2008 G20 Washington Short-Term Compliance Report: Promoting Integrity in Financial Markets

14-15 November 2008 to 31 March 2009

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Contents

Commitment

"National and regional authorities should also review business conduct rules to protect markets and investors, especially against market manipulation and fraud and strengthen their cross-border cooperation to protect the international financial system from illicit actors."

-G20 Washington Summit, November 14-15, 2008[1]

Background

The U.S.-turned-global financial crisis began after a prolonged period of strong economic growth worldwide, creating an environment where markets went relatively unchecked. This environment resulted in the development of imprudent investment activities by market participants and increasingly overvalued financial products. When the market eventually collapsed, governments found themselves unable to stop the freefall, due in large part to poor macroeconomic planning and inadequate or non-existent regulation and supervision of market practices. Furthermore, the sustained growth of the economy coupled with dubious regulatory decisions on the part of policy-makers, contributed to an environment wherein illicit actors could pursue fraudulent activities without consequence.[2] Of particular note is the case involving Goldman Sachs' alleged part in fabricating toxic securities products which cost investors more than US$1 billion.[3]

The Group of Twenty (G20) finance ministers and central bank governors reacted for the first time to this challenge at their ministerial meeting in Sao Paulo, Brazil, on 9 November 2008. They underscored the need for proper regulation and oversight of all sectors of the financial industry. Additionally, they stressed the need to enhance cooperation among relevant national authorities, in particular with respect to cross-border flows.[4]

Three days prior, on 6 November 2008, EU heads of state and government had convened in Brussels to formulate a common position to be tabled at the first G20 leaders' summit in Washington on 14-15 November. The 27 leaders agreed to discuss better regulation and oversight of financial institutions and how to establish codes of conduct to guard against excessive risk-taking.[5]

[1] Declaration of the Summit on Financial Markets and the World Economy, G20 Information Centre (Washington), 14-15 November 2008. Date of Access: 15 May 2010. <http://www.g20.utoronto.ca/2008/2008declaration1115.html>

[2] Declaration of the Summit on Financial Markets and the World Economy, G20 Information Centre (Washington), 14-15 November 2008. Date of Access: 15 May 2010. <http://www.g20.utoronto.ca/2008/2008declaration1115.html>

[3] Goldman Sachs Charged with Fraud, Financial Post (New York) 16 April 2010. Date of Access: 15 August 2010. <http://www.financialpost.com/story.html?id=2915173>

[4] Communiqué of the Meeting of the G20 Finance Ministers and Central Bank Governors, G20 Information Centre (Sao Paulo), 9 November 2008. Date of Access: 1 June 2010. <http://www.g20.utoronto.ca/2008/2008communique1109.html>

[5] EU Agrees Joint Line on Global Financial Reform, EurActiv 7 November 2008. Date of Access: 2 June 2010. <http://www.euractiv.com/en/financial-services/eu-agrees-joint-line-global-financial-reform/article-177043>

On 14-15 November 2008, then-U.S. President George W. Bush hosted the first meeting for the leaders of the systemically significant G20. There, the leaders reaffirmed the finance ministers' position that had been put forth in Sao Paulo and the EU's consensus in Brussels. They acknowledged the need for both national and regional authorities to take a more active role in regulating financial markets and to increase cross-border communication to develop a sound global financial system, capable of absorbing the economic shocks which led to the financial crisis.[6]

Definitions

The following key terms have been selected from the above commitment and have been defined in accordance with the Oxford Dictionary online, in order to better understand the precise goal of the commitment:

Review: a formal assessment of something with the intention of instituting change if necessary

Market Manipulation: a deliberate attempt to interfere with the free and fair operation of the market and create artificial, false or misleading appearances with respect to the price of, or market for, a security, commodity or currency.

Fraud: wrongful or criminal deception intended to result in financial or personal gain

Strengthen: to make or become stronger

Cross-border: involving movement or activity across a border between two countries

Cooperation: the action or process of working together to the same end

Specific Interpretive Guidelines

While each term above has been properly defined, it is equally as important to understand the terms in their specific context. The following terms have been defined according to what they mean within the broader commitment.

Review business conduct rules: an assessment of the manner in which a business operates, to ensure that the business does not act against the interests of its clients. While circumstances will vary from country to country, key issues to address include: margin lending, 'blackout' trading, 'rumourtrage',[7] short selling, bribery, predatory lending practices, excessive executive pay practices (bonuses, dividends, share options, severance pay), and more generally, a lack of transparency in the business sector, and a lack of oversight and supervision of market practices and regulatory standards.

[6] Declaration of the Summit on Financial Markets and the World Economy, G20 Information Centre (Washington), 14-15 November 2008. Date of Access: 15 May 2010. <http://www.g20.utoronto.ca/2008/2008declaration1115.html>

[7] The spreading of false information.

Strengthen cross-border cooperation: the process of working together to address issues including: cross-border tax evasion, money laundering, financing and providing of safe havens for terrorists, and illicit finance emanating from states.

Scoring Rules

-1	A score of -1 indicates that a country has failed to comply or has taken action against fulfilling the commitment. This score is awarded when a member **neither** reviews business conduct rules **nor** strengthens cross-border cooperation to protect the international financial system against illicit actors.
0	A score of 0 indicates partial compliance with the stated commitment. This score is awarded when a member **either** reviews business conduct rules **or** strengthens cross-border cooperation to protect the international financial system from illicit actors. It is also awarded when a member half complies with both parts of the commitment.
+1	A score of +1 indicates full compliance with the commitment. This score is awarded if a member **both** reviews business conduct rules **and** strengthens cross-border cooperation for the purpose of protecting the international financial system against illicit actors.

Compliance Scores: Promoting Integrity in Financial Markets

Country	Lack of Compliance (-1)	Work in Progress (0)	Full Compliance (+1)
Argentina	-1		
Australia		0	
Brazil	N/A		
Canada		0	
China		0	
France			+1
Germany			+1
India		0	
Indonesia			+1
Italy			+1
Japan		0	
Korea		0	
Mexico		0	
Russia			+1
Saudi Arabia		0	
South Africa			+1
Turkey			+1
United Kingdom			+1
United States			+1
European Union			+1
Subtotal	1	8	10
G7 Members		+71.4	
Non G7 Members		+33.3	
OECD Members		+54.5	
Non OECD Members		+37.5	
Overall Score		+47.4	

Argentina: -1

Argentina resisted compliance with the commitment made in Washington to review business conduct rules and strengthen cross-border cooperation.

On 10 December 2008, President Cristina Fernandez unveiled a plan to boost tax revenue and stimulate the economy by enticing home offshore assets, with a no-questions-asked policy. The measure aimed to protect the economy by increasing investment and consumer spending. The government hoped to offer steep tax breaks to people and companies who declared their offshore investments. However, the no-questions-asked policy enabled people who repatriated funds parked offshore to be free of any investigation into the source of the money. The bill also set out tax breaks for companies that put illegal workers on the payroll, and dropped prosecutions of individual and companies who agreed to long-term, low-rate plans to pay off back taxes.[8]

Argentina has been awarded a score of -1 for non-compliance as it has taken action against fulfilling its Washington commit to review business conduct rules. Furthermore, there is no indication that Argentina made any efforts to strengthen cross-border cooperation in the given time frame.

Australia: 0

The Australian government partially complied with its Washington commitment to review business conduct rules and strengthen cross-border cooperation. By commissioning the Corporations and Markets Advisory Committee (CAMAC) to review dubious market practices, passing a Corporations Amendment Bill and reforming corporate executive pay practices, the Australian government made progress toward complying with its commitment. However, there was nothing to indicate that the government actively sought to strengthen cross-border cooperation to protect against illicit actors.

