Institute >>in brief

www.hkicpa.org.hk

New Institute director

Chris Joy has been appointed director of quality assurance. He previously worked for the Institute of Chartered Accountants in England & Wales where he gained 16 years' experience in the quality assurance department. Joy was the regional controller for nine years and responsible for a team of 14 reviewers who monitored the quality of work of about 600 accounting firms.

Policy on HKFRS

The Institute has introduced a policy on when to provide interpretations on financial reporting issues with reference to the International Financial Reporting Interpretations Committee guidelines. The two-page document can be downloaded from the Institute's website.

CPD reminder

When renewing your annual subscription or practising certificate, please remember to file your CPD declaration. Updating your CPD records in "My CPA" on the website does not equate to filing your CPD declaration. For details, go to *www.hkicpa.org.hk/membership/cpd/mandatory/FAQ_05.php*.

Equity luncheon

The "What CFOs can learn from private equity" lunch takes place on 8 June at the Institute. The speaker is Martin Fahy, development director of the Chartered Institute of Management Accountants in Asia Pacific, who has written extensively on shared service, ERP systems and emerging issues in finance. To register, go to the "CPD and Learning Resource Centre" on the Institute's website.

Ping pong

The table tennis interest group's debut tournament takes place this month and will continue into July. The entry deadline has passed, but your support for colleagues who have signed up would be greatly appreciated. For more information, visit the Institute's website.

Past president dies

Thomas Clydesdale, former legislator and pioneer, passes away

Thomas Clydesdale, a past Institute president who spearheaded efforts to create an organized professional group in Hong Kong, has passed away at the age of 73.

Clydesdale served as president of the Hong Kong Society of Accountants in 1982. It was during his presidency that the society and the Association of Chartered Certified Accountants set up a joint examination scheme and the society's membership increased by 30 percent.

"Tom was a formative influence on the Hong Kong Institute of CPAs and kept his interest in the Institute even after he retired to the United States," said Institute President Mark Fong.

Fong said Clydesdale wrote to the Institute about its new premises and how much the profession had accomplished in the time since he was president after visiting Hong Kong last summer. "He commented on how proud he was of the progress made by the Institute and of the important role it now plays in the financial life of Hong Kong," Fong said.

Clydesdale was an accountant with Lowe Bingham & Matthews (now PricewaterhouseCoopers) from 1959 until he retired as senior partner in 1989. He served as a legislator from 1985 to 1988 and was president of the Hong Kong Chamber of Commerce between 1986 and 1987.

The chamber said in a statement that it was deeply grieved by Clydesdale's death and praised him for tremendous contributions in leading the chamber forward.

Your view on IFRS for SMEs?

Overview of the IFRS for small and medium-sized entities exposure draft

An overview of the International Accounting Standards Board's exposure draft of a proposed IFRS for small and medium-sized entities is now available. The overview, produced by IASB Director of Standards for SMEs Paul Pacter, is intended as an introduction to the 254-page exposure draft.

The overview explains that the aim of the proposed standard is to provide a simplified, self-contained set of accounting principles that are appropriate for small, non-listed companies and are based on full IFRSs, developed primarily for listed companies. By removing choices for accounting treatment, eliminating topics that are not generally relevant to SMEs and simplifying methods of recognition and measurement, the resulting draft standard reduces the volume of accounting guidance applicable to SMEs by over 85 percent when compared with the full set of IFRSs.

As a result, the exposure draft offers a workable set of accounting standards that allow investors for the first time to compare SMEs' financial performance across international boundaries on a like for like basis. The deadline for commenting on the exposure draft is **1 October 2007**.

Institute in brief

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Insurance contracts

The Institute's Financial Reporting Standards Committee invites members to comment on the IASB discussion paper on preliminary views on insurance contracts by **29 September**. To view the discussion paper, go to *www.hkicpa.org.hk/professionaltechnical/accounting/exposuredraft/content.php*.

