

REGULATORY UPDATE – JUNE 2008

Evaluating and Improving Governance in Organisations -Proposed International Good Practice Guidance This proposed new guidance is designed to support professional accountants in business and their organizations in evaluating and improving governance structures. Comments due by: Sep. 23, 2008
<http://www.ifac.org/Guidance/EXD-Details.php?EDID=0115>

More than 40% of Australia's listed companies in the mid-caps sector have inadequate corporate governance standards, with only two out of 150 companies achieving best practice standards.

The 2007 BDO Kendalls Mid-Cap Corporate Governance report, released today, highlights a deterioration in governance levels across the mid-caps sector, with 13 listed companies, or 8.7%, achieving the lowest possible score of 1 stars on a scale of 0-5 stars.
http://www.bdo.com.au/media-centre/m_r/national/report-corporate-governance

The latest review by the Australian Securities Exchange (ASX) of reporting against the ASX Corporate Governance Council's Principles and Recommendations shows that listed entities, both companies and trusts, continue to improve their corporate governance reporting.
http://www.asx.com.au/about/pdf/mr20080618_continued_improvement_in_cg_reporting.pdf

The IOSCO Technical Committee mandated a **Task Force on private equity to conduct a preliminary review of private equity markets** with a view to identifying any suitable issues. This analysis has identified seven specific issues relating to private equity markets that have been raised as potential risks to financial markets.
<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD274.pdf>

At its May 2008 meeting, the IASB announced its plans to form an expert advisory panel in response to the recommendations made by the Financial Stability Forum.

The expert advisory panel met for the first time on **13 June 2008** in London to identify specific valuation and disclosure issues encountered in practice in the current market environment.
<http://www.iasb.org/News/Announcements+and+Speeches/Expert+Advisory+Panel+discusses+valuation+of+financial+instruments+in+markets+that+are+no+longer+act.htm>

Leaders and laggards – FTSE100 snapshot shows mixed performance on corporate social responsibility. Responsible investment drives improvements in corporate social responsibility.

<http://www.eiris.org/files/press%20releases/ftse100snapshotmay2008.pdf>

A new research study, ‘M&A leaks: Issues of information control conducted by Cass, has revealed that less than half (49%) of all leaked deals complete, compared to 72% of non-leaked deals.

http://www.cass.city.ac.uk/media/story_6_1148_118140.html

Financial Services Authority introduces disclosure regime for significant short positions in companies undertaking rights issues.

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2008/057.shtml>

The Financial Services Authority (FSA) has fined Woolworths Group plc

(Woolworths) £350,000 for failing to disclose information to the market in a timely manner. <http://www.fsa.gov.uk/pages/Library/Communication/PR/2008/056.shtml>

Companies with financial years ending after 20 January 2008 must now publish their Annual Report and Accounts within four months of that year end in accordance with the Disclosure & Transparency Rules (“DTRs”). This is a reduced time period, as previous Listing Rule requirements allowed 6 months.

FSA recent experience, with the first issuers required to comply with these new rules, suggests that some companies have mistakenly believed that publishing Preliminary Results (required previously under the Listing Rules) within this period was enough to fulfil their obligations under DTR 4.1. This is not the case.

http://www.fsa.gov.uk/pubs/ukla/ukla_update.pdf

FSA update includes a set of Principles of Good Practice (“The Principles”) for the handling of inside information.

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2008/054.shtml>

Japanese companies will begin reporting their earnings in a language known as XBRL, the first time it will be used in filing results and forecasts in real time. XBRL, or extensible business reporting language, places unique tags on individual items of data that work like bar codes, allowing software to download, codify and analyse time-sensitive financial data in a matter of seconds.

CIMA (Chartered Institute of Management Accountants) has launched its report The Financial Reporting Supply Chain to a global audience on 31 May at the CIMA World Conference in Colombo, Sri Lanka, via a presentation by former CIMA President Norman Lyle. One of the most pressing issues to arise from 'The Financial Reporting Supply Chain' is that of corporate reports becoming too complex, to the extent that they are overly difficult to understand with core strategic information buried. While the reliability and relevance of financial reports have improved, it seems that they have not got any easier to understand over the past five years.

http://www1.cimaglobal.com/cps/rde/xchg/SID-0AE7C4D1-F4C3BFA7/live/root.xsl/10675_21142.htm

U.S. Analyst Regulation and the Earnings Forecast Bias Around the World.

Regulation FD made analysts less dependent on insider information and, thereby, diminished analysts' motives to inflate their forecasts." The research examined sell-side analysts' earnings forecasts between 1984 and 2006. Ekkachai Saenyasiri, who authored the paper with Armen Hovakimian of Baruch's Zicklin School of Business.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1149443

SEC looks to revamp reporting rules. The SEC said it will conduct a study labelled the "21st Century Disclosure Initiative" that will look at revamping disclosure requirements for public companies, mutual funds, brokers, and other regulated entities.

<http://www.sec.gov/news/press/2008/2008-119.htm>

Lawmakers want better disclosure. An Australian federal parliamentary committee called for rule changes that would require greater disclosure of short selling and use of derivatives, driven by concerns about turbulence in Australia's stock market during the first six months of the year.

http://www.aph.gov.au/senate/committee/corporations_ctte/sharehold/report/index.htm

BOAT tops Europe equity reporting-study. Markit BOAT, a new equity trade reporting venture, beat Deutsche Boerse and the London Stock Exchange to be Europe's top equities reporting venue in May, a Thomson Reuters study showed.

<http://about.reuters.com/productinfo/compliance/mifid/MarketShare.aspx>