On 19 November 2008, immediately after the Washington summit, the Australian government commissioned CAMAC to review a range of abusive market practices, including the use of margin lending by directors, 'blackout' trading,[9] 'rumourtrage',[10] and the disclosure of market sensitive information at company briefings (to enhance the integrity and transparency of the Australian market). The Rudd government approved a $100,000 grant to assist CAMAC in its investigation.[11]

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[8] Argentine Tax Plan Called Money-Laundering Danger, Reuters 11 December 2008. Date of Access: 29 July 2010. <http://www.stuff.co.nz/archived-stuff-sections/archived-business-sections/business/market-meltdown/757264>

[9] Prohibition of insider trading during pension fund blackout periods.

[10] The spreading of false information.

[11] Action to Further Enhance Market Integrity, The Australian Government, The Treasury 19 November 2008. Date of Access: 25 May 2010. <http://minscl.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2008/080.htm&pageID=003&min=njs&Year=2008&DocType=0>

In December 2008, the Australian parliament passed the *Corporations Amendment Bill 2008* to better regulate the use of short selling in the Australian financial market. According to Senator Nick Sherry, minister for superannuation and corporate law, "The Bill stands to protect retail investors and Australian companies by enhancing market transparency, integrity and certainty."[12] Three key changes came about as a result of the Bill: a legislative ban on naked short selling (subject to limited exceptions), a framework for the disclosure of covered short sale transactions, and the expansion of the Australian Securities and Investments Commission's (ASIC) powers to limit, prohibit or impose additional conditions on short selling transactions, and regulations on transactions similar to short selling.[13]

On 18 March 2009, Treasurer Wayne Swan and Senator Sherry announced reforms aimed at curbing excessive executive termination payments, often in the face of poor company performance. Reforms included the ability on the part of shareholders to regulate excessive pay practices, as well as lowering the threshold for termination payments to an annual average base salary. All requests exceeding this threshold would require shareholder approval.[14] In addition to the above reforms, the Rudd government also tasked the Productivity Commission (PC) to examine Australia's framework in relation to executive remuneration.[15]

The Australian government actively sought to review business conduct rules following the Washington summit. However, because the government took no action to enhance cross-border cooperation, it has been awarded a score of 0 for partial compliance.

Brazil:

N/A

Canada: 0

Canada partially complied with its Washington commitment on the promotion of integrity in financial markets. By publicly supporting major reforms to the global

[12] Government to Legislate for Better Regulation of Short Selling, The Australian Government, The Treasury 13 November 2008. Date of Access: 25 May 2010. <http://minscl.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2008/076.htm&pageID=003&min=njs&Year=2008&DocType=0>

[13] Short Selling Bill Passes the Parliament, The Australian Government, The Treasury 5 December 2008. Date of Access: 15 May 2010. <http://minscl.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2008/084.htm&pageID=003&min=njs&Year=2008&DocType=0>

[14] Action on Golden Handshakes, The Australian Government, The Treasury 18 March 2009. Date of Access: 26 May 2010. <http://minscl.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/023.htm&pageID=003&min=njs&Year=2009&DocType=0>

[15] Productivity Commission and Allan Fels to Examine Executive Remuneration, The Australian Government, The Treasury 18 March 2009. Date of Access: 26 May 2010. <http://minscl.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/024.htm&pageID=003&min=njs&Year=2009&DocType=0>

financial system and releasing a financial aid package for Canadian subsidiaries of ailing U.S. automakers, Canada made progress toward complying with its commitment to review business conduct rules and strengthen cross-border cooperation.

On 19 November 2008, Canadian Governor General Michaëlle Jean delivered the Government's Speech from the Throne to open Canada's 40th Parliament. The speech outlined Canada's intent to protect against future economic instability, including cooperatively acting alongside allies and trading partners to reform the global financial system by re-examining and renewing the rules that underpin the global financial system, including copyright laws and competition regulations.[16]

On 20 December 2008, Prime Minister Stephen Harper and Ontario Premier Dalton McGuinty unveiled a financial aid package for Canadian subsidiaries of ailing U.S. automakers, General Motors and Chrysler, to work in conjunction with the bailout approved one day earlier by U.S. President George W. Bush.[17] The package came with government imposed restrictions on the participating auto companies' autonomy, including limits on executive compensation, mandatory weekly finance reports for government review, and a requirement to report any business transactions worth more than $125 million.[18]

On 14 February 2009, the Group of Seven (G7) finance ministers and central bank governors[19] issued a communiqué at the end of a two-day meeting in Rome. Canada and its counterparts agreed to develop common set principles and standards on propriety, integrity and transparency of international economic and financial activity.[20]

The Canadian government has been awarded a score of 0 for its efforts to review business conduct rules, offset by its inaction in strengthening cross-border cooperation.

China: 0

China partially complied with the commitment made in Washington to review business conduct rules and to strengthen cross-border cooperation to protect the international financial system from illicit actors.

On 21 November 2008, President Hu Jintao attended the Asia-Pacific Economic Cooperation (APEC) CEO meeting held in Lima, Peru, and delivered a speech entitled

[16] Speech from the Throne: Protecting Canada's Future, The Canadian Government, The Prime Minister of Canada 19 November 2008. Date of Access: 18 May 2010. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2312>

[17] PM and Premier McGuinty Announce Financial Support for the Auto Industry, The Canadian Government, The Prime Minister of Canada 20 December 2008. Date of Access: 18 May 2010. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2356>

[18] Canada, Ontario Announce $4B Auto Aid Package, CBCNews (Toronto) 20 December 2008. Date of Access: 4 June 2010. <http://www.cbc.ca/canada/story/2008/12/20/auto-package.html>

[19] Russia was invited as an observer

[20] G7 meeting in Rome called for joint action on present crisis, The Baltic Course (Denmark) 16 February 2009. Date of Access: 14 August 2010. <http://www.baltic-course.com/eng/baltic_states/?doc=9890>

"Make Joint Efforts Hand in Hand to Promote Economic Development". President Hu called on governments to step up their guidance and oversight of the business community, and to introduce and improve laws that would create the kind of environment needed for enterprises to fulfill their social responsibilities.[21]

In January 2009, Wen Jiabao, Premier of the State Council of China, delivered remarks on the international financial crisis at the World Economic Forum Annual Meeting. Premier Jiabao attributed the financial crisis to a variety of factors, including: inappropriate macroeconomic policies; excessive expansion of financial institutions in a blind pursuit of profit; lack of self-discipline among financial institutions and rating agencies; and the failure of financial supervision and regulation to keep up with financial innovations. He stressed the imperativeness of implementing the broad agreement reached at the Washington G20 summit and called on his counterparts to push for the establishment of a new world economic order that was "just, equitable, sound and stable." Premier Jiabao proposed five ways in which to cope with the global financial crisis. These included, accelerating the establishment of a new international financial order, and strengthening international cooperation in financial supervision and regulation to guard against the build-up and spread of financial risks.[22]

In March 2009, China targeted corporate tax evasion with a new definition of resident business. The State Administration of Taxation outlined three thresholds foreign firms had to meet to be identified as a resident business and thus pay 25 percent corporate income tax. These thresholds were: if a firm's board chairman or one-third or more board members lived in China for more than 90 days-a-year; if 50 percent of a firm's operational revenues came from China; and if a firm's accounting files, official seals, and board and shareholder meeting minutes were recorded inside China. If a foreign firm met any of the above three conditions, it would be required to pay a 25 percent corporate income tax on revenues from business both inside and outside China.[23]

China took action to prevent against illicit actors by re-defining resident businesses to include firms set up under the jurisdiction of a foreign country, but whose actual management organs are within China. However, because China's action to review business conduct rules was not substantial, China has been awarded a score of 0 for partial compliance.

France: +1

France fully complied with its commitment to review business conduct rules and strengthen cross-border cooperation.