Mainland connections

Membership of the mainland business interest group is now open. The objective of the group is to provide a network for members doing business, researching or working in the mainland and organize China related seminars. The application form is available on the Institute's website.

English skills

The Institute, in partnership with Hong Kong Polytechnic University, introduces this month a new English programme, "courses for professional associations." Three courses are available for members: Writing for accountants, accountants' writing coach and presenting proposals. For more information, go to *www.cpbe.polyu.edu.hk/CPBE2/professionals.htm*.

Exam deadline

The enrolment deadline for the 2007 PRC CPA uniform examination is **9 June**. To enrol, visit the Institute's website.

Lost contact

The Institute has lost contact with Leung Sum Ming (F03941) and Wong Man Yi, Esther (F03024). Please call Daisy Yeung at 2287-7042 if you can help locate these members.

IFRS discount

The 2007 IFRS bound volume, published by the IASB, is available to Institute members at the discounted price of HK$900 (a saving of HK$195). Members can obtain a copy on the 27th floor of Wu Chung House.

Meeting global standards

SCMP interviews Winnie Cheung about China adopting international standards

The new Chinese accounting standards became mandatory for listed companies – bringing its financial reporting standards in line with IFRSs – in January 2007. During an interview with the *South China Morning Post*, Chief Executive and Registrar Winnie Cheung said the mainland has been moving towards adopting international standards for more than 10 years with the support of the accounting profession and authorities in Hong Kong.

Cheung said a major milestone was reached in mid-1992 when the mainland's Ministry of Finance promulgated China's first set of accounting standards for selected joint-stock companies, which became operative in mid-1993. "These initial accounting standards significantly reduced the areas of difference between Chinese domestic standards and those in effect in Hong Kong at the time," the *SCMP* reported Cheung as saying. "They opened the door for the listing of the first six mainland companies on the Hong Kong stock exchange as H shares in 1993."

Today mainland companies listed overseas still need to prepare two sets of financial statements – one for domestic use and one for overseas investors. "Adopting converged accounting standards will significantly cut the financial reporting work of accountants, saving money for companies," said Cheung.

But Cheung says accounting practices are only one part of what it takes for mainland enterprises to communicate fully with the rest of the world. "Authorities and companies need to think about international convergence in the areas of auditing, regulation, corporate governance and tax systems," she says.

The Institute recently worked with its mainland counterparts in lobbying for the IASB to revise standards governing related parties disclosure, significantly reducing state ownership's disclosure burden.

The China-Japan-Korea standard setters' summit is one other area the Institute is involved. The yearly summit provides an up-to-date picture of standard setting in the three countries as well as a forum to discuss practical obstacles involved in convergence with international standards.

Cheung says the Institute will continue to exert its influence in this respect and contribute to debate on the international stage.

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BenQ chairman accused of insider trading

Taiwan prosecutors have indicted the chairman and four senior executives of electronics group BenQ on charges of insider trading and money laundering, the *Financial Times* reported. Chairman Lee Kuen-yao, President Sheaffer Lee, Chief Financial Officer Eric Yu and two financial and accounting executives were charged with violating securities trading and money laundering laws. The transaction at the heart of the case involves the sale of seven million BenQ shares by the four accused shortly before the company announced soaring losses on 14 March 2006.

China to buy stake in U.S. equity firm

The State Foreign Exchange Investment Company will buy a 9.9 percent non-voting stake worth US$3 billion in Blackstone, a U.S. private equity firm, the *South China Morning Post* reported. The deal was brokered by Antony Leung, former Hong Kong financial secretary whom Blackstone hired last year to head its new China office in Hong Kong, the report said. The state investment company is responsible for investing US$200 billion of China's US$1.2 trillion foreign-exchange reserves.

Tighter rules on share disposal

The Shanghai and Shenzhen stock exchanges have capped the amount of shares executives at mainland-listed companies can sell within a year at 25 percent of their holdings, *Shanghai Daily* reported. The new rules, which also bar executives suspected of illegal share trading to sell their shares, aim to prevent insider trading and share price manipulation.

