

# Corporate Governance Developments From Around The World



## ASIA

### SINGAPORE

#### Singapore Exchange ('SGX') Calls On Boards And Audit Committees To Heighten Vigilance In Times Of Financial Turbulence

In March 2009, the SGX called on Boards and Audit Committees to increase vigilance in identifying, addressing and managing risks which may have a material impact on the companies' operations and financial statements in response to the global financial turbulence and challenging market environment.

According to the SGX, Boards and Audit Committees must ensure the integrity and timeliness of information disseminated to investors by instituting good internal controls, ensuring the competence and adequate resourcing of their finance function and supporting effective audits. Additionally, Boards and Audit Committees must effectively identify, monitor and manage risks to the company.

Heightened risks areas identified by the SGX include safeguarding of cash, impairment of account receivables and assessment of off-balance sheet items.

#### Monetary Authority Of Singapore ('MAS') Proposal For Mandatory Real Estate Investment Trusts ('REITs') Annual General Meetings ('AGMs')

The MAS released a consultation paper on 26 May 2009 proposing an amendment to the Property Funds Guidelines which would make it mandatory for REITs to hold an AGM once every calendar year, within four months of the financial year-end and no more than 15 months after the preceding AGM.

The move, according to the MAS, is to make REITs managers more accountable and 'enhance corporate governance... by providing an important channel for communication' between REITs managers and unit-holders. Further, the REITs AGMs will 'provide a regular opportunity for [REITs managers] to seek general mandates from unit-holders for issuance of new units and thus accord greater flexibility for equity raising'. It is anticipated that the proposed amendment will come into effect from 1 January 2010.

The United States ('US') has implemented regulations requiring mandatory AGMs for REITs and AGMs for REITs are recommended 'best practices' in Australia and Hong Kong.

## Singapore Aims For Full International Financial Reporting Standards ('IFRS') Alignment By 2012

In May 2009, Singapore announced plans to converge its accounting standards with the IFRS by 2012 to increase Singapore's attractiveness as a major business and financial centre. Currently, the accounting standards applied in Singapore are the Singapore Financial Reporting Standards ('SFRS'). According to the Accounting Standards Council ('ASC'), the main differences between the SFRS and the IFRS are as follows:

- The SFRS allows for the recording of property sales as construction progresses whereas under the IFRS, sales may only be booked after the completion of a project.
- There is a difference in the recognition of shares in cooperative enterprises between the IFRS and the SFRS.

The changes to the financial reporting standards in Singapore which will bring the standards in line with the IFRS will initially apply to all Singapore-listed firms only.

The ASC is seeking feedback from companies on the plans to align Singapore's accounting standards with the IFRS.

## Study On Qualifications Of Audit Committees In Singapore

According to a study commissioned by the Institute of Certified Public Accountants in Singapore ('ICPAS') of 675 companies listed on the SGX and 1,400 audit committee members, many audit committees ('ACs') of listed companies lack formal qualifications or experience. The study showed that 90 percent of ACs of SGX-listed companies have at least one member who is financially-trained whereas the ideal figure should be at 100 percent. The results of the study contradicts the Code of Corporate Guideline which recommends that at least two AC members should have accounting or financial management expertise or experience.

The MAS, the SGX and the Accounting and Corporate Regulatory Authority ('ACRA') in a joint statement issued on 3 March 2009 advised that qualifications are just one of several criteria and '[i]n appointing directors as audit committee members, companies should review and determine their directors' suitability not just based on

qualifications, but also relevant expertise, experience and character.'

## MALAYSIA

### Corporate Governance Gauge For Listed Companies Launched In Malaysia

The Corporate Governance Index ('CGI'), a gauge for investors to rate local public-listed firms on their level of adherence to accepted corporate governance standards, was launched jointly by the Minority Shareholder Watchdog Group ('MSWG') and Bursa Malaysia on 9 June 2009.

The CGI would include all listed companies on Bursa Malaysia. The companies will be rated and ranked according to their level of compliance to Malaysia's Exchange and Securities Commission's ('SC') Listing Requirements and the Malaysian Code on Corporate Governance standards.

According to the MSWG, the CGI will be a useful guide for investors who are concerned about the corporate governance compliance rating of the companies they invest in or are considering investing in. The CGI, which also ranks the companies, will incentivise the companies to adopt good corporate governance compliance measures and cultures.

## GLOBAL

### UNITED KINGDOM

#### UK Banking Industry: Corporate Governance Reform In The Pipeline

The UK Chancellor of the Exchequer, Alistair Darling, announced plans for wide-ranging reforms to the UK financial system in his Budget 2009 speech on 22 April 2009. The Chancellor's recommendations for reform would include reforms to corporate governance and remuneration at banks, improvements to the regulation of banks' capital and liquidity and an increase in transparency. Such reforms will likely take into account the findings of the Walker Review of Corporate Governance of UK Banking Industry ('Walker Review').

The Walker Review, an independent review of corporate governance in the UK banking industry, is led by Sir David Walker. The review, which began in February 2009 and which results are slated to be published in a consultation document this summer, shall include the following areas:

- The effectiveness of risk management at board level, including the incentives in remuneration policy to manage risk effectively.
- The balance of skills, experience and independence required on the boards of UK banking institutions.
- The effectiveness of board practices and the performance of audit, risk, remuneration and nomination committees.
- The role of institutional shareholders in engaging effectively with companies and monitoring of boards.
- Ensuring the consistency of the UK approach with international practice and the promulgation of national and international best practice.
- Identification of where recommendations are applicable to other financial institutions.

## CANADA

Canada's private companies will have to adopt either the IFRS or Canada's Accounting Standards Board's ('AcSB') proposed private company financial reporting framework - the Generally Accepted Accounting Principles ('GAAP') - by 2011. For companies planning an initial public offering ('IPO'), the adoption of the IFRS will be required.

According to the findings of a recent joint study conducted by KPMG Enterprise TM and the Canadian Financial Executives Research Foundation ('CFERF'), the GAAP standards are generally supported by private company finance executives from across Canada. According to the study, only one in four of Canada's leading private companies plans to adopt IFRS. The study also showed that smaller companies were more concerned about the costs of adopting the IFRS, and will ultimately rely on a thorough assessment of the costs and benefits before making a decision to adopt the international standard or the new GAAP.

## INTERNATIONAL

The International Association Of Insurance Supervisors ('IAIS') and Organisation For Economic Co-operation And Development ('OECD') Publish Draft Issues Paper On Corporate Governance

The IAIS and the OECD published a draft Issues Paper On Corporate Governance ('Paper') on 13 March 2009. The Paper is 'distinct in having an insurer corporate governance focus' and describes the essential components of an insurer's corporate governance framework to improve regulatory and supervisory efficiency.

The Paper discusses the following elements of corporate governance of insurers:

- Foundations of corporate governance.
- Governance structures.
- Functions of the Board.
- Control functions (including risk management, compliance and whistle-blowing / reporting).
- The role of the actuary.
- The role of the external auditor.
- Disclosure and transparency.
- Relationship with stakeholders.
- Interaction with the supervisor.

The draft Paper is available for download at the IAS website at [www.iaisweb.org](http://www.iaisweb.org) and the OECD website [www.oecd.org/daf/insurance/governance](http://www.oecd.org/daf/insurance/governance).