[21] Let Us Work Together to Promote Economic Development, The Ministry of Foreign Affairs of the People's Republic of China (Lima) 21 November 2008. Date of Access: 15 July 2010. <http://www.fmprc.gov.cn/eng/wjdt/zyjh/t524324.htm>
[22] Wen Jiabao Delivers a Special Message at the World Economic Forum Annual Meeting 2009, The Ministry of Foreign Affairs of the People's Republic of China (Davos) 29 January 2009. Date of Access: 15 July 2010. <http://www.fmprc.gov.cn/eng/wjdt/zyjh/t534797.htm>
[23] New Tax Rules to Rein in Foreign Firms in China, Economic Observer 11 March 2009. Date of Access: 30 July 2010. <http://www.eeo.com.cn/ens/Industry/2009/03/11/131927.shtml>

In January 2009, President Sarkozy provided €10.5 billion in support to ailing French banks. The bailout came with enhanced regulations that included curbs on severance packages for bank heads and a requirement to give credit priority to homeowners and small businesses.[24] Lenders were required to increase their outstanding loans by a minimum of 3 to 4 percent.[25] Additionally, French banks had to limit their dividends to shareholders and scrap dividends for senior management.[26]

On 11 February 2009, France imposed industry-wide restrictions on future bonuses to bankers, traders and fund managers. Bonuses for employees were to be paid over several years and linked to the longer-term profitability of their employer, rather than the individual's activities. Only those banks abiding by this scheme would have access to funds from the state bailout. The curbs were to serve as an effort to avoid excessive risk-taking by market operators.[27]

On 13-14 February 2009, leaders of the G7 industrialized nations convened in Rome to discuss key areas of action ahead of the G20 London summit in April. Finance Minister Christine Largarde put the focus on the need for better regulation of banks and the financial sector, calling for countries to adopt tougher standards for financial regulation. In an interview with the Financial Times, she said that the platform of sound and safe regulations was a key priority for restoring confidence.[28]

In February 2009, European heads of state convened to discuss a common European position before the upcoming G20 summit in London. Leaders agreed to seek sanctions against tax havens, in order to prevent the outflow of capital and income tax payments. President Sarkozy repeatedly vocalized his support to "put a stop to tax havens."[29]

In March 2009 members of the media discovered that executives at Societe Generale had been given share options after receiving state funding. This caused international backlash and prompted the French government to ban bonuses and share options for executives of banks altogether.[30]

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[24] Banking bail-out: France unveils 360bn package, Telegraph.co.uk (Paris) 13 October 2008. Date of Access: 11 June 2010. <http://www.telegraph.co.uk/finance/financetopics/financialcrisis/3190311/Banking-bail-out-France-unveils-360bn-package.html>

[25] Sarkozy Badgers France's Banks to Use Bailout Money for Loans, Bloomberg 19 December 2008. Date of Access: 10 June 2010. <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aHRsGBjQfAXU&refer=home>

[26] Bank Bailout Part Deux, Forbes 21 January 2009. Date of Access: 11 June 2010. <http://www.forbes.com/2009/01/21/france-bailout-second-markets-equity-cx_vr_0121markets08.html>

[27] France Imposes Limits on Bank Bonuses, Financial Times (Paris) 12 February 2009. Date of Access: 1 June, 2010.

[28] G7 meeting in Rome, The London Summit 2009 February 2009. Date of Access: 14 August 2010. <http://www.londonsummit.gov.uk/en/summit-aims/timeline-events/13-feb-rome>

[29] Europe Cracks Down On Tax Havens, Forbs 23 February 2009. Date of Access: 27 May 2010. <http://www.forbes.com/2009/02/23/tax-havens-europe-markets-equity-g20_19.html>

[30] France Set for Bank Bonuses, BBC 26 March 2009. Date of Access: 1 June 2010. <http://news.bbc.co.uk/2/hi/africa/7965566.stm>

The French government actively sought to review business conduct rules and strengthen cross-border cooperation, as evidenced by its bailout package, which imposed restrictions on unconventional business practices. Furthermore, France's restrictions on corporate bonuses sought to quell excessive risk-taking in the market place. Lastly, President Sarkozy's public declaration to seek sanctions against tax havens secured France a score of +1 for full compliance.

Germany: +1

The German government fully complied with its Washington commitment to review business conduct and strengthen cross-border cooperation.

In mid-October 2008, Germany passed a financial rescue package of €480 billion, to bail out troubled German financial institutions. Attached to the funds were restrictive conditions, including executive salary caps, the withholding of bonuses and the suspension of dividend payments to shareholders.[31] The effects of the rescue plan could be seen throughout the months to follow.

On 1 December 2008, public-sector company BayernLB received €10 billion in bailout funds, €3 billion of which came from the federal government's stabilization fund.[32] Among the conditions that BayernLB had to meet were: a cap on executive pay at €500,000, a state review of lending practices deemed as perilous, and the granting of loans to small- and medium- sized firms.[33] Additionally, in January 2009, Germany's second largest private consumer bank, Commerzbank, received a €10 billion government bailout on the condition that the government in Berlin acquire 25 percent of the bank plus one share, which gave it veto power on major company decisions.[34]

On 5 February 2009, Chancellor Angela Merkel and the heads of five international organizations met in Berlin to discuss ways to better coordinate the global economy. The heads of the ILO, OECD, WTO, World Bank and IMF supported Merkel's proposal to develop a charter under the aegis of the United Nations, which would establish new rules of regulation for the purpose of avoiding market excesses, corruption and future financial crises.[35]

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[31] Germany's Financial Rescue Package, BBC News (Berlin) 14 October 2008. Date of Access: 28 May 2010. <http://news.bbc.co.uk/2/hi/business/7669381.stm>

[32] BayernLB to Receive Aid from Bavaria, Reuters (Frankfurt) 27 November 2008. Date of Access: 28 May 2010. <http://www.reuters.com/article/idUSLR73563120081127>

[33] First Bailout Loan by German Federal Government Granted To Bayern LB, AHN 22 October 2008. Date of Access: 28 May 2010. <http://www.allheadlinenews.com/articles/7012747854?First%20Bailout%20Loan%20By%20German%20Federal%20Government%20Granted%20To%20BayernLB>

[34] Commerzbank Bailout Deal to be 'A Painful Birth', Spiegel (Berlin) 9 January 2009. Date of Access: 29 May 2010. <http://www.spiegel.de/international/germany/0,1518,600400,00.html>

[35] Global Solution to a global crisis, Die Bundesregierung 5 February 2009. Date of Access: 29 May 2010. <http://www.bundesregierung.de/nn_919412/Content/EN/Artikel/2009/02/2009-02-05-bkin-int-org-berlin__en.html>

On February 13-14 2009, Germany took part in the G7 finance ministers' meeting in Rome. There, leaders emphasized the need for new regulation and supervision of the global banking sector — a topic that would reappear in a few weeks at the G20 London summit.[36] Finance Minister Peer Steinbrueck stated: "… no actor in the financial markets, no finance product and no single financial market should be outside regulation."[37]

At the Berlin G20 Preparatory Summit held on 22 February 2009, EU leaders identified hedge funds and other private pools of capital posing a systemic risk, as targets of appropriate regulation and supervision. Furthermore, they stressed the need to strengthen cross-border cooperation in an effort to protect their respective countries from risks that could potentially emanate from uncooperative jurisdictions.[38] These sentiments were reaffirmed at the eleventh Franco-German council of ministers meeting, held on 12 March 2009. Germany also repeatedly underscored the importance of financial regulation, cautioning at excessive calls for economic stimulus.[39]

The German government undertook steps to review business conduct rules and strengthen cross-border cooperation following the Washington Summit. By signing a bailout package imposing conditions on receiving banks, proposing to develop a charter establishing universal rules of regulation, and verbalizing the need strengthen cross-border cooperation to protect from risks emanating from uncooperative jurisdictions, Germany secured a score of +1 for full compliance.

India: 0

India partially complied with its commitment made at Washington to strengthen cross-border cooperation, namely to prevent against the financing and providing of safe havens for terrorists. There was no indication, however, that India made any strides to review business conduct in the given time frame.

