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Global reach
Local knowledge

Global Benchmark Complexity Index 2015

A global study of corporate secretarial governance

February 2016

Contents

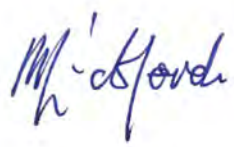
Foreword

This **Global Benchmark Complexity Index 2015** sets out the results of the survey conducted across TMF Group offices around the world. The survey is the third such study of its kind and it repeated the questions posed in earlier surveys in order to investigate and rank jurisdictions according to their complexity from a corporate secretarial perspective.

This study condenses the subject of corporate secretarial complexity into a measureable benchmark, allowing a comparison of the information gathered and also an insight into why certain jurisdictions are more complex than others.

The study this year included 20 additional jurisdictions, increasing the total number of jurisdictions covered by the study to 95. The addition of these new jurisdictions provides further depth to the study and enhances its global scope. Notable additions include Lebanon, which entered this year's ranking at number 8, and Trinidad and Tobago which ranked number 92.

In addition to providing the 2015 jurisdictional ranking, the study also summarises and comments upon regional differences in complexity, providing insight into the factors which influence complexity in corporate secretarial compliance around the world.



Matthew Eckford
Director – International Entity Management

Executive Summary

In-house secretariat and legal teams are increasingly having to 'do more with less'. This often over-used maxim is still as pertinent as ever, as new compliance requirements are added to an already long list of duties and obligations.

There are two broad factors driving the increased level of compliance activities.

1 The first is that governments are creating additional layers of compliance as they continue to demand that corporates provide them with more information about their corporate structures and their activities. Certain jurisdictions are attempting to reduce 'red-tape' but, on the whole, most jurisdictions are demanding more compliance-related information.

2 The second factor is the increasing interconnectivity of the departments within governments, as they improve their internal effectiveness by actively sharing information. During recent years there has also been significant international collaboration between governments as they look to share information to combat money laundering and other illicit activities and to close tax loopholes. As a result, the pace of business is quickening, with the demand for accurate information across a multinational's group structure increasingly becoming a priority for the board.

The uncertain economic environment coupled with an ever-increasing compliance workload mean that in-house teams are often unable to cover adequately all areas of compliance. As a result, resources need to be deployed carefully. This drive for efficiency and an increasing demand for real-time information underpin the need for multinational companies to source accurate global information.

The Global Benchmark Complexity Index 2015 provides a valuable source of information for in-house teams who need to understand and predict where annual company secretarial compliance may be challenging. This is particularly acute when a multinational is considering expansion into new jurisdictions. An appreciation of a jurisdiction's complexity informs the timescale to set up a legal entity, the timescale for that entity to be operationally ready, the level of technical expertise required during the establishment phase and the effective performance of ongoing compliance obligations in that jurisdiction once the entity has been established.

Measuring company secretarial complexity is not an exact science; however, the empirical methodology used by this study provides a factual and unique overview of jurisdictional complexity.

Study methodology 2015

The data for the study has been collected from TMF Group corporate secretarial experts based in more than 120 offices around the world. The objective questions were designed to elicit a binary 'Yes' or 'No' response to each of the 20 questions, whereas the 10 subjective questions sought to understand the level of agreement or disagreement with a number of statements.

The study collated and ranked the objective and subjective questions to determine a jurisdiction's complexity in relation to its global peers. To provide a comparison, the same objective and subjective questions that were used in previous years were used, as well as questions on compliance related topics trending in each jurisdiction. Our local teams work closely with multinational companies, providing them with a wide range of compliance and administrative services, and this local insight into the challenges faced by clients has added a new dimension to the study.

In line with the approach taken in both the 2013 and 2014 studies, this study did not take into consideration the actual time taken to perform the compliance activities. As such, an annual 30-page submission that is submitted to the authorities in local language and in triplicate carries no more weight than a comparative submission of 2-pages.

It is acknowledged that the specific questions chosen for the study inherently affect the benchmark ranking of any particular jurisdiction and that a different set of questions may have resulted in a different ranking on the Global Benchmark Complexity Index.

Key findings

Top 10 most complicated jurisdictions in which to manage corporate secretarial governance in 2015.

In previous years, the jurisdictions in Latin America have dominated the rankings of the most complex jurisdictions. However, in 2015 this has changed.

- Argentina retains its #1 ranking as the most complex jurisdiction.
- Indonesia ranks #2 with Colombia and the United Arab Emirates following closely behind at #3 and #4 respectively.
- China has increased its ranking by seven places in this year's study from #12 to #5 position.
- Mexico remains unchanged at #6.
- Lebanon joins the top 10 ranking as a new entrant at #8. Lebanon's entry into the top 10 displaces both Brazil and Nicaragua which are now ranked #10 and #11 respectively.