Unofficial promotions barred

The China Securities Regulatory Commission will permit foreign stock exchanges to establish local offices in the mainland, but clamp down on those that have not sought approval to promote themselves, the *South China Morning Post* reported. Many overseas bourses, including London, New York and Tokyo, have been promoting their exchanges despite having no offices in the mainland.

Efforts to cool economy

The central bank makes unprecedented move to mop up excess liquidity

The People's Bank of China introduced a series of monetary and exchange rate policies on 18 May to curb excess liquidity, reported *People's Daily*.

Measures included raising the one-year deposit rate by 27 basis points to 3.06 percent and lending rates by 18 basis points to 6.57 percent, and the reserve requirement ratio for banks by 50 basis points to 11.5 percent. The central bank also widened the yuan's daily trading band against the U.S. dollar by 0.2 percent to 0.5 percent.

But economists and analysts said the measures were too mild to cool down the market. "We don't view any of these announcements as a significant policy adjustment," Jonathan Anderson, chief economist of UBS Asia, was reported as saying in *People's Daily*.

Statistics show the overheated economy is getting out of hand. Gross domestic product grew higher than expected by 11.1 percent in the first quarter while urban fixed asset investment soared 25.5 percent. New bank loans amounted to 1.85 trillion yuan for the first four months, exceeding that of last year by half.

Joseph Yam Chi-kwong, chief executive of the Hong Kong Monetary Authority, told the *South China Morning Post* that the moves were expected, but having them announced together was not. He said the central government wanted "to send a clear message of their determination to cool the economy," but he believed it was good for the market in the long run.

Economist Ha Jiming of China International Capital Corp. told the *Post* that it was the first time the People's Bank of China imposed a set of measures to cope with the problems of trade imbalances, inflationary pressures and rapid investment expansion. "This represented the government's greater effort to maintain macroeconomic and financial stability, and greater reliance on market-based instruments," said Ha.

But Wang Zhongming, director at the State-owned Assets Supervision and Administration Commission of the State Council's research bureau, told the *Post* the economic situation is overstated and the current bull market is still looking up. "The bull market not only demonstrates the 'bull' in the stock market but also the 'bull' in the country's economic development."

CHINAFOTOPRESS/GETTY IMAGES

Loopholes in property regulations

Mainland cities slow to implement new rules limiting non-mainlanders to one residential unit

Restricting non-mainlanders from buying more than one residential property in the mainland has yet to be implemented in many cities, reported the *South China Morning Post*. The central government announced the new regulation 10 months ago and so far Beijing is one of the few cities to adhere to it.

The new rules also state that non-mainlanders cannot buy homes until they have lived in the mainland for at least a year. But Hong Kong, Macau and Taiwan residents in Shanghai are not required to wait 12 months before purchasing property, although the one residential unit policy does apply, reported the *Post*.

Purchases of luxury housing in Shanghai dropped 25 percent in April and May 2006 after the new regulations were announced, but since then prices have remained stable.

In Guangzhou and Shenzhen, property agents say the municipal governments have yet to impose restrictions on overseas buyers. "The general rule has some loopholes," the *Post* quoted Zhang Kejun of DTZ Guangzhou as saying. "There isn't a nationwide network of flat-buying data in the mainland, which means local governments are unable to track assets held by investors in other cities."

Foreign buying on the mainland only accounts for 3 to 5 percent of total transaction volumes.

Red chips to list

Beijing opens door for red chips to list in A-share market

Red chip firms – mainland companies registered overseas and listed in Hong Kong – are expected to list on the yuan-denominated A-share market before year's end, *China Daily* reported.

"The listing of red chips on the mainland will provide alternative investment channels for domestic punters," *China Daily* quoted Ricky Tam, chairman of Hong Kong Institution of Investors, as saying. "That will definitely help cool down the frenzy in Shanghai. The central government is eager to ease the excess liquidity in the market."