In February 2009, the Indian parliament passed the Prevention of Money Laundering (Amendment) Bill, aimed at combating money laundering, terror financing and cross-border economic offences. The bill ensured a legal framework to check such crimes. Financial intermediaries such as Western Union, VISA and MasterCard were also brought under the ambit of the bill, and thus under the reporting regime of the enforcement authorities.[40]

[36] G7 strives to pair crisis response and free trade, The Economic Times (Rome) 15 February 2009. Date of Access: 15 August 2010. <http://economictimes.indiatimes.com/articleshow/4132825.cms>

[37] Key quotes from second day of Rome G7 meeting, Reuters 15 February 2009. Date of Access: 15 August 2010. <http://in.reuters.com/article/idINLE60996920090214>

[38] Federal Chancellery – Chair's Summary of the Berlin G20 Preparatory Summit, Die Bundesregierung 22 February 2009. Date of Access: 29 May 2010. <http://www.bundesregierung.de/Content/EN/Pressemitteilungen/BPA/2009/2009-02-22-chair-summary.html>

[39] France-German Statement, Die Bundesregierung 12 March 2009. Date of Access: 30 May 2010. <http://www.bundesregierung.de/nsc_true/Content/EN/__Anlagen/2009-03-12-dt-frz-ministerrat-erklaerung-en,property=publicationFile.pdf/2009-03-12-dt-frz-ministerrat-erklaerung-en>

[40] Bill to Change Money Laundering Law Passed, Financial Express (New Delhi) 25 February 2009. Date of Access: 30 July 2010. < http://www.financialexpress.com/news/bill-to-change-money-laundering-

In the wake of the attacks, Delhi persuaded the United Nations to ban a Pakistani charity believed to have funded the Mumbai violence.[41] Additionally, Prime Minister Singh announced plans for the creation of an anti-terrorism body, which would strengthen air and maritime security, and establish four National Security Guard hubs across the country. Prime Minister Singh also called on the country to unite in this time of vulnerability and to put aside partisan politics in order to meet the challenges posed by the threat of terrorism.[42]

The Indian government took steps to enhance cross-border cooperation to protect against illicit actors following the Washington summit, as evidenced by the Prevention of Money Laundering Bill amendment and proposal for an anti-terrorism body. However, because the government took no action to review business conduct, it has been awarded a score of 0 for partial compliance.

Indonesia: +1

Indonesia fully complied with its Washington commitment to review business conduct rules to protect markets and investors, and strengthen cross-border cooperation to protect the international financial system from illicit actors.

On 26 November 2008, Finance Minister Sri Mulyani Indrawati announced that the government of Indonesia would consider providing tax incentives for bank mergers and acquisitions. This action was aimed to strengthen economic stability by promoting consolidation of the financial sector, ahead of the global credit crunch created by the economic crisis.[43]

On 28 November 2008, it was reported that, in response to the collapse of Bank Century and the government's subsequent seizing of 100 percent of its ownership shares, a joint committee of the government and the central bank of Indonesia would closely monitor all banks with a similar asset composition.[44] Bank Century had defaulted on loan repayments of $56 million, triggering a run on deposits by their major corporate depositors, threatening its stability. The committee identified five major banks in Indonesia with a similar asset composition to Bank Century, and pledged to scrutinize their structure to determine whether they posed a risk of collapse. In addition, Indrawati promised a full

law-passed/427602/> Also see, The Prevention of Money-Laundering (Amendment) Act, 2009 <http://www.prsindia.org/uploads/media/vikas_doc/docs/1253169904~~The%20Prevention%20of%20 Money%20Laundering%20Act,%202009.pdf>

[41] India Unveils Plans for New FBI-style Security Service, Guardian.co.uk (Delhi) 11 December 2008. Date of Access: 15 July 2010. < http://www.guardian.co.uk/world/2008/dec/11/india-security-service>

[42] India to have its own Federal Investigation Agency: PM, Asian News International (New Delhi) 1 December 2008. Date of Access: 15 July 2010. < http://www.thaindian.com/newsportal/india-news/india-to-have-its-own-federal-investigation-agency-pm_100125670.html>

[43] Bank Mergers, Acquisitions Encouraged, The Jakarta Post (Jakarta) 27 November 2008. Date of Access: 10 July 2010.

[44] Government Urges Century Management to be Responsible, Bisnis Indonesia (Jakarta) 26 November 2008. Date of Access: 10 July 2010.

investigation into the alleged mismanagement of Bank Century, and promised that any evidence of not upholding regulatory standards would be acted upon and made public.[45]

On 3 December 2008, Dradjad H. Wibowo, a member of the House of Representatives' Commission XI, which oversees financial affairs, advised that Bank Indonesia needed to restructure its banking supervision in order to prevent troubled banks from disrupting the country's financial sector. Specifically, Wibowo recommended a strict line on banks and the enforcement of heavy sanctions to prevent illicit actions among Bank owners.[46]

On 20 February, 2009, at the Association of Southeast Asian Nations (ASEAN) meeting, Indrawati stressed the need for cooperative action in order to deal with the financial crisis, as well as highlighted several of Indonesia's domestic policies meant to strengthen the financial markets. Specifically, Indrawati described regulations passed which gave the government and central bank the power to provide a partial guarantee on bank deposits, as well as the ability to lower the bank reserve ratio in order to increase the availability of credit.[47]

The Indonesian government took steps to review business conduct rules by providing tax incentives for bank mergers to consolidate the financial sector, among other things. Furthermore, Indonesia's prosecuting of bank century's primary shareholder underscored its commitment to protecting the international financial system from illicit actors. Thus Indonesia has been awarded a score of +1 for full compliance.

Italy: +1

Italy fully complied with its commitment made at Washington to review business conduct and strengthen cross-border cooperation.

On 4 December 2008, the Italian government passed Law 190 to help stabilize the credit system and ensure continuity in the disbursement of credit. It contained three key initiatives: the recapitalization of Italian banks, support for transactions to ensure adequate access to liquidity, and state deposit guarantees. In order to qualify for funds, recipients had to adopt a stabilization and reinforcement plan and a restrictive dividend policy that would be evaluated by the Bank of Italy.[48]

On 29 November 2008, Italy's Finance Minister Giulio Tremoni unveiled a €80 billion stimulus package containing measures intended to ensure banks continued to provide lending and adequate financing. One provision authorized the Treasury to underwrite

[45] Century Peers Probed to Avoid Risks, The Jakarta Post (Jakarta) 26 November 2008. Date of Access: 11 July 2010.

[46] I Supervision of Banks Comes Under Fire, The Jakarta Post (Jakarta) 4 December 2008. Date of Access: 11 July 2010.

[47] Indonesian Minister Speaks of Stimulus Package, ASEAN's Role in Global Reforms, BBC News (Jakarta) 23 February 2009. Date of Access: 11 July 2010.

[48] Italy's Stability Programme, Ministero dell'Economia e delle Finanze Fenruary 2009. Date of Access: 3 July 2010. <http://www.dt.tesoro.it/export/sites/sitodt/modules/documenti_en/analisi_progammazione/documenti_programmatici/PdS_2008_EN_xISSN_on-linex.pdf>

special convertible bonds issued by banks in an effort to raise Tier 1 capital ratios. This provision was not without conditions. Banks had to commit to stricter levels of credit and conditions for small- and medium- sized businesses. Furthermore, participating banks were required to adopt an ethics code, which included a revaluation of executive compensation.[49]

In January 2009, Tremonti released a series of proposals to be presented to the G7 finance ministers in Rome in February; proposals that would establish a "Legal Standard" by which all countries worldwide would be governed. Tremonti expounded on this concept in a briefing paper, describing it as a basic set of rules on propriety, integrity and transparency of international economic activity.[50] On 13 February 2009, the Organization for Economic Cooperation and Development (OECD) Secretary-General, Angel Gurria, addressed the G7 finance ministers, speaking on the subject of a legal standard. The OECD had been working closely with Italy to develop a set of policy rules, both binding and voluntary, which would act as a ubiquitous guide for policy makers and businesses. Policies included an anti-bribery convention, principles on financial information disclosure, and enforcing existing G7 taskforce recommendations on money laundering. Ultimately, the initiative was meant to preserve the integrity and transparency of the international business environment.[51] This proposal was included in the G7 finance minister's final statement. It read: "The G7 finance ministers have asked their deputies to prepare, in consultation with other partners, a progress report in four months on developing an agreed set of common principles and standards on propriety, integrity and transparency of international economic and financial activity."[52]

The Italian government fully complied with its commitment to review business conduct rules and strengthen cross-border cooperation, as evidenced by the passing of a stimulus package worth €80 billion, and Finance Minister Tremonti's public proposal for a universal "Legal Standard." Thus Italy has been awarded a score of +1 for full compliance.

