SGX Amends Listing Rules
(SINGAPORE) The Singapore Exchange (SGX) recently announced amendments to its listing rules. In particular, there will be tougher rules for foreign firms. All new foreign companies listing here will be required to have at least two independent directors who are Singapore residents permanently on their boards. Foreign companies already listed here will have until 1 January 2008 to comply with the new rules. In addition, the new rules require company boards to provide "negative assurance" confirmation for interim results that, to the best of their knowledge, nothing has come to the attention of directors that could render the results false or misleading. The amendments will come into effect from 1 September 2006. ~ Adapted from "SGX to amend listing rules for foreign firms", www.channelnewsasia.com, 7 June 2006; "Singapore Exchange amends listing rules", http://english.people.com.cn/, 8 June 2006.

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Share Options Lose Popularity In Europe
(UK) A study conducted by HR company Mercer Human Resource Consulting on 105 large companies across Europe has found that there has been a significant decrease over the past three years in the number of European companies which award share options to their chief executives and other executive directors. Only 41 percent of the companies offered share options this year, compared to 63 percent in 2004. The average grant of options as a proportion of the long-term incentive package also fell, from 45 percent in 2004 to 24 percent this year. In comparison, the survey found that other long-term incentives have become more popular. In the UK and Ireland, 84 percent of the companies use performance shares now, as compared to 70 percent three years ago. In
Continental Europe, the use of performance shares had remained relatively constant while restricted stock units, which are settled in either cash or stock after a specified time, and long-term cash plans have become more popular. ~ Adapted from "CEO share options becoming less popular", www.management-issues.com, 23 June 2006.

One-Third Of Australian Mid-Cap Companies 'Fail' In Corporate Governance

(AUSTRALIA) A new study by accounting firm Horwath Australia has found that one third of Australia's medium-sized companies are falling short in what is regarded as corporate governance best practice. The study, conducted by the University of Newcastle Business School, looked at factors such as board make-up, committee structure and conduct of companies with a market capitalisation between $120 million and $300 million. According to the report, 50 of the 150 companies sampled earned a rating of two stars or less on a scale of one to five for corporate governance. Only 28 per cent of the companies surveyed had a majority of independent directors. Most of the companies surveyed (57.4 percent) lacked a majority of independent board members on remuneration committees, with only 13.9 percent wholly independent. ~ Adapted from "Companies 'fail' in corporate governance", www.smh.com.au, 13 June 2006; "Governance not up to scratch in many mid-cap companies", www.theage.com.au, 14 June 2006.

US Facing Resistance From Japanese Regulators Over Auditing Scrutiny

(TOKYO) The US Public Company Accounting Oversight Board (PCAOB) is facing resistance from Japanese regulators and accountants to the prospect of the US accounting watchdog sending inspectors to scrutinise auditing in Tokyo. The PCAOB is required by law to inspect foreign auditors working for US-listed companies. The Japanese Certified Public Accountants and Auditing Oversight Board (CPAAOB) and the PCAOB are discussing whether there is a need for the US to inspect audit firms in Japan and if so, at what level the inspection is to be conducted. “If the PCAOB just needs to know what the situation is like [for Japanese accountancy firms], the Japanese auditors could go over there instead to explain”, said a representative of CPAAOB. According to accountants, the regulation of the industry is strict enough, with internal checks on audit quality complemented by inspections from Japan’s main accountancy institute and additional checks by the CPAAOB. ~ Adapted from "Japan regulators fight US scrutiny", Financial Times, 16 June 2006.