The China Securities Regulatory Commission will limit the issue of A-shares to red chips with a minimum net profit of one billion yuan a year. But red chips established for less than three years, such as China Huiyuan Juice Group and Intime Department Store (Group), would be exempt from that rule, reported the *South China Morning Post*.

China Mobile, Lenovo Group and CNOOC are expected to become the first batch to issue A-shares this year, with each seeking to raise between eight billion and 16 billion yuan, the *Post* quoted an unidentified source as saying.

"It is a very positive move for the A-share market as those best-quality companies will help increase the overall quality [of the market]," Jing Ulrich, chairman of China equities at JP Morgan, told the *Post*.

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Revenue jumps for foreign banks in China

Foreign banks in China are expecting a minimum 20 percent increase in revenue this year and asset growth to more than double by 2010 as the government eases restrictions on their business scope, according to a survey by PricewaterhouseCoopers. Foreign banks are now allowed to run most yuan-denominated business such as credit cards after they incorporate their subsidiaries locally. At the end of last year, mainland banking assets were worth 43.94 trillion yuan, but foreign banks only account for about 2 percent of the market.

Tycoon warns of market bubble

Li Ka-shing, Asia's richest man and chairman of Cheung Kong (Holdings) Ltd. and Hutchison Whampoa Ltd., expressed worries about the mainland stock market being overheated, the *South China Morning Post* reported. Li said Hong Kong would suffer if the mainland market crashed. "History shows that any phenomenon whereby shares are priced at 50 to 60 times forward earnings will end in a disaster. Any economic fluctuation in the mainland will absolutely hit Hong Kong," the paper quoted Li as saying.

PwC named supplier to 2008 Olympics

Organizers of the Beijing Olympics have appointed PricewaterhouseCoopers China to provide financial advisory services to the Games next year. PwC China is expected to offer services in areas of budgeting, financial planning and internal controls to the Olympic Games, Paralympics, the Beijing Organizing Committee for the Games, the Chinese Olympic Committee and China's delegation of athletes. PwC's involvement with the Beijing Olympics began in 2000, when it worked with Beijing in the bidding process.

Macau to change land valuation rules

Macau's land valuation criteria will be revamped to reflect the true value of land and properties, the *South China Morning Post* quoted a top official as saying. A public consultation will begin as early as this month. The *Post* reported that Beijing was unhappy with a Macau official who announced an aggressive reclamation plan to increase the size of the enclave by about 15 percent without getting approval from the central government.

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Ping An gains blue-chip status

Ping An Insurance (Group) was added to the Hang Seng Index on 4 June, bringing the total number of constituent companies to 39, reported the *South China Morning Post*. It became the sixth H share to be included in the index, with a weighting of 1.14 percent. The addition of Ping An to the index is expected to trigger buying worth US$68.4 million by passive investment funds, the *Post* reported.

New HKEx listing committee term

The Stock Exchange of Hong Kong Ltd. appointed five new members to its listing committee. They include Paul Go Kai-lung, partner of Ernst & Young China, Vincent Chan Chun-hung, managing director of JAFCO Asia, James Alexander Soutar, executive director of FrontPoint Management (HK) Ltd., Richard David Winter, deputy chairman of Quam Ltd., and Kelvin Wong Tin-yau, deputy managing director of Cosco Pacific Ltd.

QDII extends to Hong Kong equities

Mainland investors take their first look at Hong Kong shares

The China Banking Regulatory Commission announced that mainland investors can now buy overseas equities through commercial banks, the *South China Morning Post* reported.

The long awaited move allows banks to invest clients' funds in stocks and other products overseas through the Qualified Domestic Institutional Investor (QDII) scheme. It is expected to significantly boost the Hong Kong stock market: Local regulators are so far the only ones to have signed the necessary memorandums of understanding (MOUs) with mainland regulators.

Mainlanders will be able to invest in other stock markets, including London and New York, when similar MOUs are signed, reported the *Post*.

QDII was introduced last June, but the response was unenthusiastic, partly because the banks could only offer fixed-income related products from overseas markets. Only 3 percent of the US$14 billion QDII quota granted to banks was used.