Japan: 0

Japan partially complied with its Washington commitment to review business conduct rules and strengthen cross-border cooperation to protect the international financial system from illicit actors.

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[49] Italy's Stability Programme, Ministero dell'Economia e delle Finanze Fenruary 2009. Date of Access: 3 July 2010. <http://www.dt.tesoro.it/export/sites/sitodt/modules/documenti_en/analisi_progammazione/documenti_programmatici/PdS_2008_EN_xISSN_on-linex.pdf>

[50] Italy Calls for Tighter Global Regulation, Financial Times (Rome) 16 January 2009. Date of Access: 3 July 2010. < http://www.ft.com/cms/s/0/575b23ee-e36e-11dd-a5cf-0000779fd2ac.html>

[51] The Need for a Global Standard, OECD (Rome) 13 February 2009. Date of Access: 4 July 2010. <http://www.oecd.org/document/6/0,3343,en_2649_201185_42184370_1_1_1_1,00.html>

[52] Statement of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Rome) 14 February 2009. Date of Access: 4 July 2010. <http://www.g8.utoronto.ca/finance/fm090214.htm>

At the APEC conference on 22 November 2008, Japan highlighted the need for more effective regulatory and supervisory tools. Japanese Prime Minister Taro Aso aligned himself with principles agreed upon at the G20 Washington Summit, calling for closer macroeconomic cooperation to minimize negative spillover.[53]

On 28 November 2009, Prime Minister Aso in the 171 Session of the Diet stressed the importance of international collaboration concerning the supervision and regulation of financial institutions. He stated, "These proposals are now being carried forward with support from the other countries. Japan, as the world's second-largest economy, must contribute actively to the creation of new rules for the global economy".[54]

Several days later, at the Annual Meeting of the World Economic Forum in Davos, Switzerland, Prime Minister Aso underscored the necessity of the expeditious disposal of financial institutions' non-performing loans, as well as a reformulation of market rules, including the introduction of a supervisory system for financial markets, the regulation of credit rating agencies, and the clarification of mark-to-market accounting standards to be used during times of high market volatility.[55]

On 13-14 February 2009, Japan convened with its G7 counterparts in Rome to discuss the world financial crisis. The final communiqué included a strongly worded component, which called on members to develop a set of guidelines to govern propriety, integrity and transparency of international economic and financial activity. A progress report was to be issued in the months to follow.[56]

Japan took steps to review business conduct rules following the Washington summit, however there is no indication that it took any action to strengthen cross-border cooperation in the given time frame. Thus, it has been awarded a score of 0 for partial compliance.

Korea: 0

The Republic of Korea partially complied with the commitment made at Washington.

In December 2008, the Financial Supervisory Service (FSS) proposed improvements to governmental supervision of the derivatives market to strengthen the competitiveness and soundness of Korea's capital markets. This included the reorganization of the derivatives market monitoring system, the strengthening of investor protection, the prevention of

[53] Lima APEC Leaders' Statement on the Global Economy, APEC (Lima) 22 November 2008. Date of Access: 14 June 2010. <http://www.mofa.go.jp/policy/economy/apec/2008/state.pdf>

[54] Policy Speech by Prime Minister Tara Aso to the Hundred and Seventy-first Session of the Diet, Prime Minister of Japan and His Cabinet 28 January 2009. Date of Access: 14 June 2010. <http://www.kantei.go.jp/foreign/asospeech/2009/01/28housin_e.html>

[55] My Prescriptions for Reviving the World Economy, Prime Minister of Japan and His Cabinet (Davos) 31 January 2009. Date of Access: 15 June 2010. <http://www.kantei.go.jp/foreign/asospeech/2009/01/31davos_e.html>

[56] Full text of final Rome G7 communiqué, Reuters (Rome) 14 February 2009. Date of Access: 14 August 2010. <http://uk.reuters.com/article/idUKLE69914720090214>

derivatives-based transactions from overexposed financial institutions, and the reexamination of derivatives market supervisory functions.[57]

The FSS released a press statement on 12 January 2009, outlining expected changes to corporate disclosures following the enactment of the Capital Market and Financial Investment Business Act due to come into effect on 4 February 2009. These changes aimed to improve corporate transparency and required corporations to report large share acquisitions, as well as shorten the period in which corporations had to report the appointment of new executives or significant shareholders.[58]

On 29 January 2009, the FSS released the results of a short-selling review conducted on 45 securities firms in 2008. The results indicated a number of regulations violations had occurred in securities firms and that there were a number of shortfalls in securities firms' internal controls. As a result, a number of sanctions were issued on securities firms, prompting the FSS to step up its oversight of short selling. Additionally, those in violation of short selling rules were required to strengthen their internal controls along with their employee training programs in order to prevent such acts from recurring.[59]

The Korean government actively sought to review business conduct rules following the Washington summit, as evidenced by the above proposals made on the part of the Financial Supervisory Service. However, because Korea took no action to strengthen cross-border cooperation, it has been awarded a score of 0 for partial compliance.

Mexico: 0

In December 2008, Mexico and the United States pledged to redouble efforts in the fight against organized crime. Through enhanced partnership, cooperation and information sharing, both countries hoped to curb trafficking activity in Mexico. Furthermore, it was believed that the drug market led to crimes in money laundering, among others. President Felipe Calderon, in response to an increase in drug-related violence, unleashed police and military personnel in several states across the country and tightened controls on money laundering and corruption among local and municipal police forces.[60]

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[57] Improvements in Derivatives Market Supervision, Financial Supervisory Service 23 December 2008. Date of Access: 7 June 2010. <http://english.fss.or.kr/fsseng/emdc/prs/fss_v.jsp?btmIndex=162&fssIndex=5919&selectType=0&find=>

[58] Expected Changes to Corporate Disclosures Following the Enactment of the Capital Market and Financial Investment Business Act, Financial Supervisory Service 12 January 2009. Date of Access: 7 June 2010. <http://english.fss.or.kr/fsseng/emdc/prs/fss_v.jsp?btmIndex=162&fssIndex=6019&selectType=0&find=>

[59] Results and Sanctions from Short-Selling Review on 45 Securities Firms, Financial Supervisory Service 29 January 2009. Date of Access: 7 June 2010. <http://english.fss.or.kr/fsseng/emdc/prs/fss_v.jsp?btmIndex=162&fssIndex=6141&selectType=0&find=>

[60] U.S., Mexico to Kick off $1.4 Billion Anti-drug Plan, CNN (Washington) 19 December 2008. Date of Access: 17 July 2010. <http://edition.cnn.com/2008/WORLD/americas/12/19/mexico.us.drug.war/index.html>

In January 2009, the International Monetary Fund (IMF) published its report assessing Mexico's Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) regime against the Financial Action Task Force's (FATF) 49 recommendations. The report concluded that Mexico had made progress in its efforts to combat money laundering and the financing of terrorism, with only six out of 49 non-compliant ratings.[61] Mexico took initiatives to address some of its weaknesses, including drafting a multifaceted reform that harmonized the rules and standards between larger banks and smaller financial institutions.[62]
With only six out of 49 non-compliant ratings

Mexico made progress following the Washington summit to strengthen cross-border cooperation to prevent against illicit actors. However, because there is no indication that any measures were taken to review business conduct rules, Mexico receives score of 0 for partial compliance.