Indonesia's rise to second position is not a surprise. Its legal system lags behind its regional peers and it suffers from a high level of disjointed government bureaucracy. By way of example, in 2015 the government reduced the permit to stay for foreigners to six months. Although this may appear to be a minor change by one government department, it was highly disruptive for foreign-owned businesses, their senior management and their respective families, forcing them to leave and re-enter the country to renew their permits. This example illustrates typical challenges in Indonesia and reinforces the need for experienced local assistance with:

- **local knowledge,** to navigate the respective government departments;
- **local expertise,** to effectively draft and submit documents; and
- **local representation,** to facilitate the submissions to the authorities.

It is likely that Indonesia will continue to feature prominently in our Complexity Benchmark Index as the development of its legal systems and associated infrastructure continues to fall behind its peers.

In previous years, jurisdictions in the Americas have dominated the top 10. This year the top 10 ranking comprises jurisdictions from numerous regions around the world, indicating that complexity is not linked to a specific region, but stems from certain characteristics of the jurisdictions themselves. All these jurisdictions share common traits which underpin their complexity.

Civil vs Common Law

With the exception of China and the United Arab Emirates, all the jurisdictions in the top 10 have a civil law based legal system. Although these countries are based on civil law, they all developed independently; the development of the law in each jurisdiction has been shaped by the specific political and religious influences in each jurisdiction.

In general terms, the development of legal systems in the 10 most complicated jurisdictions are plagued by limited investment, and lack the necessary legal infrastructure to support a robust corporate governance environment. These legal systems also lack harmonisation having developed without the supra-regional organisational oversight that is more prevalent in European and Commonwealth countries.

Although difficult to directly attribute complexity to political instability, the majority of the jurisdictions in the top 10 do currently face considerable political instability. Political instability affects all aspects of an economy and a country's legal infrastructure, again impacting the creation and maintenance of a stable corporate governance environment.

Global Complexity Index 2015

The broad range of regions covered by the most and the least complex jurisdictions indicates that jurisdictional complexity is not affected by geographical location. The complexity of a particular jurisdiction is more heavily influenced by the legal system adopted, as this affects how legal entities in that jurisdiction are managed and regulated by authorities. As previously noted, the majority of jurisdictions in the top 10 have civil law based legal systems.

The adoption of a particular legal system within a jurisdiction is usually deeply rooted in that country's history, especially if subjected to colonisation or occupation. As a result, neighbouring countries can have quite similar or entirely distinct systems of law.

The formation of the European Union and creation of the European Court of Justice have harmonised large areas of law within Europe; however, European countries still have a high degree of autonomy to individually define how legal entities are administered in their own jurisdiction and to a greater extent, continue to follow their historical preferences.

The following analysis has been undertaken on a regional basis and comments upon the factors in 2015 that have affected the complexity of corporate secretarial activities in certain jurisdictions.

	2015 Ranking	2014 Ranking	Country	Ranking variance (+/-)
	1	1	Argentina	0
▲	2	9	Indonesia	7
▲	3	21	Colombia	18
	4	4	United Arab Emirates	0
▲	5	12	China	7
	6	6	Mexico	0
▼	7	3	Bolivia	-4
	8		Lebanon	New
▲	9	10	Thailand	1
▼	10	2	Brazil	-8
▲	11	17	Nicaragua	6
▼	12	11	Japan	-1
▲	13	43	Hungary	30
▼	14	5	South Korea	-9
	15	15	Malaysia	0
	16	16	Peru	0
▼	17	7	Poland	-10
	18	18	Venezuela	0
▲	19	40	Switzerland	21
	20		Macedonia	New
	21		Myanmar	New
	22	22	Taiwan	0
▲	23	60	Austria	37
	24	24	Kazakhstan	0
▲	25	44	India	19
	26	26	Russia	0
	27	27	Croatia	0
	28	28	Egypt	0
▼	29	8	Paraguay	-21
▼	30	13	Philippines	-17
	31		Albania	New
	32	32	Turkey	0
	33		Belarus	New
	34	34	Dominican Republic	0
	35	35	France	0
	36		Morocco	New
▼	37	19	Chile	-18
	38	38	Guatemala	0
	39	39	Costa Rica	0
▼	40	20	Ecuador	-20
▲	41	51	Israel	10
▲	42	59	Singapore	17
▼	43	25	Ukraine	-18
▼	44	14	Vietnam	-30
	45		Lithuania	New
	46		Nepal	New
	47	47	Bermuda	0
▼	48	31	Belgium	-17
▼	49	45	Czech Republic	-4
▼	50	41	El Salvador	-9
▲	51	63	Italy	12
▼	52	33	Romania	-19
▼	53	42	Slovakia	-11
▼	54	37	Sweden	-17
▼	55	29	Uruguay	-26
▼	56	53	United States of America	-3
	57		Canada	New
	58		Greece	New
	59		Pakistan	New
▼	60	23	Honduras	-37
▲	61	81	Jersey	20
▼	62	55	Norway	-7
▼	63	49	Serbia	-14
▼	64	48	Spain	-16
	65		Bangladesh	New
	66		Estonia	New
	67		Portugal	New
	68	68	Netherlands	0
▼	69	65	Bulgaria	-4
	70	70	Denmark	0
▼	71	67	Cayman Islands	-4
▼	72	36	Cyprus	-36
▼	73	46	Finland	-27
	74	74	United Kingdom	0
▼	75	50	Germany	-25
▼	76	57	Luxembourg	-19
▼	77	69	Mauritius	-8
▼	78	52	Panama	-26
▼	79	62	Slovenia	-17
	80		Georgia	New
	81		Sri Lanka	New
▼	82	58	Curacao	-24
▼	83	66	Malta	-17
▼	84	61	South Africa	-23
	85		Iceland	New
	86		Azerbaijan	New
▼	87	76	Australia	-11
▼	88	73	Barbados	-15
▼	89	80	Hong Kong	-9
▼	90	64	Labuan	-26
▼	91	72	New Zealand	-19
	92		Trinidad and Tobago	New
	93		Latvia	New
▼	94	71	British Virgin Islands	-23
▼	95	79	Ireland	-16

