

+10

INTERNATIONAL NEWS

DIGEST

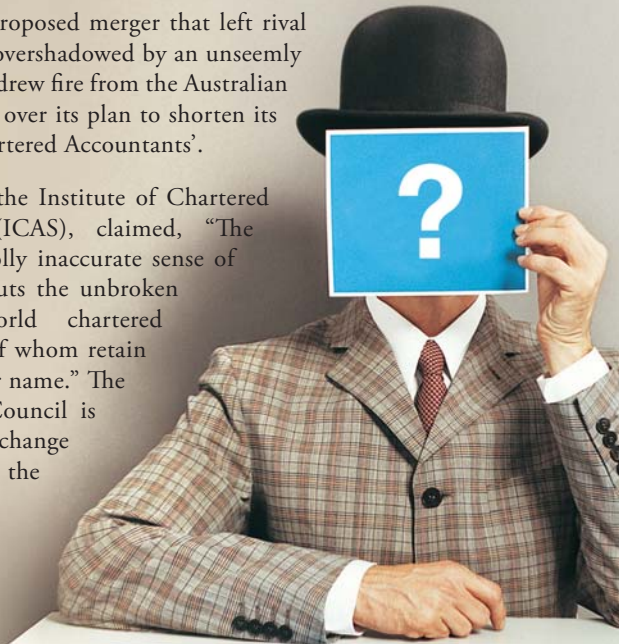
- ▶ **Cracking the code:** The Ethics Committee of the International Federation of Accountants (IFAC) met in Brussels, Belgium on 11 October. It lent its support to the body's principle-based Code of Ethics for Professional Accountants and suggested ways in which the Code might be clarified or enhanced.
- ▶ **Crying over spilt milk:** With Parmalat's former chairman Calisto Tanzi heading to court, the Italian company could now be ripe for takeover.
- ▶ **German cleaners:** The U.S. Federal Reserve and state regulators have ordered the U.S. operation of Deutsche Bank to tighten its money laundering controls. Deutsche Bank Trust Co. Americas will avoid a fine after agreeing to improve its policies.
- ▶ **U.K. taxman bares all:** The U.K. Inland Revenue and Customs department has decided to bare all by publishing a report revealing a litany of management and enforcement problems dating back to the 1980s.
- ▶ **No grand stand:** Germany's new governing coalition has backed away from radical changes to the country's tax system, but indicated that some corporate taxes will be cut.

What's in a name?

Members of the Institute of Chartered Accountants in England and Wales (ICAEW) have voted narrowly against merging with the Chartered Institute of Public Finance and Accountancy (CIPFA). As a combined entity, the ICAEW and CIPFA would have boasted a membership of over 140,000, dwarfing the United Kingdom's other accountancy bodies. While 65.7 percent of ICAEW members backed the merger, this fell short of the 66.7 percent majority support they needed.

It's not only the size of the proposed merger that left rival bodies upset, as the vote was overshadowed by an unseemly row over names. The ICAEW drew fire from the Australian and Scottish chartered bodies over its plan to shorten its name to 'The Institute of Chartered Accountants'.

Mike Hathorn, president of the Institute of Chartered Accountants of Scotland (ICAS), claimed, "The proposed name creates a wholly inaccurate sense of representational status. It flouts the unbroken global convention of world chartered accountancy institutes – all of whom retain a national designation in their name." The British government's Privy Council is responsible for approving any change in the name or status of the country's statutory bodies.



BIG IN JAPAN

Mitsubishi UFJ Financial Group has emerged as the world's largest bank in terms of assets, following the merger of Mitsubishi Tokyo Financial Group and UFJ Holdings – Japan's second- and fourth-largest banks. In October shareholders completed a US\$30 billion stock swap, forming a new financial giant with an estimated US\$1.68 trillion of assets under ownership.

WALL STREET AND AICPA GO HEAD TO HEAD

Financial industry groups in the United States have descended on the capital, Washington, D.C., to voice concerns over auditor guidelines specified by the American Institute of CPAs. The AICPA guidance stressed that auditors should remain silent during due diligence meetings with underwriters prior to the sale of securities to the public. On 13 October, in a letter to the Securities and Exchange Commission, the Bond Market Association and the Securities Industry Association rejected the AICPA's view of auditor responsibilities. The AICPA has met with representatives of the Big Four and called for further dialogue.



