

BANK REPORT SAYS ROGUE TRADER HAD ACCOMPLICE

France – Accused Societe Generale rogue trader Jerome Kerviel almost certainly had an accomplice in the huge deals which the French bank says cost more than seven billion dollars, according to a scathing internal report released in late May.

Managers were “negligent” in their oversight of the 31-year-old junior trader, said the report which coincided with an equally damning appraisal of the bank’s control mechanisms by auditors PriceWaterhouseCoopers (PWC).

“Several operations of a fraudulent nature by Jerome Kerviel were processed by this assistant trader,” said the internal report, which spoke of an electronic message indicating the assistant knew of Kerviel’s “fraudulent transactions.”

The bank says it made the 4.9 billion euros (7.1 billion dollars) of losses unwinding about 50 billion euros in unauthorised share deals by Kerviel. But the report said there was no sign of fraud by Kerviel for personal profit.

Kerviel has been charged with breach of trust, fabricating documents and illegally accessing computers. He is free on bail and has denied any wrongdoing, insisting Societe Generale managers knew about his massive deals and that he has been made “a scapegoat”.

French press reports said this month that Kerviel’s boss is to be sacked for not spotting the massive deals Kerviel was racking up.

Two more of Kerviel’s superiors also faced the sack, Le Parisien newspaper said.

The scandal could have led to the collapse of Societe Generale, which suffered a 3.35-billion-euro loss in the fourth quarter of 2007 because of the trade.

Source: *Agence France Presse*

GLOBAL TECH M&AS TO WITNESS INCREASING INDIAN INFLUENCE: PWC

India – Mergers and acquisitions in the

global technology space will see increased influence from India, where opportunities are abundant for international players, according to a PricewaterhouseCoopers’ (PwC) report released in late May.

As per the PwC’ report on global M&A activities, deals with an Asian flavour accounted for 37 per cent of total activities by volume in 2007, compared to 33 per cent in 2006.

Overall deal volumes in 2007 showed good growth with the fourth quarter delivering the highest final quarter level of deal completions over the last five years.

Asia, led by India continued to spread its wings with a 10-fold increase in the value of region’s forays into North America, the PwC report revealed, adding that the notable transactions included IT major Wipro’s 291 million Euro acquisition of Infocrossing.

The PwC report said India’s impact on the global stage would steadily increase in the coming days.

“India’s influence will continue to rise on the world stage as it acquires market relationships, own Intellectual Property (IP) and additional skill sets. The domestic market will also present significant opportunities for international technology providers both in terms of market access, partnerships and emerging technologies,” the report stated.

Source: *The Press Trust of India Limited*

EX-SIEMENS ACCOUNTANT SAYS BOARD KNEW ABOUT BRIBES

Munich – A former Siemens AG accountant told a court in late May that the company’s previous central management board knew about bribes for customers in the 1990s.

Heinz Keil-von Jagemann testified at the criminal trial of Reinhard Siekaczek, a former manager at the company’s fixed-line communications unit, and said bribes of as much as 30 per cent of the value of a contract were common in the 1990s.

“As a rule, projects with these volumes had to be detailed in a memo to be submitted to the central management

board which had to approve them,” Keil-von Jagemann, who is also a suspect in the probe, said on 28 May at the trial in Munich.

Siekaczek’s case is the first criminal trial in the Munich investigation that has dogged Siemens since November 2006 and led to probes in at least a dozen countries. Siemens, which is cooperating with prosecutors, found 1.3 billion euros (\$2 billion) of “unclear payments” made from 2000 and 2006.

Stefan Schmidt, a spokesman for Munich-based Siemens, declined to comment on the trial.

Siekaczek worked at the Siemens’s former ICN unit until 2004 and is charged with 58 counts of breach of trust. On May 26 he told the court that he organized a system of sham contracts to conceal bribes at the company. The scheme was used to extract 53.3 million euros from the company’s regular accounts, according to prosecutors.

Source: *Bloomberg.com*

GLOBAL MARKET REGULATORS WEIGH EMERGENCY PLANS FOR AUDIT FIRMS

Paris – Securities regulators worldwide are stepping up oversight of auditors and developing emergency plans in case the collapse of a big accounting firm or other financial reporting problem hurts markets.

Authorities will examine standards for how accounting firms are managed and what they disclose about audits, the International Organization of Securities Commissions said in late May in a statement from a meeting in Paris. Regulators also will consider whether to ease rules on who can own firms, now typically restricted to partnerships of accountants.

The review aims to avoid market disruptions from some scandal or the collapse of one of the biggest accounting firms. Arthur Andersen LLP, formerly the fifth-largest accounting firm, collapsed after in 2002 after being indicted for its

role in the Enron Corp. scandal.

“A crisis involving a major audit firm in one jurisdiction may quickly create repercussions throughout the global marketplace,” US Securities and Exchange Commission Chairman Christopher Cox said in the statement. Cox is taking over as chairman of IOSCO's 13-country Technical Committee, made up of authorities from some of the world's biggest economies.

Source: *Bloomberg*

SEC CHIEF SEEKS AN OVERSIGHT BODY FOR ACCOUNTING

US – The head of the Securities and Exchange Commission is expected to call for creation of a body to oversee the setting of international accounting standards, a step that could hasten the ability of domestic companies to choose international standards over traditional US accounting, according to reports in late May.

Separately, the SEC likely won't heed calls to support eliminating an accounting rule that has been blamed for hundreds of billions of dollars in write-offs during the credit crunch.