▲ Up (more complex)
▼ Down (less complex)

Europe, the Middle East and Africa

	2015 Ranking	2014 Ranking	Country	Ranking variance (+/-)
	4	4	United Arab Emirates	0
	8		Lebanon	New
▲	13	43	Hungary	30
▼	17	7	Poland	-10
▲	19	40	Switzerland	21
	20		Macedonia	New
▲	23	60	Austria	37
	24	24	Kazakhstan	0
	26	26	Russia	0
	27	27	Croatia	0
	28	28	Egypt	0
	31		Albania	New
	32	32	Turkey	0
	33		Belarus	New
	35	35	France	0
	36		Morocco	New
▲	41	51	Israel	10
▼	43	25	Ukraine	-18
	45		Lithuania	New
▼	48	31	Belgium	-17
▼	49	45	Czech Republic	-4
▲	51	63	Italy	12
▼	52	33	Romania	-19
▼	53	42	Slovakia	-11
▼	54	37	Sweden	-17
	58		Greece	New

	2015 Ranking	2014 Ranking	Country	Ranking variance (+/-)
▲	61	81	Jersey	20
▼	62	55	Norway	-7
▼	63	49	Serbia	-14
▼	64	48	Spain	-16
	66		Estonia	New
	67		Portugal	New
	68	68	Netherlands	0
▼	69	65	Bulgaria	-4
	70	70	Denmark	0
▼	72	36	Cyprus	-36
▼	73	46	Finland	-27
	74	74	United Kingdom	0
▼	75	50	Germany	-25
▼	76	57	Luxembourg	-19
▼	77	69	Mauritius	-8
▼	79	62	Slovenia	-17
	80		Georgia	New
▼	83	66	Malta	-17
▼	84	61	South Africa	-23
	85		Iceland	New
	86		Azerbaijan	New
	93		Latvia	New
▼	95	79	Ireland	-16

▲ Up (more complex)
▼ Down (less complex)

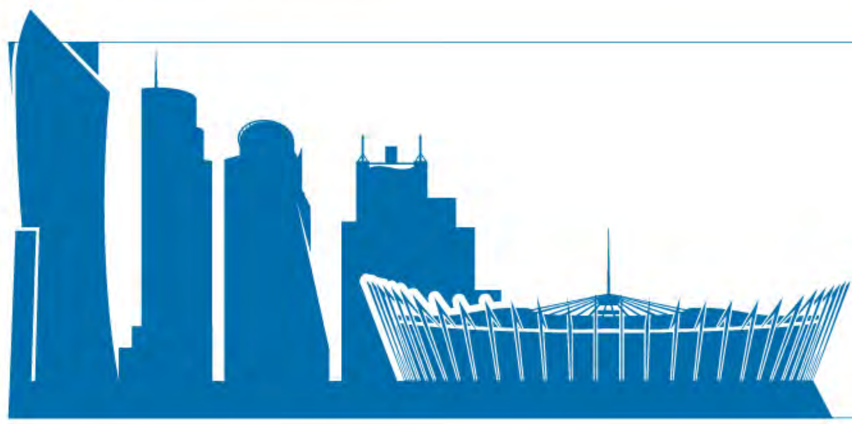
United Arab Emirates 4

The new Companies Law 2015 came into effect on 1 July 2015. This law applies to all businesses in the UAE and implements changes in company structure, voting rights, as well as changes for boards of directors.

During the year the **government has also implemented a number of initiatives** to increase the number of documents that are electronically submitted to the authorities.

Undertaking corporate secretarial activities in the Emirates has traditionally been a significant challenge, as each of the separate Emirates has its own customs, legislation and regulatory processes. **The creation of electronic portals should harmonise the compliance requirements across the Emirates;** however in practice, during their initial development and roll-out phases, these types of electronic portals often increase complexity and the time taken to successfully submit corporate secretarial forms.

