**SembCorp Marine Removes Finance Director Over Forex Scandal; Appoints EY As Independent Auditor**

(SINGAPORE) Singapore oil rig builder SembCorp Marine has relieved its Director of Group Finance Wee Sing Guan of his duties after he allegedly entered into unauthorised foreign exchange transactions that could lead to an estimated US$248 million in potential losses. In a statement, SembCorp Marine said that Wee had made the transactions through company unit Jurong Shipyard Pte. Ltd. and “misled” the company with regard to the dealings. The company said it estimates unrealised losses linked to the transactions at about US$165 million based on information from banks that dealt with Jurong Shipyard. Jurong Shipyard had previously made a payment of US$83 million to one of the banks before SembCorp Marine became aware of the alleged dealings. The potential losses are higher than the company's 2006 net profit of 238.4 million Singapore dollars.

The company has hired PricewaterhouseCoopers (PwC) as independent auditor to conduct the investigation. It had earlier appointed Ernst & Young (EY), the company’s external auditor, as the investigating accountant. Corporate governance experts had however expressed concern about this as the probe could uncover lapses in internal controls and risk management that an audit may reasonably have been expected to pick up. In response, the company said that “given the urgency of the matter when the unauthorised transactions came to light, SembMarine sought the immediate assistance of its auditor EY, pending the appointment of independent investigating accountants”. The company said that PwC will work with law firm Drew & Napier to look into the unauthorised currency bets while EY will render assistance as and when needed.  

~ Adapted from "Singapore oil rig

Corporate Governance Index To Be Launched In China

(SHANGHAI) China Securities Index Co Ltd (CSI), a provider and manager of indices, has announced that it will be launching a new index on the governance of China-listed companies. The index, which is expected to be launched at the Shanghai Stock Exchange on Jan. 1, 2008, will list companies according to their corporate governance. The qualified companies need to have been listed on the Shanghai Stock Exchange for 12 months, or listed in other bourses for 12 months and also listed in Shanghai. According to a draft notice by the CSI, the companies must not have violated any regulations in the past three years, had their stock listed as “Special Treatment (ST)”, or called a listing halt. To be eligible for inclusion, a company must appraise its own governance standards before having the results ratified by the CSI. CSI will then monitor the performance of companies on the index and will 'weed out' any that fall short of the required standards. ~ Adapted from “CSI to launch governance index”, www.chinadaily.com, 24 September 2007; “China to launch corporate governance index”, www.thecrossbordergroup.com, 18 October 2007.

Survey Finds Corporate Boards Seen As Aligned With Management, Not Shareholders

(BALTIMORE) A survey conducted by global business advisory firm FTI Consulting, its subsidiary FD and independent research firm Affluent Dynamics, has found that in the opinion of the surveyed 202 high-net worth investors and financial advisors, corporate board members are too closely aligned with the interests of executive management teams, as opposed to shareholders. 61 percent of financial advisors and 64 percent of high-net-worth individuals said that boards operate in the interests of management, rather than those of shareholders. A majority (87 percent of advisors and 88 percent of investors) also see a close connection between effective corporate governance and a company's reputation. The respondents also cited expertise (88 percent of financial advisors; 78 percent of high-net-worth investors) and independence (64 percent of financial advisors; 69 percent of high-net-worth investors) as the two characteristics they look for when measuring the qualifications of a board member. Both advisors and investors attribute significantly more market value to corporate reputation than they do to board quality. Eighty-two percent of financial advisors and 71 percent of high-net-worth investors believe reputation accounts for more than 20 percent of a company's market value. In contrast, only 29 percent and 20 percent of financial advisors and high-net-worth individuals respectively think boards account for more than 20 percent of market value. The online survey, conducted in September 2007, covered professional financial advisors and active individual investors with $1 million of investable assets or more. ~ Adapted from "Corporate boards seen as aligned with management rather than shareholders, according to a new survey by FTI Consulting and FD", http://money.cnn.com, 16 October 2007.
Amendments to UK’s Combined Code Proposed

(UK) After a five month review of the Combined Code of corporate governance, the Financial Reporting Council (FRC) has concluded that “the code is working reasonably well and there is no need for major changes at present”. The FRC is however proposing changes in two key areas. Firstly, it proposes to remove the restriction on an individual chairing more than one FTSE 100 company, as suggested by Sir Derek Higgs in his 2003 review of corporate governance codes post-Enron. The “one chairman, one company” rule was introduced to enable better monitoring of executive directors, but is now considered too prescriptive. Secondly, the FRC seeks to allow the chairman of a smaller listed company to be a member of the audit committee so long as the person is fully “independent on appointment.” Sir Christopher Hogg, FRC chairman, was quick to deny the proposed amendments would prove detrimental to good governance. “There is no room for complacency”, he said. “All parties share responsibility for ensuring there is an effective alternative to regulation – companies by providing robust explanations when they choose not to follow the Code, and investors and their advisors by assessing each explanation on its merits rather than applying a rigid set of rules.” Consultation on the proposed changes will begin in November and if agreed, a revised Code will come into effect in June 2008. ~ Adapted from “One chairman, one job” rule for Footsie companies to be dropped”, http://www.guardian.co.uk/, 12 October 2007; “FRC proposes amendments to the Combined Code”, http://www.accountingweb.co.uk/, 16 October 2007.