In a recent interview, SEC Chairman Christopher Cox said he wants to propose a “public policy oversight body” that will oversee the trustees of the International Accounting Standards Board, or IASB. Mr Cox said the oversight body should be made up of national securities regulators and will help make IASB's governance consistent with the requirements of Sarbanes-Oxley corporate-governance rules.

Such a move could smooth the way for the SEC to allow US companies to comply with International Financial Reporting Standards. The SEC last year passed a rule allowing foreign companies with US listings to report using only IFRS; previously, they had to file another set of accounts using US generally accepted accounting principles, or GAAP.

The SEC has been considering

allowing US companies to comply with IFRS instead of GAAP, although it hasn't reached a decision on whether it would be an option or required after a certain period of time.

Source: *The Wall Street Journal*

CFOS WANT TO BE BUSINESS PARTNERS, BUT MAY LACK SKILLS

Singapore – The role of the chief financial officer (CFO) has expanded dramatically in recent years – but how many finance executives are properly equipped to handle their new responsibilities?

A study by Ernst & Young (EY) has found that companies want their CFOs to be more actively engaged in the strategic direction and management of business, in addition to their traditional compliance and corporate governance duties.

But the study also found that many

CFOs are not well-equipped to participate in strategy development and the management of their company's business performance.

EY's study – ‘What's next for the CFO? Where ambition meets reality’, conducted by the Economist Intelligence Unit – found that 97 per cent of board-level executives interviewed feel the CFO role has grown broader.

They cited factors such as increasing expectations from the board, increasing corporate governance obligations, increasing risk management, increasing demands for management information and increasing demands from investors.

The survey respondents were interviewed in September and October last year and drawn equally from the US, Europe and Asia.

‘CFOs are finding themselves at a

crossroads, where they can choose to either limit themselves to technical accounting or focus on more strategic functions,' says Norman Lonergan, EY's Global Advisory Services leader.

'If they want to concentrate on their strategic roles they need to streamline their scorekeeping and custodial roles, focus more on integrating financial and non-financial information, and build talented teams to share the workload.'

CFOs will need to restructure and simplify their more traditional finance responsibilities, expand on the role of the finance function and apply their finance skills in other business areas to influence strategy, foster skills in business partnering and create a pool of natural successors.

Source: *Business Times Singapore*

SHANGHAI LIMITS TRADING SUSPENSIONS FOR M&A DEALS

China – The Shanghai Stock exchange announced new limits on suspension periods for listed companies involved in mergers and acquisitions, state media reported in late May. Under the new requirements, which were seen as a move to increase transparency, public companies in pending M&A deals can suspend trading for no longer than 30 days, and must disclose details of a deal's progress once a week if trading has been suspended for more than five days. In a separate measure to improve the stability of mainland markets, the China Securities Regulatory Commission formed a task force for ensuring the security of securities information.

Source: *China Economic Review*

CENTRAL CHINA REAL ESTATE SET FOR HK LISTING

China – Central China Real Estate, the central China-based developer, is poised to raise as much as US\$244 million through an initial public offering in Hong Kong, Bloomberg

reported in late May, citing two people familiar with the situation. The company plans to sell 500 million shares – which equates to a 25% stake – at HK\$2.75-3.80 (US\$0.35-0.49) per share.

Singapore's CapitaLand, the largest property developer in Southeast Asia, has a 36% stake in Central China. If the listing goes through, it will be the first share sale in Hong Kong by a Chinese real estate developer since Zhang An Real Estate's US\$461.55 million initial public offering in November.

Source: *China Economic Review*

BIG FOUR ACCOUNTING COMPANIES LIFT MAINLAND HIRING

China – The world's four largest accounting firms are undertaking massive recruitment on the mainland, which is expected to eventually emerge as the profession's biggest market, according to reports in early June. The Deloitte Touche Tohmatsu said the mainland was expected to be its biggest operation by headcount, surpassing the United States, Britain and Canada. KPMG also planned to recruit 2,500 graduates and experienced professionals in the mainland and Hong Kong this year. Meanwhile, Ernst & Young, which has 14 offices and 8,000 workers in China, planned to add some 2,000 new recruits in the coming year. Additionally, PricewaterhouseCoopers said the firm expected to keep the annual new hirings at the current level over the next few years, which included about 3,000 in China – 2,000 new graduates and 1,000 experienced hires – across its three lines of services – tax, advisory and assurance.

Source: *South China Morning Post*

THIRD QUARTER TARGET FOR FIRST ISLAMIC BOND

Hong Kong – The Hong Kong Airport Authority said in early June that it could launch the city's first Islamic bond sale as early as the third quarter of this year.

Confirming reports done by the *South*

China Morning Post on 5 June, the bond issue moves Hong Kong a step closer to establishing itself as an Islamic financial hub. Market observers expect the maiden Islamic bond could be about \$300US million to \$500US million.

'We hope to confirm the details in the third quarter and be among the first Hong Kong organisations to issue an Islamic bond,' said Stanley Hui, the Airport Authority's chief executive.

The Post reported on 5 June that the operator of Chek Lap Kok airport planned to sell the territory's first Islamic bond, pending government approval of a tax exemption to make the deal comply with Islamic laws.

Sharia law bans interest income but allows profit sharing, meaning Hong Kong's tax laws that tax profit but not interest income will have to be revamped to make Islamic bonds a worthwhile investment.

Hong Kong has the potential to become an Islamic finance centre but will have to consider revising certain tax laws to facilitate the development, according to accounting firm PricewaterhouseCoopers.

Source: *South China Morning Post*

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