In addition, **a new financial free trade zone in Abu Dhabi has been established** and it is expected to attract a significant amount of new business as it is possible to incorporate a legal entity that is wholly owned by a foreign corporation.



Poland 17

New legislation relaxes the requirement for the specimen signatures of management board members to be lodged with the authorities and is replaced by a relevant statement from a competent board member. In addition, each board member is required to inform the court register of their residential address.

With effect from 1 January 2016, **new transfer pricing requirements** came into effect requiring requisite documentation to be prepared on a current valuation basis.

This jurisdiction has always been considered complex, however the **changes in the Commercial Companies Code have reduced formalities and helped to streamline the procedures** for amending the registration of commercial companies.

35 France

In a similar way to other Western jurisdictions, France is **implementing online and automated processing of compliance annual submissions.** As an example, all tax declarations are now required to be filed online, with most tax payments made by electronic direct debit.

The **restrictions on director appointments have been eased** as the requirement that directors be EU nationals has also been rescinded.

OECD report release: This year has seen the long-awaited release of the OECD report on base erosion and profit-shifting (BEPS). It is likely that these changes will take time to be fully adopted by the respective European governments and applied in practice, but it is evident that there will be a shift in the behaviour of the tax authorities and tax payers as they adapt to the new regime.

The Netherlands 68

In addition to BEPS, **exchange of (tax and financial) information,** such as FATCA and the Common Reporting Standard (CRS) laws issued by the Dutch legislator have all had significant impact on compliance activities in the Netherlands.

The implementation of these pieces of legislation is **expected to have a positive effect on commerce** in the Netherlands, although in particular cases the administration and complexity burden will increase.

The importance of this jurisdiction for effective tax planning means that even small changes in compliance may have a significant knock-on effect to a multinational corporate.

One of these changes relates to codification of the arm's length principle (for Transfer Pricing) which has resulted in a distinction between cross-border and domestic transactions and in an increased demand for TP studies and reports.

Luxembourg 76

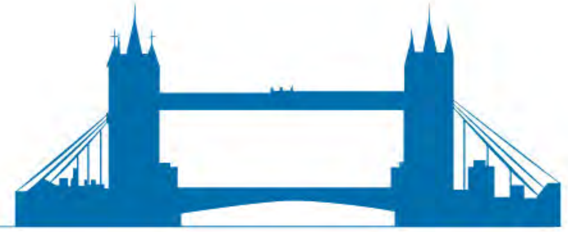
Although there are a number of regulatory compliance obligations in Luxembourg, this jurisdiction's relatively low complexity ranking in relation to corporate secretarial activities indicates that it has a **highly developed and codified regime**.

Looking forward to 2016, it is likely that Luxembourg will be impacted by the **implementation of the BEPS legislation**, which could result in an increased demand for HR/payroll solutions, physical office space and corporate/economic substance requirements for Luxembourg holding and finance companies.

Regulatory changes are likely to be in the spotlight during the year as **traditional holding and financing structures will need to adapt to these new regulations.**

United Kingdom 74

The United Kingdom continued to reduce its corporate secretarial complexity and last year the **Small Business, Enterprise and Employment Act 2015** came into force.



Looking forward to 2016, **corporate entities acting as directors of companies** will come into force. Corporate directors will have a period of time to resign (and perhaps be replaced by a natural person). This is scheduled to be effective from October 2016.

Additionally, in the year ahead, **annual returns will be abolished** and replaced with a statement filed at least once a year confirming that the publicly disclosed information on the company is correct. Companies will have the option of holding their statutory registers at Companies House and statements of capital filed at Companies House will no longer need to show the amount paid up on each share.

Two significant changes are worth highlighting: the use of bearer shares has been banned and companies are now required to maintain a register of beneficial ownership.

Both of these changes may increase corporate secretarial complexity; however the simplification of electronic submissions to the Registrar of Companies should offset such increase.

Ireland

WORLD'S LEAST COMPLEX JURISDICTION 2015

During 2015 a **new companies act** was enacted which consolidated all historical company law legislation. The changes to company law further support the government's intention to reduce the complexity and to provide a favourable business environment. Some of the notable changes include:

- **A single constitutional document** that replaces the Memorandum and Articles of Association;
- **No objects clause** is required for most entities – where one is required for commercial purposes a new company type was introduced;
- **Exemption extension** – An extension of the small company's audit exemption to small groups;
- **Abolishment of the requirement of authorised share capital** for private limited liability companies;
- **The minimum number of directors was reduced from two to one** (Directors in Ireland must be natural persons and may be non-resident);
- **No AGM required** – New companies may opt to dispense with the requirement to hold an annual general meeting.