Four More Former NKF Directors Included As Third Parties In Civil Suit

(SINGAPORE) Four more former directors of the National Kidney Foundation have been included as third parties in the civil suit filed by the new NKF management to recover more than S$12 million in damages. The four named are Alwyn Lim, former chairman of the old NKF’s finance committee; Chow Kok Fong; Kweh Soon Han; and
Lawrence Chia. The four men join Richard Yong, former chairman of the old NKF; Loo Say San, former treasurer; and Matilda Chua, who are currently facing charges. The High Court had approved an application made by lawyers for Yong and Loo to hold all former directors accountable for the lack of corporate governance in the old NKF. All seven directors, along with the lawyers, are expected back in court on July 24 for a pre-trial conference. The four men have been given four weeks to file their defences. ~ Adapted from "Legal application made to include all former NKF directors in civil suit", www.channelnewsasia.com, 9 June 2006; "Four more former NKF board members included in civil suit", www.channelnewsasia.com, 19 June 2006; “Four former directors named as third parties in civil suit by new NKF”, www.channelnewsasia.com, 3 July 2006.

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**Nokia Executive Fined After Pleading Guilty To Bribery Charges In ACCS Scandal**

(SINGAPORE) Simo Tapani Railovaara, senior manager of Nokia Asia-Pacific's repair services and customer care division, was fined $20,000 and ordered to pay an additional penalty of almost $11,500 after he pleaded guilty to charges of accepting bribes from Victor Tan, former chief of Accord Customer Care Solutions (ACCS). Railovaara faced seven charges of corruption for accepting bribes including trips to KTV lounges, an expensive watch, a trip to Phuket, a Samsung refrigerator and a wine cellar. If he fails to pay the $20,000 fine, he will be jailed for 20 weeks and if he fails to pay the penalty, he will be jailed for 12 weeks. ~ Adapted from "Nokia exec convicted of graft in ACCS scandal", Business Times Singapore, 23 June 2006.

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**Former CEO Of Buca Pleads Guilty To Fraud**

(MINNEAPOLIS, US) Federal prosecutors have finally secured a guilty plea under Section 302 of Sarbanes-Oxley, which requires CEOs and CFOs to certify their company's financial results. Joseph Micatrotto, former chief executive officer of restaurant chain Buca Inc., pleaded guilty to wire fraud for receiving a $65,000 payment from a vendor, High Wire Networks, so he could pay off a personal debt. The vendor then allegedly got back the money by inflating one of its bills to Buca. Prosecutors charged Micatrotto with wire fraud because he failed to disclose the $65,000 payment on Buca's 10K filing with the Securities and Exchange Commission (SEC). Earlier this month, Micatrotto settled a suit with the SEC, agreeing to pay more than $565,000 in response to charges that he used company money to pay for personal items such as an Italian villa, airline tickets, dog kenneling and home remodeling. ~ Adapted from "Former Buca CEO pleads guilty to wire fraud charges", www.bizjournals.com, 20 June 2006; "Ex-Buca CEO Pleads Guilty to Wire Fraud“, http://news.moneycentral.msn.com, 20 June 2006; “Ex-CEO Pleads to Sarbox 302 Violation”, www.cfo.com, 21 June 2006.

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Lawyers Fear Director Loophole In Reform

(AUSTRALIA) Lawyers in Australia are worried about an amendment proposal which they believe could give an escape clause to company directors to trade while insolvent. The Treasurer's parliamentary secretary, Chris Pearce, is considering a range of ways to try to reduce regulation on business, and is expected to release his findings by the end of next month. One of the proposals being considered is whether to extend the "business judgment rule", which protects a company director who makes a business judgment in good faith and in the best interests of the company. Under the proposed extension, this test would apply to directors' duty not to trade while insolvent.

At present, in a case of insolvent trading, a director can only escape liability by showing he/she was reasonably satisfied that the company had its head above water, either because of an objectively reasonable view of their own or because they relied on information provided by someone else. "However, under the proposed amendment, it is possible that directors could avoid liability for insolvent trading irrespective of what they suspected or, indeed, knew, about the company's solvency," lawyers Clayton Utz argues. "A director who knows that the company is insolvent but continues to cause the company to incur debts ... in a bona fide attempt to revive the company's survival prospects could arguably avoid liability under the proposed amendment." ~ Adapted from "Danger of director loophole in reform", www.theaustralian.news.com.au, 29 June 2006.

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