CHINA PHOTOS/GETTY IMAGES

Under the expanded scheme, mainland banks can place up to 50 percent of each QDII fund in equities, with investment in any single stock not to exceed 5 percent of the total fund. There is a minimum entry requirement of 300,000 yuan for each investor.

Joseph Yam Chi-kwong, chief executive of the Hong Kong Monetary Authority, described the move as an important step in the relationship between the financial systems of the mainland and Hong Kong.

"Through very close supervisory cooperation with the mainland, Hong Kong provides a robust platform for the orderly outflow of funds from the mainland," the *Post* reported Yam as saying.

Analysts believe the move is part of the central government's efforts to mop up excess liquidity in the mainland's financial system.

MICHAEL NAGLE/GETTY IMAGES NEWS

U.S. SEC probes into Dow Jones buyout

David Li denies leaking information about the bid

An insider dealing scandal has erupted over News Corp.'s US$5 billion bid to buy Dow Jones & Co., in which Hong Kong banker and CPA David Li was linked to a couple accused by U.S. regulators of buying Dow Jones shares before the company disclosed the deal, news reports said.

The U.S. Securities and Exchange Commission is investigating Charlotte Wong Leung Ka-on and her husband Wong Kan-king for allegedly using insider information to make an estimated US$8.2 million profit from trading Dow Jones stocks in the weeks before the buyout was announced, the media reported.

Li, chairman of the Bank of East Asia Ltd. and a Dow Jones board member, was linked to the case because he reportedly enjoyed close social and business relations with Michael Leung, the father of Charlotte Wong, according to *The Wall Street Journal*. The SEC may question Li about the leak of confidential information, *The New York Times* reported.

Li has vehemently denied any connection with the case. "I did not disclose to anyone, not even my wife, any information about Dow Jones," Li was quoted as saying. A Dow Jones spokesman also rejected reports that it was conducting an internal investigation into the actions of Li, *Reuters* reported.

Rupert Murdoch's News Corp. announced on 1 May that it had made a "friendly" offer of US$60 a share to take over Dow Jones, whose portfolio of newspapers and publications includes the influential *Journal*.

The Bancroft family, who controls Dow Jones, has shown initial resistance to the unsolicited bid, but has not completely rejected the possibility of selling, *The Wall Street Journal* online edition, *WSJ.com*, reported.

The Bancrofts control Dow Jones through a 64 percent stake in its voting shares, but *WSJ.com* reported that family members are divided on whether to rebuff the offer outright or collect more information. The Dow Jones board has reportedly decided to take no action and would not assess the offer until the Bancrofts have come to a decision.

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Wolfowitz resigns

Disgraced World Bank President Paul Wolfowitz has resigned after coming under fire at the wake of a pay-and-promotion scandal involving his girlfriend, who is a bank employee. His resignation will take effect from 30 June. In a written statement, Wolfowitz said it is "necessary to find a way to move forward" and pledged full support to his eventual successor, news media reported. "It is in the best interests of those whom this institution serves for that mission to be carried forward under new leadership," he said. A World Bank committee ruled that Wolfowitz had violated staff rules when he arranged a pay rise and transfer for his girlfriend, Shaha Ali Riza, after he became the president of the bank in 2005.

Call for tax cut in Ireland

Accountants in Northern Ireland have called for a reduction in corporation tax to bring it in line with the rate in the south, *Accountancy Age* reported. An appeal was made to Northern Ireland's First Minister, Rev. Ian Paisley, to push for a tax cut by the British Chancellor. Jim Aiken, vice president of the Institute of Chartered Accountants in Ireland, said a unified front on taxation in Ireland would attract investment from abroad and would benefit both economies.

Merger off

Two of Canada's top accounting firms, Grant Thornton LLP and BDO Dunwoody LLP, have called off talks to merge just weeks after they announced the intention to unite, *Reuters* reported. The two firms put out a statement saying that talks have ended without a deal and that "a merger of this nature presented significant challenges."