The Americas

1 Argentina	2 Indonesia	3 Colombia	4 UAE	5 China
6 Mexico	7 Bolivia	8		10 Brazil

	2015 Ranking	2014 Ranking	Country	Variance in ranking (+/-)
	1	1	Argentina	0
▲	3	21	Colombia	18
	6	6	Mexico	0
▼	7	3	Bolivia	-4
▼	10	2	Brazil	-8
▲	11	17	Nicaragua	6
	16	16	Peru	0
	18	18	Venezuela	0
▼	29	8	Paraguay	-21
	34	34	Dominican Republic	0
▼	37	19	Chile	-18
	38	38	Guatemala	0
	39	39	Costa Rica	0
▼	40	20	Ecuador	-20
	47	47	Bermuda	0
▼	50	41	El Salvador	-9
▼	55	29	Uruguay	-26
▼	56	53	United States of America	-3
	57		Canada	New
▼	60	23	Honduras	-37
▼	71	67	Cayman Islands	-4
▼	78	52	Panama	-26
▼	82	58	Curacao	-24
▼	88	73	Barbados	-15
	92		Trinidad and Tobago	New
▼	94	71	British Virgin Islands	-23

Half

of the top 10 most complex jurisdictions are in the Americas

▲ Up (more complex)
▼ Down (less complex)

Argentina

This jurisdiction has retained its position as the **most complicated for the last three years.** Although the most complicated, the jurisdiction has experienced significant change during 2015.

The new Civil and Commercial Code came into force and unified both civil and commercial aspects of private law regulation, stipulating more objectives and principles. Effective since 3 August 2015, the Civil and Commercial Code has significantly overhauled trust regulation (namely the Trust and Tenement Finance Act) and modified others such as the Commercial Corporate Act and the Consumer Safety Act.

In terms of the effect on complexity, the **significant overhaul of the trust legislation and its application to trustee assignments attempts to reduce complexity and promote confidence.** The implementation of the legislation will reduce complexity and will also be attractive to private individuals as it provides a secure legal framework, supporting the future development of the trust industry. Nonetheless, it is still early days, and the confusing procurement clauses set out in the regulations could complicate the fulfilment of the trustee functions on a day-to-day basis. Other issues with the new laws may arise as the legislation is implemented in practice and therefore the immediate effect of the legislation may actually increase complexity in the short term.

The amendment to the Commercial Corporate Act also implements significant changes to commercial companies, creating a new legal structure which can be owned by a single shareholder (sole shareholder corporation 'SAU'). This is an important development for corporate secretarial complexity as **it allows a multinational company to own the entire share capital of a legal entity in Argentina.** Whilst this addresses the complication of minority shareholdings, the new structure does still require at least three directors and three supervisory auditors.

Colombia 3

The implementation of **sweeping tax reform across Colombia has had little effect on complexity** and in part adds to the high complexity ranking of this jurisdiction.

TAX

Certain tax and corporate **benefits such as 1429 Act were removed from companies decreasing important investment incentives** for new businesses.

Additionally, the UGPP (Parafiscal and Pension Management Unit) has added the compliance burden for multinational companies by undertaking extensive audits and imposing severe penalties.

On a positive note, the prominence of the **Pacific Alliance** has gained importance, engendering more cooperation in the region and confidence in the economy.

The Colombian government is also very confident in certain infrastructure projects (including the roll out of 4G).

Mexico 6

Mexico retains its ranking at number 6. **The Mexican government has implemented a series of reforms** that impact the telecommunications, energy, tax, financial, education and labour sectors, yet the underlying causes of complexity (bureaucracy and red tape) still exist.

Although complex, the opportunity to make a savvy investment in Mexico exists and the jurisdiction is **ranked within the top 10 most attractive countries for investors worldwide.**

Brazil 10

There are signs of reform as the **government looks to implement efficiency in relation to corporate income tax and payroll**, with both areas of compliance taking advantage of electronic submissions during 2016.

The **country's inflation rate is at a 12 year high of 9.5% and the Brazilian Real has almost halved in value to the US Dollar.** Although these factors do not directly affect the complexity, they are indicative of an economy under strain and as such, it is unlikely that the government will be able to implement the necessary reforms to improve its complexity ranking in the short to medium term.

Peru 16

Peru retains its position at number 16. According to the IMF, the Peruvian **economy is expected to grow at the fastest rate of all Latin American jurisdictions in 2016**. But the presidential elections in April 2016 may create some political uncertainty that could affect business forecasts.

Chile 37

Although certain reforms were implemented in September 2015, their effect is still to be accurately measured; however, this jurisdiction has significantly improved its complexity ranking since last year and enjoys a position lower than many of its peers.

USA 56

The United States enjoys a ranking in the middle of the complexity index. This ranking belies the complexity of corporate secretarial activities as it is easy to overlook the state level regulation, whereby **doing business across 50 different states effectively means working with 50 different regulatory systems**.

The increase in e-commerce has exacerbated business complexity as commercial activity may be inadvertently undertaken in states where a corporation has no physical presence and no idea that they have triggered compliance requirements with the Division of Corporation or Local Tax Division.

Asia Pacific

For the second year,

the same five jurisdictions remain the **most complex** in Asia Pacific.