Russia: +1

Russia fully complied with its Washington commitment to review business conduct rules and strengthen-cross border cooperation.

In late October 2008, President Medvedev passed Federal Law No. 175-FZ, "On additional Measures to Strengthen the Stability of the Banking System through December 31, 2011". This law set forth a course of action with the end goal of preventing the bankruptcies of banks, thereby protecting bank depositors and creditors. If the Bank of Russia decided that a bank was in danger of becoming insolvent, they could elicit the aid of the Deposit Insurance Agency (DIA). Then, upon giving their consent to participate, they would suspend the rights of the bank's shareholders and governing bodies, and take over the bank's operations. With the enactment of this law, the DIA was able to re-organize banks, submit requests to the court to declare bank transactions invalid, and repudiate bank contracts.[63] On 1 December 2008, Prime Minister Vladimir Putin, at a meeting of the Government Presidium, underscored his commitment to protect the rights of investors from financial turbulence brought about by unstable banks.[64]

On 14 March 2009, Putin participated in talks with ministers and governors of Central (National) Banks of Eurasian Economic Community Members to discuss the global

[61] Mexico: Detailed Assessment Report on Anti-Money Laundering and Combating the Financing of Terrorism, International Monetary Fund January 2009. Date of Access: 28 July 2010. <http://www.imf.org/external/pubs/ft/scr/2009/cr0907.pdf>

[62] International Narcotic Control Strategy Report – Volume II: Money Laundering and Financial Crimes, U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs March 2009. Date of Access: 28 July 2010. <http://www.state.gov/documents/organization/120055.pdf>

[63] On Additional Measures to Strengthen the Stability of the Banking System, The Government of the Russian Federation 27 October 2008. Date of Access: 19 May 2010. <http://www.asv.org.ru/en/legislation/law_4/law_4.doc>

[64] Prime Minister Vladimir Putin Chaired a Meeting of the Government Presidium, The Government of the Russian Federation 1 December 2008. Date of Access: 16 May 2010. <http://premier.gov.ru/eng/events/news/2617/>

economic crisis. These talks produced a joint statement from participating delegates outlining recommendations to reform the international financial architecture. The statement recommended strengthening transparency and accountability by introducing more stringent requirements on information disclosure by market participants, developing better methods of fair valuation of financial instruments, and increasing capital adequacy requirements for financial institutions with a view to enhancing their financial sustainability at the time of crisis. The statement also called for the promotion of integrity in financial markets by introducing a greater degree of uniformity for the disclosure of financial transactions across different markets, a more stringent regime of monitoring transactions that involve offshore jurisdictions, and streamlining the approaches toward regulation of different sectors of financial market that have remained unregulated so far.[65]

On 19 March 2009, Prime Minister Putin stressed the importance of not abandoning standards of business conduct and social responsibility developed in Russia in recent years. Putin was concerned that business could retreat "into the shadow" of illicit activity, such as tax evasion, under the pretext of crisis-related problems.[66]

Russia has been awarded a score of +1 for full compliance due to its passing of Federal Law No. 175-FZ and Prime Minister Putin's recommendations to reform and strengthen the international financial architecture.

Saudi Arabia: 0

Saudi Arabia partially complied with its commitment at Washington to strengthen cross-border cooperation to protect the international financial system from illicit actors. There is no indication, however, that Saudi Arabia made any effort to review business conduct rules.

In February 2009, the Saudi Arabian Monetary Agency held the 22nd seminar on money laundering, terrorism financing, and financial crimes for the judges of the Ministry of Justice and the Bureau of Grievances. The seminar included a comprehensive presentation on money laundering, focused on providing judges with specialized knowledge on financial crime. The Saudi Arabian British Bank also participated in the seminar, underscoring the Bank's commitment to cooperate to fight financial crime.[67]

On 24-25 March 2009, Dr. Linda Eagle, president and cofounder of Edcomm Banker's Academy, spoke at the 1st Annual Compliance and Anti-Money Laundering Seminar in Riyadh. International experts, regulators and market leaders were invited to attend the

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65 On Reforming International Financial Architecture, Ministry of Finance of the Russian Federation 14 March 2009. Date of Access: 17 May 2010. <http://www1.minfin.ru/en/news/index.php?afrom4=14.11.2008&ato4=31.03.2009&type4=&id4=7174 >

66 Russian Prime Minister Vladimir Putin has Addressed a Meeting of the Russian Government, Government of the Russian Federation 19 March 2009. Date of Access: 17 May 2010. <http://premier.gov.ru/eng/events/news/3627/>

67 SAAB Participates in Judges' Seminar on Fighting Financial Crime in the Kingdom, AME Info, 25 February 2009. Date of Access: 13 July 2010. < http://www.ameinfo.com/186176.html>

two-day seminar aimed at raising awareness of the regulatory challenges related to anti-money laundering in the Kingdom of Saudi Arabia and across the Gulf Cooperative Council.[68]

In March 2009, the Saudi Interior Ministry urged its citizens to comply with a European law, stipulating that citizens traveling to EU member states, carrying amounts of money with a value of €10,000 or more, must declare the value in writing to the local customs office. Travelers failing to comply with the provisions of the law would risk being fined or having their money confiscated. This law served as a means to ascertain the origin of the money being carried, as part of the fight against terrorist financing and money laundering.[69]

Thus, Saudi Arabia has been awarded a score of 0 for its inaction on reviewing business conduct rules.

South Africa: +1

South Africa has fully complied with its Washington commitment to review business conduct rules and strengthen cross-border cooperation.

On 16 November 2008, the minister of finance of South Africa gave an address entitled "The World Economy in Crisis" to the National Assembly. The minister highlighted the need to ensure better coordination and cooperation between domestic financial regulators within South Africa and with regulators in other countries, particularly in regulating financial institutions that operate in more than once country.[70]

On 16 January 2009, the Committee of African Ministers of Finance and Planning and Governors of Central Banks met in Cape Town and produced a Communiqué that acknowledged South Africa's role as a liaison between the G20 and the rest of Africa. The communiqué stressed the importance of cooperation among African nations and underscored the importance of introducing initiatives to strengthen the financial oversight, regulatory mandates and governance of global institutions for enhanced transparency.[71]

On 19 February 2009, the social partners that comprise the Presidential Economic Joint Working Group, namely organized Labor, Business and Government, made public a document entitled "Framework for South Africa's Response to the International

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[68] Baker's Academy Presents Key Panel on Compliance, Baker's Academy (New York) 30 March 2009. Date of Access: 12 July 2010. <http://www.bankersacademy.com/article2009.php?artId=1621>

[69] Saudi Citizens Urged to Comply with EU Anti-Terrorism Law, BBC (London), 14 March 2009. Date of Access: 11 July 2010.