Seven Large Charities Selected For Governance Review; Ren Ci Investigated By MOH

(SINGAPORE) The Commissioner of Charities (COC), Mr Low Puk Yeong, has selected seven large charities under his direct purview for a governance review. The seven charities, which are religion-based, are: City Harvest Church, Campus Crusade Asia, Faith Community Baptist Church, New Creation Church, Trinity Christian Centre, Kong Meng San Phor Kark See Monastery and Kwan Im Thong Hood Cho Temple. They were chosen on the basis that their annual income exceeds $10 million. Ernst & Young Associates and Deloitte and Touche Financial Advisory Services have been appointed to conduct the review by focusing on three areas: financial and internal control policies and procedures; corporate governance practices and standards; and how the charities comply with laws such as the Charities Act.

Meanwhile, the Ministry of Health (MOH) is conducting an inquiry into Ren Ci Hospital & Medicare Centre under Section 8 of the Charities Act for possible financial discrepancies. In July last year, MOH appointed Ernst & Young to carry out a general review of corporate governance of its 12 largest IPCs, including Ren Ci. The review, which was completed in February this year, led to MOH recommending Ren Ci to separate the roles of its chairman and CEO which were held by Venerable Shi Ming Yi until recently. Ernst & Young was asked to carry out a more in-depth evaluation of Ren Ci as the review had revealed "other gaps" in both corporate governance and internal control. This led to the uncovering of "some possible irregularities in certain financial transactions" involving the charity and other external organisations. Ren Ci’s Institution of a Public Character status, which expires on 27
November 2007, will not be renewed due to the ongoing inquiry. The inquiry is expected to take about three months. ~ Adapted from "Commissioner of Charities commences governance review of 7 charities", www.channelnewsasia.com, 23 October 2007; "Governance of 7 religious groups to come under scrutiny", Straits Times Singapore, 23 October 2007; "Seven charities up for review", Today Online, 24 October 2007; "Ren Ci under investigation for financial discrepancies", Straits Times Online, 7 November 2007; "Ren Ci under probe after MOH found financial irregularities", www.channelnewsasia.com, 7 November 2007; "More mega charity trouble", Today Online, 8 November 2007.

**Former Bio-Treat Chairman Sues Company For Conspiracy To Defraud**

(SINGAPORE) Former Bio-Treat Technology chairman Wing Hak Man has named Bio-Treat, former independent director Jerry Yip, current CEO and executive director Dennis Chan and current independent director Kwok Chi-Shing as defendants in a lawsuit, claiming that they conspired to defraud him of his shares in the company. He is alleging that the defendants conspired to defraud him of his 30 per cent stake in the company - which he estimates to have a market value of $400 million - through a complex series of actions. Wing claims he was tricked by Yip into signing documents later used to set up the Wing Family Trust - which heads a complex trust structure of nominee companies used to fraudulently transfer Wing’s shares away from him. Wing also alleges that: his signature was forged on several notices which effected the transfer of his shares to some of the nominee companies in the trust structure; Bio-Treat lodged false and misleading announcements with the Singapore Exchange, giving the impression that Wing knowingly divested his stake in the company; the defendants induced him to sell 50 million of his Bio-Treat shares last December, on the false representation that he would receive part of the proceeds of this sale; and his signature was forged to effect his resignation last October, as part of the conspiracy to stop him from detecting or taking action against the crimes being perpetrated against him.

Wing is now looking to claim relief for an estimated $400 million loss from the divestment of his stake in Bio-Treat, expenses incurred in uncovering the alleged conspiracy, interest and damages. In addition, he wants the High Court to: declare the Wing Family Trust null and void; invalidate the allegedly unauthorised share transfers made from him to the trust companies; declare his supposed resignation null and void; and reinstate him as Bio-Treat's chairman and director. ~ Adapted from "Ex-chairman alleges fraud, sues Bio-Treat", Business Times Online, 26 October 2007.