2	5	9	12	14
Indonesia	China	Thailand	Japan	South Korea

	2015 Ranking	2014 Ranking	Country	Variance in ranking (+/-)
▲	2	9	Indonesia	7
▲	5	12	China	7
▲	9	10	Thailand	1
▼	12	11	Japan	-1
▼	14	5	South Korea	-9
	15	15	Malaysia	0
	21		Myanmar	New
	22	22	Taiwan	0
▲	25	44	India	19
▼	30	13	Philippines	-17
▲	42	59	Singapore	17
▼	44	14	Vietnam	-30
	46		Nepal	New
▼	59		Pakistan	New
	65		Bangladesh	New
▼	81		Sri Lanka	New
▼	87	76	Australia	-11
▼	89	80	Hong Kong	-9
▼	90	64	Labuan	-26
▼	91	72	New Zealand	-19

▲ Up (more complex)
▼ Down (less complex)

Indonesia (2)

Indonesia is one of the most complex jurisdictions in APAC. A single comprehensive document stating all the compliance obligations of companies does not exist. Rather the **regulations are created and administered by various different governmental departments.**

The Capital Investment Coordinating Board (Badan Koordinasi Penanaman Modal or BKPM), supervises all foreign investment activities in Indonesia. Foreign investment companies are required to obtain a **principle license** from the BKPM before undertaking commercial and certain administrative activities. Obtaining these licenses continues to be difficult as the **rules governing their approval are unclear and subject to frequent change.**

Compliance in Indonesia is particularly onerous as the laws pertaining to a legal entity are difficult to identify and the obligation to adhere to them rests upon the company itself.

China (5)

Not surprisingly China is included in the top 10 most complicated jurisdictions.

The numerous **different provinces** in China with separate regulatory regimes, combined with the variety of **different dialects** across the country are some of the elements adding to the jurisdiction's complexity.

The Chinese authorities have during the last year **combined three of the business licenses into a single license and as a result two annual submissions are no longer required** (annual inspection for enterprise code certificate, finance certificate and its statistic certificate). This statement is true for most provinces but in Beijing, for example, the Finance Bureau will separately require a Finance Annual Filing in special filing system or Finance Bureau portal.

Despite being 'open to business' China continues to be a challenging jurisdiction for a multinational company to establish a new legal entity. **Local knowledge together with expertise in the right province continues to be key to success in China.**

Thailand 9

The unstable political environment together with its highly bureaucratic government infrastructure creates **a complicated and challenging business environment.**

Its complexity ranking has changed little since last year and the data gathered indicates that there is little positive news on the horizon.

The government's infrastructure lags behind many of its peers, with little integration of government departments and many administrative processes still heavily reliant on **physical forms and completion by hand,** though they have introduced e-filing for some of these processes.

The bureaucratic approach to compliance also creates some **unusual restrictions**, for example, an accounting firm in certain parts of Thailand is unable to provide a client with a registered office address. There is no substantive reason for this restriction; it is merely one of the local nuances that add to the red tape and complexity of the jurisdiction.

Vietnam 44

This jurisdiction has significantly improved its complexity ranking since last year, **decreasing its ranking by 30 places to rank 44 in the 2015 survey.**

Vietnam has entered into a number of trade agreements during the year which have opened up huge trade opportunities for the jurisdiction. These **trade agreements are the result of the government's desire to modernise the economy** and are supported by internal reforms such as the new laws on investment and enterprise which came into effect on 1 July 2015.

The new laws **have provided a favourable investment environment for foreign investors** in certain targeted sectors (agricultural, supporting industries, education, etc.). They have significantly reduced administrative processes and have fast-tracked the applications by foreign enterprises to establish new companies.

The jurisdiction still has its challenges but there seems to be a positive ground-swell of support for improving efficiency and reducing complexity. Looking ahead, 2016 offers the possible agreement of further trade agreements and **new laws reforming corporate income tax.**

Singapore 42

The recent implementation of the **Companies (Amendment) Act 2014** has ensured Singapore's **exemplary good corporate governance record** and its position as a **global business hub is maintained**.

The objective of the Amendment includes **reducing regulatory burden on companies, promoting greater business flexibility and ensuring accountability and transparency.**

- The **maximum age restriction for directors has been removed** and **senior management no longer have to publicly disclose their residential addresses.**
- The Accounting and Corporate Regulatory Authority (ACRA) will be responsible for maintaining the statutory register of members of every private company and **a new broader criteria for exemption from statutory audit has been introduced** for small and medium sized enterprises (SMEs).
- These SMEs will qualify as a "small" company if they can fulfil at least two of the following criteria: total revenue of not more than S$10 million; total assets of not more than S$10 million; and total number of employees of not more than 50.
- These amendments are on the leading edge of regulatory governance reform and it is not surprising that Singapore, as a relatively small centralised economy, is an early adopter.

All annual corporate secretarial submissions to the ACRA are performed via an electronic portal, known as **BizFile+** and as such are extremely efficient. However, this centralised approach to administration also fosters a degree of complexity, as **the ability to access and submit documents, is restricted to Singapore residents who are holders of SingPass.** (Singapore Personal Access is an e-service offered by the Government for Singapore residents to connect and transact with Government Authorities).