[70] The World Economy in Crisis, Ministry: Finance Republic of South Africa (Cape Town) 18 November 2008. Date of Access: 9 July 2010. <http://www.finance.gov.za/comm_media/speeches/2008/2008111802.pdf>

[71] Communiqué of the Meeting of the Committee of African Ministers of Finance and Planning and Governors of Central Banks, Ministry: Finance Republic of South Africa (Cape Town) 16 January 2009. Date of Access: 9 July 2010. <http://www.finance.gov.za/comm_media/press/2009/2009011601.pdf>

Economic Crisis". The document contained detailed guidelines related to industrial policy, including efforts to provide aid to vulnerable sectors of the South African economy in exchange for reciprocal commitments from participating companies to contribute to the government's turnaround strategy. The document also highlighted the need to establish effective enforcement mechanisms to combat the growing problem of illegal imports and custom fraud. It recommended that risk management and invoice-analysis systems be strengthened; that dedicated units for vulnerable sectors be set up; and that high-profile arrests and prosecutions for offenders be reinforced.[72]

The Financial Action Task Force (FATF) and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) released its 2nd mutual evaluation of South Africa on 26 February 2009. The evaluation assessed South Africa's levels of compliance with the 40 recommendations since 2003 and the nine special recommendations on terrorist financing since 2001. It concluded that South Africa was largely compliant with only seven out of 49 non-complaint ratings.[73]

On 10 March 2009, the Treasury Department released a media statement outlining draft regulations related to tax incentives for new and expanding industrial policy projects. These incentives were to be enjoyed by "qualifying" projects, which would be eligible to deduct their taxable income an additional 35 percent of the costs of the investment in manufacturing assets, up to a maximum of R550 million, as well as "preferred" projects, which would be eligible to deduct an additional 55 percent, up to a maximum of R900 million. In order for a project to be afforded these incentives, and whether it achieved "qualifying" or "preferred" status, is to be determined by a grading system evaluating the following areas: energy efficiency, skills development and requirements related to investment size.[74]

South Africa has made positive efforts to review business conduct rules and strengthen cross-border cooperation; therefore it has been awarded a score of +1 for full compliance.

Turkey: +1

Turkey fully complied with its Washington commitment to review business conduct rules to protect markets and investors, and to strengthen cross-border cooperation to protect the international financial system from illicit actors.

In reaction to the global financial turmoil, on 22 November 2008 the Turkish parliament enacted Law 5811, titled The Law on Bringing in Certain Assets to the Domestic

[72] Framework for South Africa's Response to the International Economic Crisis, the Republic of South Africa (Cape Town) 19 February 2009. Date of Access: 9 July 2010. <http://www.info.gov.za/view/DownloadFileAction?id=96381>

[73] Mutual Evaluation Report – Executive Summary Re: Anti-Money Laundering and Combating the Financing of Terrorism, Financial Action Task Force 26 February 2009. Date of Access: 4 July 2010. <http://www.fatf-gafi.org/dataoecd/56/35/42390354.pdf>

[74] Draft Regulations Relating to Tax Incentives in Support of Government's Industrial Policy Strategy, Department of National Treasury 10 March 2009. Date of Access: 6 July 2010. <http://www.finance.gov.za/comm_media/press/2009/2009031001.pdf>

Economy. The law aimed at bringing to light unrecorded assets by introducing beneficial tax provisions for transferring these assets into Turkey or having these assets formally recorded. This measure was taken primarily to introduce a higher level of liquidity in the economy by reducing the number of Turkish owned assets held out of state, as well as mending the rift that existed between the formal and informal sectors of the Turkish economy.[75]

In order to qualify for these tax benefits, participating companies were required to register their unrecorded assets at a bank, financial institution, or tax office by 2 March 2009. Additionally, although no documentation for these assets was required at the time of registration, if existence of these assets could not be documented in case of a future tax inspection, the participating companies would lose their tax benefits gained under the law.[76]

Turkey's parliament approved an economic stimulus package in February 2009. Under its provisions, the government was given the power to reduce taxes on corporate investment by up to 90 percent, and to cut taxes in textiles and retail clothing by 75 percent for a five-year period, provided participating companies move their plants to certain cities. These measures were meant to encourage economic growth by promoting a higher level of corporate investing, as well as spread the manufacturing sector across Turkey, respectively.[77]

In March 2009, Turkey enhanced its anti-money laundering (AML) regime to ensure that banks, stockbrokers, insurance and pension companies complied with international standards. The new legislation called on financial institutions and other affiliated units to introduce compliance programmes to combat the threat of money laundering. It required that firms develop institutional policies and procedures, carry out risk management activities, and monitor and control activities. Firms were also required to put in place training schemes for staff and bolster internal control mechanisms.[78]

The Turkish government took steps to both review business conduct rules and strengthen cross-border cooperation following the Washington summit. Thus, Turkey has been awarded a score of +1 for full compliance.

United Kingdom: +1

The United Kingdom fully complied with the commitment made in Washington to review business conduct and strengthen cross-border cooperation to protect against illicit actors.

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[75] Overview of Measures to Reinvigorate the Economy, Ernst & Young November 2008. Date of Access: 13 July 2010. <http://www.ey.com/GL/en/Services/Tax/Worldwide_fiscal_stimulus---Turkey>

[76] Overview of Measures to Reinvigorate the Economy, Ernst & Young November 2008. Date of Access: 13 July 2010. <http://www.ey.com/GL/en/Services/Tax/Worldwide_fiscal_stimulus---Turkey>

[77] Factbox: Europe's Fiscal Stimulus Plans, Reuters 16 February 2009. Date of Access: 13 July 2010. < http://www.reuters.com/article/idUSLG71844920090216>

[78] Turkey puts Tougher AML Regime in Place in Response to FATF Criticism, Bankers Almanac 23 March 2009. Date of Access: 20 July 2010. < http://www.bankersalmanac.com/addcon/news/Turkey-puts-tougher-AML-regime-in-place-in-response-to-FATF-criticism.aspx>

In December 2008, days after the Mumbai terror attacks, Prime Minister Gordon Brown, following a meeting with Indian Prime Minister Singh, stressed the importance of enhanced international cooperation to counter terrorism. Prime Minister Brown called on all countries to come together to stop the financing and providing of safe havens for terrorists. President Brown stated: "The whole world will have to come together to make sure that there is no safe haven and place to finance terrorism… We have got to expose the perverse and unacceptable messages sent out by terrorist groups."[79]

On 19 January 2009, Prime Minister Brown unveiled a bailout package for British financial institutions. The January bailout deepened the government's financial pledge toward the re-capitalization of British banks, as well as extended the time period over which the bailout plan was to be in effect.[80] In order to qualify for funding from the packages, participating financial institutions were obligated to accept restrictions on their conduct, including increasing their capital ratios, and having executive compensation, dividend payments and lending practices subject to approval by the British government.[81]

On 13 February 2009, finance ministers gathered in Rome for a G7 meeting to discuss the global economic crisis. Finance Minister Alistair Darling joined with his counterparts in calling for a unification of financial regulations and tougher standards on transparency and propriety of international business.[82]

On 18 February 2009, Brown set his sights on a coordinated international crackdown on tax havens. Her Majesty's Revenue and Customs Agency estimated that the size of the tax gap could be anywhere between £3.7 billion and £13 billion.[83] Speaking to delegates from the EU, Brown affirmed his commitment to taking "action against regulatory and tax havens in parts of the world which have escaped the regulatory attention they need".[84]

On 15 March 2009, Brown called for tougher domestic and international regulation of the financial system, based on five core principles: transparency of accounting methods and markets, accountability of company directors, responsible risk-taking with an aim beyond short-term benefits, prudential regulation on the financial system, and international co-

[79] Brown Calls for Global Cooperation on Terror, The Financial Express (New Helhi) 15 December 2008. Date of Access: 5 July 2010. <http://www.financialexpress.com/news/brown-calls-for-global-cooperation-on-terror/398441/>

[80] A New British Bailout, Forbes 19 January 2009. Date of Access: 23 May 2010. <http://www.forbes.com/2009/01/19/bailout-britain-banks-markets-equity-cx_vr_0119markets06.html>

[81] Britain Announces Huge Bank Bailout, NYT (London) 8 October 2008. Date of Access: 15 May 2010. <http://www.nytimes.com/2008/10/09/business/worldbusiness/09britain.html>

[82] G7 meeting in Rome, The London Summit 2009 February 2009. Date of Access: 14 August 2010. <http://www.londonsummit.gov.uk/en/summit-aims/timeline-events/13-feb-rome>

[83] Brown Targets Switzerland in Global Tax Haven Crackdown, Guardian.co.uk 19 February 2009. Date of Access: 23 May 2010. <http://www.guardian.co.uk/business/2009/feb/19/gordon-brown-tax-avoidance-switzerland>

[84] Gordon Brown Says World Must 'Take Action' on Tax Havens, Telegraph.co.uk 19 February 2009. Date of Access: 23 May 2010. <http://www.telegraph.co.uk/finance/personalfinance/consumertips/tax/4695513/Gordon-Brown-says-world-must-take-action-on-tax-havens.html>

operation to supervise international business. Prime Minister Brown stressed that in the face of a changing global economy, the British system of financial regulation had to change as well.[85]

Following the Washington summit, Prime Minister Brown acted to review business conduct through the passing of a bailout package and to strengthen cross-border cooperation through denouncing terrorist financing and tax havens. Thus Britain has been awarded a score of +1 for full compliance.