LAWSUIT HEDGING

The whirlwind surrounding troubled derivatives giant Refco threatens to embroil the accountancy profession, as Refco's auditor, Grant Thornton, faces a possible lawsuit.

Refco filed for Chapter 11 bankruptcy after CEO Phillip Bennett admitted concealing US\$430 million of debt from the company's accounts. In a prospectus released prior to Refco's August listing in New York, Grant Thornton warned that Refco's internal controls had "significant deficiencies," and that Refco would have difficulty meeting its reporting demands for the Securities and Exchange Commission. Edward Nusbaum, CEO of Grant Thornton, claims his firm was misled by Refco's management, but he expects Grant Thornton to be sued anyway.



Refco has sold off three of its operations, including the commodities brokerage, to a firm headed by Christopher Flowers, a former partner at Goldman Sachs. Flowers has in turn appointed Matt Winkelman, former fixed income head at Goldman Sachs, to be chairman of his new commodities operation. While little suspicion might be aroused over that news, the fact that Goldman was the underwriter of Refco's ill-fated listing has kept shareholder brows furrowed. Grant Thornton will no doubt hope to avoid the fate of Refco's previous auditors, Arthur Andersen.

DIGEST

- ▶ **Where next for Taiwan shares?** TSMC and UMC – Taiwan's largest microchip makers and benchmarks for the TAIEX – are boasting higher sales, but this has not translated into stock market gains for either firm.
- ▶ **Bad breaks:** The U.S. government's Accountability Office has claimed that tax breaks such as deductions for home mortgage interest cost US\$728 billion in lost federal revenues last year. The American Institute of CPAs has joined the debate by updating its non-partisan tax reform report, which aims to provide a clear understanding for all those interested in the issue.
- ▶ **Fed head:** U.S. president George W. Bush has appointed Dr. Ben Bernanke as the next Federal Reserve chairman.
- ▶ **Samsung's woes:** Samsung has agreed to plead guilty to price fixing in the U.S. and pay a US\$300 million fine. This follows the breakdown in negotiations with Apple over a specialised chip joint venture. Samsung is responsible for around 20 percent of South Korean exports by value.

+12

MAINLAND NEWS

DIGEST

- ▶ **No go to Snow:** Shang Fulin, chairman of the China Securities Regulatory Commission held fresh meetings during October with U.S. Treasury Secretary John Snow. Shang repeated the need for caution in opening China's financial markets, in the face of U.S. calls to liberalise.
- ▶ **Lay down the law:** Liu Yuting, the director general of the Accounting Regulatory Department of the Ministry of Finance, believes China must consider legal implications carefully as it develops new accounting standards. Liu highlighted differences in China's legal system and legal language as major factors and warned the new standards need to be relevant to Chinese society and economy.
- ▶ **Good figures:** China's GDP rose by 9.4 percent in the third quarter of 2005, with fixed asset investment rising by 26 percent to over US\$700 billion.
- ▶ **Open list:** The State Administration of Foreign Exchange (SAFE) has relaxed the requirements for domestic firms to list subsidiaries overseas.



CICPA president speaks in Hong Kong

Liu Zhongli, president of the Chinese Institute of CPAs (pictured), has invited Hong Kong CPAs to support their mainland Chinese counterparts as they strive to converge with international accounting standards in the coming years. Liu, who formerly served as minister of finance, made his remarks in a speech at the annual dinner of the Hong Kong Institute of CPAs, on 14 October. Liu welcomed the signs of growing friendship and cooperation between accountants in Hong Kong and on the Mainland, particularly since the handover to China in 1997. To date, more than 50 Hong Kong accounting firms have set up practices or joint ventures on the Mainland.

SWISS WATCH

UBS AG has agreed to form a partnership with the state-owned Bank of China, the nation's second-largest bank. Subject to regulatory approval, the Swiss bank will invest US\$500 million to develop investment banking and securities products and services catering to the domestic Chinese market. Other foreign banks to strike up alliances in China in recent months include HSBC and Bank of America.