Hong Kong 89

Hong Kong's **free-market economy combined with a transparent and efficient government infrastructure** creates an enviable complexity ranking.

The changes to the Companies Act enacted in 2014 are paying dividends and the regulatory reform continued with the incremental development of the statutory minimum wage legislation and the enactment of the Competition Ordinance, which came into effect on 14 December 2015.

Subjectivity Ranking

TMF Group's local corporate secretarial experts were asked their opinion in relation to the subjective questions, set out in Annex B. These questions deliberately sought the personal opinion of the experts and their perception of the complexity of corporate secretarial activities in their jurisdiction.

The following ranking of the jurisdictions has been derived from the answers received in relation to the subjective questions.

	2015 Ranking	2014 Ranking	Country	Ranking variance (+/-)
▲	1	26	China	25
▲	2	32	Turkey	30
	3		Canada	New
▲	4	19	Malaysia	15
▲	5	14	Argentina	9
	6	6	Vietnam	0
▲	7	36	Croatia	29
▲	8	20	Ukraine	12
▲	9	40	Uruguay	31
	10		Greece	New
	11	11	Netherlands	0
	12		Myanmar	New
▲	13	49	Serbia	36
▼	14	7	Philippines	-7
▲	15	47	Mexico	32
	16	16	United Arab Emirates	0
▲	17	58	South Africa	41
▼	18	10	Spain	-8
▲	19	34	Australia	15
▲	20	48	Ecuador	28
▲	21	41	Indonesia	20
▲	22	46	Jersey	24
▼	23	2	Singapore	-21
	24		Sri Lanka	New
	25	25	United Kingdom	0
▼	26	3	Belgium	-23
▼	27	12	France	-15
▲	28	72	Italy	44
	29	29	Bolivia	0
▲	30	75	Japan	45
▼	31	15	Kazakhstan	-16
	32		Latvia	New
	33		Macedonia	New

	2015 Ranking	2014 Ranking	Country	Ranking variance (+/-)
▲	34	56	Poland	22
▼	35	13	Thailand	-22
	36		British Virgin Islands	New
▼	37	21	Colombia	-16
▲	38	60	South Korea	22
▼	39	18	Dominican Republic	-21
	40		Pakistan	New
▼	41	31	Slovenia	-10
▲	42	76	Switzerland	34
	43	43	Austria	0
▲	44	74	Taiwan	30
	45		Albania	New
	46		Azerbaijan	New
▲	47	55	Bangladesh	8
▲	48	64	Czech Republic	16
▼	49	22	Hungary	-27
▼	50	39	Labuan	-11
▼	51	23	Malta	-28
▼	52	24	Venezuela	-28
	53	53	Germany	0
	54		Belarus	New
▼	55	8	Bermuda	-47
▼	56	51	Brazil	-5
▼	57	1	Cayman Islands	-56
▼	58	35	Chile	-23
	59	59	United States of America	0
▲	60	81	Costa Rica	21
▲	61	79	Denmark	18
▼	62	52	Egypt	-10
▼	63	17	Hong Kong	-46
▼	64	5	Mauritius	-59
	65	65	Norway	0
	66		Lebanon	New

	2015 Ranking	2014 Ranking	Country	Ranking variance (+/-)
	67	67	Barbados	0
▼	68	50	Nicaragua	-18
	69	69	New Zealand	0
	70		Morocco	New
	71	71	Slovakia	0
	72		Trinidad and Tobago	New
	73	73	Romania	0
▼	74	44	Bulgaria	-30
▼	75	62	Curacao	-13
	76		Estonia	New
	77	77	Ireland	0
▼	78	4	El Salvador	-74
	79		Georgia	New
	80	80	Luxembourg	0
▼	81	30	Finland	-51
▼	82	28	Honduras	-54
▼	83	42	Guatemala	-41
	84		Nepal	New
▼	85	70	Paraguay	-15
▼	86	27	Panama	-59
	87		Portugal	New
▼	88	61	Russia	-27
▼	89	66	Sweden	-23
	90		Iceland	New
▼	91	63	Cyprus	-28
▼	92	45	Israel	-47
	93		Lithuania	New
▼	94	33	India	-61
▼	95	9	Peru	-86

▲ Up (more complex)
▼ Down (less complex)

The comparison of the 2015 subjective data with the 2014 data shows significant variance, this is not surprising, as we expected the subjective nature of the questions to produce a wide year-on-year variance.

A comparison of the subjective ranking with the objective ranking produces little correlation and indicates that there is a significant gap in the respondant's perception and the reality of complexity. Although the subjective responses are based upon corporate secretarial compliance, they are heavily influenced by the political, economic and social environment of a particular jurisdiction.

Top Global Compliance Trends

This section of the study provides an insight into the compliance topics that are trending around the world.