United States: +1

The United States fully complied with its Washington commitment to review business conduct rules to protect markets and investors and strengthen cross-border cooperation to protect the international financial system from illicit actors.

On 19 December 2008, President George W. Bush approved a bailout for the U.S. auto industry, specifically General Motors and Chrysler. The bailout involved two separate rounds of fund injections totaling $17.4 billion over the following two months.[86] Stipulations attached to the funds included a limitation on executive compensation, the surrendering of significant autonomy by having large transactions subject to government approval, and the release of company books and records for examination.[87]

In February 2009, Timothy Geithner represented the US at the G7 finance ministers' meeting in Rome. Improving the regulation of banks and financial markets was at the core of the agenda. Leaders agreed to develop a set of common rules on propriety, integrity and transparency of international financial activity.[88] Geithner underscored this commitment in his defense of the newly passed bank rescue plan, stating that its framework was designed to provide greater transparency to the financial system.[89]

Upon taking office, President Barack Obama made regulatory reform one of his first items for review. On 25 February 2009, Obama and Treasury Secretary Timothy Geithner held a meeting with the Chairmen and highest-ranking Republicans on the Senate Banking, Housing and Urban Affairs Committee and the House Financial Services Committee. After the meeting, Obama laid out seven key principles for transforming the nation's regulatory system. He called for the enforcement of strict oversight of financial

[85] Gordon Brown: Why We Need Tougher Regulation of our Financial System, Telegraph.co.uk 15 March 2009. Date of Access: 23 May 2010. <http://www.telegraph.co.uk/news/newstopics/politics/gordon-brown/4990812/Gordon-Brown-Why-we-need-tougher-regulation-of-our-financial-system.html>
[86] Bush Sets $17.4 Billion In Loans For Automakers, NPR 19 December 2008. Date of Access: 31 May 2010. <http://www.npr.org/templates/story/story.php?storyId=98498125>
[87] President Bush Discusses Administration's Plan to Assist Automakers, The White House (Washington) 19 December 2008. Date of Access: 10 May 2010. <http://georgewbush-whitehouse.archives.gov/news/releases/2008/12/20081219.html>
[88] G7 meeting in Rome called for joint action on present crisis, The Baltic Course (Denmark) 16 February 2009. Date of Access: 14 August 2010. <http://www.baltic-course.com/eng/baltic_states/?doc=9890>
[89] Statement by Secretary Geithner at the G7 Meeting in Rome, Italy, America.gov 14 February 2009. Date of Access: 16 August 2010. <http://www.america.gov/st/texttrans-english/2009/February/20090218181341xjsnommis4.764956e-02.html&distid=ucs>

institutions that posed a systemic risk; encouraged the financial system to be more open and transparent, and to speak in "plain language" that investors could understand; that market players be accountable; and that U.S. financial regulations be comprehensive.[90]

On 23 March 2009, President Obama stressed the need for collective action to reform global financial regulatory systems, writing "The United States is ready to lead, and we call upon our partners to join us with a sense of urgency and common purpose." He iterated that only through cooperative action could countries hope to tackle irresponsible risk taking, a lack of a proper business disclosure mechanism, offshore tax havens and money laundering on a global scale.[91]

In March 2009, U.S. Treasury Secretary Timothy Geithner called for a radical overhaul of the American financial system, with the aim of preventing a repeat of the financial crisis. He highlighted the importance of reigning in executive compensation and bringing large hedge funds, private equity firms and derivatives markets under government supervision in order to implement new regulatory rules. These rules included requiring large hedge funds, private equity firms and venture capital funds to register with the Securities and Exchange Commission (SEC), subjecting them to new disclosure requirements and inspections by the watchdog's staff. At the SEC's direction, firms could be ordered to raise capital or curtail borrowing if deemed necessary by an appointed systemic regulator. Greater restrictions on the operations of money-market mutual funds and tighter controls on the over-the-counter derivatives market, pushing for the standardized use of this market through a centralized clearinghouse, were also called for.[92]

The United States took action to review business conduct rules and strengthen cross-border cooperation following the Washington summit. The U.S. has been awarded a score of +1 for full compliance as a result.

European Union: +1

The European Union fully complied with its Washington commitment to review business conduct rules to protect markets and investors, and to strengthen cross-border cooperation to protect the international financial system from illicit actors.

On 15 January 2009, high-profile experts convened to discuss cooperative solutions to the global financial crisis at a meeting of the Transatlantic Economic Council.

[90] Overhaul, The White House (Washington) 25 February 2009. Date of Access: 10 May 2010. <http://www.whitehouse.gov/blog/2009/02/25/overhaul>

[91] A Time for Global Action, Chicago Tribune 24 March 2009. Date of Access: 11 May 2010. <http://www.chicagotribune.com/news/chi-oped0324obamamar24,0,103411.story>

[92] Treasury Maps New Era of Regulation, WSJ (Washington) 27 March 2009. Date of Access: 11 May 2010. <http://online.wsj.com/article/SB123811201096853207.html>

Participants agreed that prudential business regulation was necessary to prevent credit crunches.[93]

On 22 January 2009, the European Commission proposed a European Private Company statute, aimed at facilitating the establishment and running of businesses across borders. This was done by introducing criteria that obliged entrepreneurs to declare their intentions to open businesses in at least two EU member states.[94]

The European Commission, the European Council, the European Economic and Social Committee and the Committee of the Regions released a communication in January 2009, dedicated to reviewing business regulation in the EU. The communication included recommendations to improve existing legislation by making it more accessible and less weighed down by administrative burdens. One recommendation was the modernization of EU customs legislation. In addition, the commission made efforts to improve the quality of new regulatory initiatives by underscoring accountability and transparency in the business sector. The communication also made clear the fact that the focus of regulation must be to extend its reach globally, and therefore cooperative regulatory agreements must be reached between the EU, its member-states, and its trading partners.[95]

On 22 February 2009, EU leaders came to an agreement to back oversight of the world's financial markets and products, including hedge funds, and called for a clampdown on tax havens. This agreement was part of a EU effort to guard against financial actors deemed to pose a systemic risk to the stabilization of the economy. According to a joint statement, the EU leaders "underscored once again the conviction that all financial markets, products and participants must be subject to appropriate oversight or regulation, without exception and regardless of their country of domicile."[96]

Thus, the European Union has been awarded a score of +1 for its significant action on reviewing business conduct rules and strengthening cross-border cooperation in the given time frame.

[93] Experts: EU-US Must Find Regulatory Responses to Ease Crisis, EurActiv 20 January 2009. Date of Access: 5 June 2010. <http://www.euractiv.com/en/priorities/experts-eu-us-find-regulatory-responses-ease-crisis/article-178606>

[94] EU Company Statute Clears First Legislative Hurdle, EurActiv 22 January 2009. Date of Access: 5 June 2010. <http://www.euractiv.com/en/innovation/eu-company-statute-clears-legislative-hurdle/article-178710>

[95] Third Strategic Review of Better Regulation in the European Union, Commission of the European Communities (Brussels) 28 January 2009. Date of Access: 5 June 2010. <http://ec.europa.eu/governance/better_regulation/documents/com_2009_0015_en.pdf>

[96] EU Leaders to Push Financial Regulation at G20, EurActiv 23 February 2009. Date of Access: 5 June 2010. <http://www.euractiv.com/en/euro/eu-leaders-push-financial-regulation-g20/article-179662>