**SEC Charges Former Execs Of Centerpulse With Fraud**

(US) The Securities and Exchange Commission (SEC) has filed civil fraud charges against Urs Kamber, former CFO of medical device maker Centerpulse Ltd.; former controller Stephan Husi; and Richard May, former group vice president of finance, tax counsel, and treasurer for Centerpulse USA Holding Co for allegedly misstating financial
results. The trio was charged with violating and/or aiding and abetting violations of the antifraud, reporting, books-and-records, and internal-controls provisions of the federal securities laws. Kamber was also charged with violating the certification provision of the Sarbanes-Oxley Act, and May with the lying-to-auditors provision of the Exchange Act. According to the charges, the trio had improperly deferred recognition of a $25 million expense for third-quarter 2002; refused to write down $3.4 million in costs associated with an impaired asset; and approved $3.6 million in improper reserve adjustments. This resulted in the company overstating its third-quarter 2002 pretax income by approximately $32 million.

They were also accused of fraudulently inflating Centerpulse's fourth-quarter and fiscal 2002 income by refusing to increase a reserve to cover at least $18 million in liabilities; improperly using anticipated refund credits to offset $5 million in expenses; and continued to not write down $3.4 million in costs associated with an impaired asset. According to the SEC, these errors caused Centerpulse to overstate its fourth-quarter and fiscal 2002 pretax income by at least $26.4 million. The regulator is seeking a permanent injunction, a civil monetary penalty, an officer-and-director bar, and disgorgement with prejudgment interest against each of the three executives. ~ Adapted from "Swiss Misstep: SEC charges 3 with fraud", www.cfo.com, 18 October 2007; "SEC charges three former execs with fraud", www1.cchwallstreet.com, 30 October 2007.

Founder Of Independent Insurance Sentenced To Seven Years In Prison For Fraud

(UK) Michael Bright, founder and former chief executive of Independent Insurance, has been sentenced to seven years in prison after a jury found him guilty of two counts of conspiracy to defraud. Bright was also barred from being a company director for 12 years. Former finance director Dennis Lomas and former Deputy Managing Director Philip Condon were sentenced to four years and three years in prison respectively and were barred from serving as company directors for 10 years. Independent Insurance, which was previously regarded as a success story, collapsed in 2001 with the loss of more than 1,000 jobs. The trio was charged in December 2005 after an investigation by the Serious Fraud Office (SFO) and City of London police into the firm's closure. According to the SFO, the insurer's accounts for 2000 showed a £22m profit when they should have indicated a loss of at least £180m. The court heard the trio hid the company's ailing health from fellow directors, professional advisers and investors in a bid to protect their reputations, jobs and salaries. Undisclosed liabilities were "buried", figures manipulated and "bad" reinsurance contracts concealed. Jurors were told they even "suppressed" an internal audit which highlighted major concerns a year before the company collapsed. Since the collapse, the Financial Services Authority has paid out more than £350 million in compensation to some of the firm's 500,000 private and corporate policyholders. ~ Adapted from "Independent Insurance chief gets 7 years in jail", http://business.timesonline.co.uk/, 24 October 2007; "Insurance bosses jailed for fraud", http://news.bbc.co.uk, 24 October 2007.

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**Former Executives Of DHB Industries Charged With Fraud**

(SAN FRANCISCO) David Brooks, former chief executive of body armour maker DHB industries, and former chief operating officer Sandra Hatfield have been charged with securities fraud, insider trading, tax evasion and other criminal offenses in a 21-count indictment. According to prosecutors, Brooks and Hatfield manipulated DHB's financial records to increase earnings and profit margins, thereby inflating the price of DHB's stock, of which they both had significant holdings. The indictment alleges Brooks and Hatfield enriched themselves, their families and their private business interests by using DHB funds. It is also alleged that in late 2004, the duo had sold several million DHB shares, with Brooks making more than $185 million and Hatfield more than $5 million. Prosecutors alleged that they failed to report to the IRS more than $10 million dollars in bonus payments to themselves and other DHB employees. According to the indictment, the schemes had been carried out between July 2000 and July 2006.

Hatfield left the company in November 2005 while Brooks left in July 2006. On Oct. 1, DHB changed its name to Point Blank Solutions Inc. If convicted, Brooks and Hatfield face a maximum prison sentence of 25 years for securities, mail and wire fraud, insider trading, and conspiracy to commit these offenses; 25 years for insider trading; 20 years for obstruction of justice and false statements; and five years for tax fraud, evasion, and filing false returns, prosecutors said. ~ Adapted from "DHB execs in deep", www.forbes.com, 25 October 2007; "CORRECTED - UPDATE 1-Former DHB Industries officials charged with fraud", www.reuters.com, 25 October 2007.

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