EC money properly managed

A European Commission accountant has defended the European Union's budgetary process following the release of a report critical of its accounting practices, *Accountancy Age* reported. The report revealed the poor treatment of whistleblowers and issues relating to opening and closing balances. However, the EC's Accounting Officer Brian Gray argued that the commission's money is properly managed and well accounted for.

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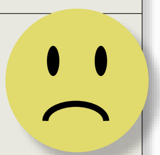
Unhappy accountants



Accountants are less happy at work than lawyers, according to an index released by a British recruiter Badenoch & Clark. The Happiness at Work Index found that 49 percent of accountants were unhappy on the job, compared with two thirds of lawyers who said they were content with work. However, both groups appeared to be less happy than the average British worker: Only a quarter of British workers said they were unhappy at work.

Moscow PwC seizure illegal

The Moscow City Court has overturned an earlier ruling that said a document seizure at the Moscow office of PricewaterhouseCoopers was legitimate, Russian state news agency *RIA Novosti* reported. Russian authorities raided the firm's office in early March and took away documents which, the firm said, could contain auditor secrets. Prosecutors have accused PwC of tax evasion amounting to US$9 million. The raid came just weeks before the Russian Finance Ministry extended PwC's license to operate in the country for five more years.

Wife of ex-Thai PM denies tax fraud

The wife of former Thai Prime Minister, Thaksin Shinawatra, has pleaded not guilty before a Bangkok court to tax evasion charges alongside co-defendants including her brother and secretary, the media reported. The lawyer representing Potjaman Shinawatra said all the charges were denied. Potjaman could face up to 14 years in jail in a case involving the transfer of shares in what is now Shin Corp., the firm her husband founded. She has been released on bail of 15 million baht.

Accounting probe into Biovail

U.S. regulators have accused Canada's largest drugmaker, Biovail Corp., of violating securities laws in accounting and disclosures, *Bloomberg* reported. Biovail said it was cooperating with the Securities and Exchange Commission on its probe into several issues including whether it had given misleading information on its revenue forecast for the third quarter of 2003.

U.S. accounting reforms

U.S. Treasury appoints committee to reform accounting profession

U.S. Treasury Secretary Henry Paulson has named a committee to examine how the accounting profession can be reformed in order to enhance the competitiveness of the country's capital markets, media reports said.

The former chairman of the Securities and Exchange Commission, Arthur Levitt, and the SEC's former chief accountant Donald Nicolaisen will head the committee to study how to strengthen the auditing profession's financial soundness and its ability to attract and keep qualified staff, *Reuters* reported.

"A transparent financial reporting system and vibrant auditing profession form the backbone of a marketplace investors can trust," Paulson was quoted as saying.

The study is part of the U.S. government's response to complaints that the Sarbanes-Oxley requirements pose excessive accounting burdens and discourage overseas companies from listing in the U.S.

New York's position as the world's leading financial hub has come under threat by cities such as London, which have appeared more attractive for new listings due to less burdensome regulations.

PricewaterhouseCoopers recently reported initial public offerings on the U.S. stock exchanges enjoyed their best first quarter results since 2000, with US$12.1 billion raised in 64 IPOs. However, the report also noted that the London Stock Exchange's average IPO size was US$485 million, compared to US$430 million for the New York Stock Exchange.

Following Paulson's announcement, Robert Steel, U.S. undersecretary for domestic finance, said the review would focus on competition faced by the profession, the availability of "human capital" and accounting firms' financial resources.

However, he said the Treasury did not believe amendments to existing legislations would be needed. Instead, Steel supports efforts by the SEC and the Public Company Accounting Oversight Board to change their requirement for companies to certify their internal controls.

STAN HONDA/AFP/GETTY IMAGES

>> U.S. Treasury Secretary Henry Paulson appoints committee to revamp accounting profession

Insider trading

Ex-Morgan Stanley bankers face insider trading charges

A former Morgan Stanley employee and her financial analyst husband have been charged for allegedly making over US$600,000 from three takeover deals, in the latest of a spate of insider trading cases brought by U.S. authorities, news reports said.

