia	60.83
14.	Spain	59.17
14.	Switzerland	59.17
16.	Ireland	58.33
16.	United States	58.33
18.	Austria	57.50
18.	Croatia	57.50
18.	Slovakia	57.50
21.	Bulgaria	55.83
21.	South Africa	55.83
23.	Finland	55.00
23.	New Zealand	55.00
23.	Philippines	55.00
26.	Canada	54.17
26.	Chile	54.17
28.	Cyprus	53.33
28.	Greece	53.33

28.	Luxembourg	53.33
31.	Lithuania	51.67
32.	Hong Kong SAR	50.83
32.	Kazakhstan	50.83
32.	Thailand	50.83
35.	Israel	50.00
35.	Romania	50.00
37.	Mexico	48.33
37.	Sweden	48.33
39.	Malaysia	46.67
39.	Singapore	46.67
41.	Czech Republic	45.83
41.	Latvia	45.83
41.	Morocco	45.83
41.	Turkey	45.83
45.	Malta	45.00
46.	Japan	44.17
47.	Indonesia	43.33
48.	Russia	42.50
49.	Colombia	40.83
50.	Bahrain	40.00
50.	Brazil	40.00
50.	Peru	40.00
50.	Serbia	40.00
50.	Ukraine	40.00
55.	India	38.33
56.	Iceland	37.50
56.	Pakistan	37.50
58.	Panama	36.67
58.	Poland	36.67
58.	Tunisia	36.67

61.	Argentina	35.00
62.	Egypt	34.17
63.	El Salvador	33.33
64.	Costa Rica	32.50
64.	Jordan	32.50
64.	South Korea	32.50
67.	Guatemala	30.83
68.	Saudi Arabia	30.00
69.	Ghana	28.33
70.	Tanzania	25.83
71.	Kenya	24.17
72.	China	23.33
73.	Ecuador	22.50
73.	Kuwait	22.50
73.	Uruguay	22.50
76.	Honduras	21.67
76.	Sri Lanka	21.67
78.	United Arab Emirates	20.83
79.	Bangladesh	20.00
80.	Oman	18.33
81.	Lebanon	15.83
81.	Taiwan	15.83
83.	Dominican Republic	15.00
84.	Algeria	14.17
85.	Vietnam	13.33
86.	Paraguay	12.50
87.	Nigeria	11.67
88.	Bolivia	10.00
88.	Venezuela	10.00
90.	Cameroon	9.17
90.	Iran	9.17

92.	Qatar	5.83
93.	Syria	4.17

### Business Indicator Index

Rank	Country	Score
1.	Estonia	11.98
2.	Cyprus	11.73
2.	Uruguay	11.73
4.	Singapore	11.48
5.	Germany	11.23
5.	Hong Kong SAR	11.23
5.	Iceland	11.23
5.	Luxembourg	11.23
5.	Malta	11.23
5.	Spain	11.23
5.	United Kingdom	11.23
12.	Austria	10.98
12.	Belgium	10.98
12.	Chile	10.98
12.	Czech Republic	10.98
12.	Finland	10.98
12.	Hungary	10.98
12.	Ireland	10.98
12.	Latvia	10.98
12.	Lithuania	10.98
12.	Netherlands	10.98
12.	Portugal	10.98
12.	Slovakia	10.98
24.	Costa Rica	10.73
25.	Denmark	10.65
25.	El Salvador	10.65

25.	Sweden	10.65
25.	Switzerland	10.65
29.	Honduras	10.40
30.	France	10.23
30.	New Zealand	10.23
32.	Australia	9.98
32.	Italy	9.98
32.	Japan	9.98
32.	Norway	9.98
32.	Romania	9.98
32.	United States	9.98
38.	Panama	9.73
38.	Slovenia	9.73
40.	Bahrain	9.65
40.	Greece	9.65
40.	United Arab Emirates	9.65
43.	Oman	9.40
44.	Bulgaria	9.23
44.	Canada	9.23
44.	South Korea	9.23
47.	Israel	8.98
48.	Guatemala	8.73
48.	Paraguay	8.73
50.	Qatar	8.65
51.	Jordan	8.49
52.	Kuwait	8.40
52.	Poland	8.40
54.	Egypt	8.15
55.	Peru	8.07
56.	Serbia	7.98
57.	Dominican Republic	7.73

57.	South Africa	7.73
59.	Kazakhstan	7.65
59.	Taiwan	7.65
59.	Tanzania	7.65
62.	Turkey	7.48
63.	Mexico	7.40
63.	Morocco	7.40
63.	Tunisia	7.40
66.	Indonesia	7.07
67.	Saudi Arabia	6.90
68.	Colombia	6.82
69.	Sri Lanka	6.73
70.	Brazil	6.65
71.	Kenya	6.48
72.	Croatia	6.40
72.	Ghana	6.40
72.	Nigeria	6.40
75.	Ecuador	6.16
76.	Argentina	6.07
77.	Russia	5.90
78.	Pakistan	5.82
79.	Bolivia	5.74
80.	Malaysia	5.73
81.	Lebanon	5.57
82.	India	5.48
83.	Philippines	5.40
84.	China	4.82
85.	Algeria	4.49
85.	Venezuela	4.49
87.	Syria	4.41
88.	Bangladesh	4.15

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88.	Cameroon	4.15
90.	Ukraine	4.07
91.	Vietnam	3.82

92.	Thailand	3.48
93.	Iran	2.33