The charges, announced by U.S. federal regulators, came just days after a Hong Kong-based couple was accused of insider trading related to News Corp.'s takeover bid for Dow Jones Co.

Jennifer Wang Xujia and Ruben Chen Ruopian were accused of trading in the securities of Town and Country Trust, Glenborough Realty Trust Inc. and Genesis Healthcare Corp. based on non-public information that Wang obtained from Morgan Stanley, said the U.S. Attorney's Office in Manhattan.

The pair allegedly conducted the trades between December 2005 and March 2007 through an account set up in the name of Wang's mother, who lived in Beijing, according to the *South China Morning Post*.

Wang, 31, worked as a vice president in Morgan Stanley's finance department and Chen, 34, was the former vice president at ING Investment Management Americas. Both resigned earlier this year, following an SEC inquiry and internal investigations by Morgan Stanley and ING, *Reuters* reported. The pair were released on bail bonds of US$2 million each on their own recognizance and have surrendered their travel documents.

On the same day of the pair's release on 10 May, another former Morgan Stanley employee, Randi Collotta, and her husband Christopher Collotta, pleaded guilty to conspiracy and securities fraud in what U.S. authorities have described as the most pervasive insider trading ring since the 1980s, the *Post* said. The couple admitted to receiving US$9,000 in kickbacks for insider tips that generated more than US$600,000 in illegal profits.

Earlier in the month, a former Credit Suisse banker, Hafiz Naseem, was charged for allegedly tipping a Pakistani banker on nine pending deals, enabling the banker to net more than US$7 million in illegal profit, *Bloomberg* reported. The arrest marked the end of the second big case this year of information trafficking by employees at Wall Street firms, the report said.

Accounting fraud settled

Tyco pays US$3 billion to settle corporate fraud lawsuit

Tyco International has agreed to pay some US$3 billion to settle investors' claims in a massive accounting fraud case, paving the way for its planned breakup into three publicly traded companies.

The deal is the fourth-largest payout for a securities fraud class-action lawsuit brought against Tyco by investors who accused the company of inflating its profits by US$5.8 billion from 1999 to 2002, according to a *Los Angeles Times* report.

Tyco would set up a US$2.975 billion cash fund to pay claims filed by shareholders against the company arising from actions by former Chief Executive Dennis Kozlowski and other top officers who have been convicted of looting the company and inflating its value, *The Associated Press* reported.

Total settlements against Enron Corp. (US$7.2 billion) and WorldCom Inc. (US$6.2 billion) were larger, but payments were made primarily by outside co-defendants including investment banks and auditors.

Tyco has been planning to break into three companies – a healthcare company, a maker of electronic components and a fire and security and engineered products unit – but the move has been twice delayed by the legal dispute. The split is now slated for the end of June.

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Russia sues BoNY for unpaid tax

The Russian government is reopening a money-laundering case dating back more than a decade by filing a claim seeking US$22.5 billion in damages against the Bank of New York. The *Financial Times* reported that the claim was for unpaid taxes on money taken out of Russia through illegal means facilitated by the bank. A separate U.S. investigation of the same case ended in 2005, with a US$38 million settlement between the bank and federal prosecutors.

Canada backtracks on tax breaks

Canadian Finance Minister Jim Flaherty has caved in to pressure from the business community and withdrawn plans to scrap a proposed corporate tax break, *Bloomberg* reported. The move came after the Canadian Chamber of Commerce wrote to Flaherty estimating that the tax change would cost businesses C$2 billion dollars a year.

IASB consultation

The International Accounting Standards Board may introduce a new standard that would change the way insurance contracts are reported in financial statements. The IASB has started a six-month consultation on the issue. The new standard, if introduced, would replace the existing standard, IFRS 4, which is supposed to be an interim measure. An IASB spokesman says many of the current practices differ from those used in other sectors and make it hard to understand insurers' financial statements. The IASB aims to come up with an exposure draft towards the end of 2008.