In a similar way to last year's study, TMF Group's local experts were asked to rank each of the compliance topics below according to how frequently the matter arose in their day-to-day business dealings with multinational clients.

It is recognised that this poll is a subjective view and is affected by numerous factors, but the summarised results across 95 jurisdictions does provide an insight of "what's hot" in global compliance.

2015		Change	2014
1	Whistleblowing	=	1
2	Bribery and Foreign Corrupt Practices Act compliance	▲	4
3	Cyber security	▼	2
4	Competition law	▼	3
5	Intellectual property	=	5
6	General regulation	▲	7
7	Data privacy	▼	6
8	Tax compliance	▼	7

The results indicated little regional variation in the frequency of trending topics, perhaps signifying the global nature of these compliance issues faced by multinational companies.

Whistleblowing programs are increasingly being implemented by multinational companies as they seek to raise their global corporate governance standards.

The ability of multinationals to identify internal weaknesses across their global operations and to be able to address them before an issue becomes public knowledge is becoming an essential part of a multinational's strategy to defend stakeholder value.

A multinational's reputation may be significantly damaged by compliance failures in any of their global subsidiaries and the prevalence of this compliance topic indicates that multinationals clearly understand the importance of whistleblowing programs to their share price.

In an ever-increasingly connected world, the importance of effectively managing corporate activities, in all forms, is particularly important for the public image of a corporate and its share price. It is therefore not surprising that **Bribery and FCPA Compliance** has increased its trending position to #2.

The increasing prevalence of Bribery and FCPA Compliance is at the expense of **Cyber Security** (#3), which may be trending less often as corporates consider that they have now effectively addressed the risk.

Conclusion

Now in its third year, the Global Benchmark Complexity Index 2015 continues its study of global company secretarial complexity.

The survey gathered a significant amount of empirical data across 95 jurisdictions and created an overview of complexity around the world. Nonetheless, the answers provided were often based upon certain assumptions that the local offices made; by way of example, the first objective question as to whether a company secretary is considered a legal officer. The answer is often binary but in certain situations the answer is coloured by local customs and nuances, requiring the local office to make an informed response based on their local knowledge and experience. In a similar way, performing annual corporate secretarial compliance often requires a judgement call and is essential to truly understand local legislative requirements.

Unintended consequences

During 2015 a few jurisdictions have enacted consolidating pieces of company law, with a view to modernise/simplify compliance activities and reduce bureaucracy. Due to the delivery of compliance services in these jurisdictions, the local TMF offices have first-hand experience of these changes and the practical implications for corporate secretarial complexity. Contrary to the intention, the legislation enacted has often the reverse effect and increases complexity by adding new processes and procedures.

Impact of technology

A number of jurisdictions have implemented electronic portals in an attempt to improve efficiency and reduce complexity of corporate submissions made to the authorities. Although the reasoning behind the implementation of these systems is sound, in practice changing a well-established procedure, even to a more efficient approach, can create short term disruption that affects a jurisdiction's complexity. In the years ahead these systems will undoubtedly provide efficiency gains and we expect the complexity of the respective jurisdictions to reduce accordingly. Yet, the complexity gap is widening between these jurisdictions and other jurisdictions that have yet to take advantage of e-portals and related digital enhancements.

In summary

- A jurisdiction's complexity is closely linked to its underlying system of law, especially civil law based systems.
- New legislation may have a positive or negative impact upon a jurisdiction's complexity and subsequent Benchmark Index ranking.
- The implementation of electronic systems may have an adverse effect on complexity initially, but we expect them to bear fruit in the years ahead.
- Local knowledge and expertise is an essential element of understanding a jurisdiction's complexity, with jurisdictional nuances fundamentally affecting the answers provided.
- Whistleblowing tops the compliance agenda of multinational's boards of directors for the second consecutive year. Bribery and FCPA Compliance replaces Cyber Security as the second most common topic of compliance.

Join the conversation

We would like to hear your views. If you would like to comment on the study or suggest questions for the 2016 study, please contact us through Twitter at **@TMFGroup**, using hashtag **#globalcomplexity**

Alternatively, if you would like to discuss the findings in general terms or in relation to specific jurisdictions, please contact us via **www.tmf-group.com**

Annex A – List of objective questions 2015

1. Is the position of corporate secretary (or similar) a legal officer of a local private limited company?
2. Are legal entity records maintained in the local language (other than English)?
3. Does local legislation state that the director and the shareholder minutes are created and maintained in the local language (other than English)?
4. Are official documents for submission to the local government authorities prepared and submitted in the local language (other than English)?
5. Does local legislation state that legal entity records (minute book, constitutional documents) have to be located in-country?
6. Do any of the directors of a local private company have to be locally resident?
7. Do the directors legally have to own shares in the company?
8. Do any of the shareholders have to be locally resident?
9. May a private company have a single shareholder?
10. Is the payment of a dividend to foreign shareholders subject to cross-border control restrictions?
11. Subject to the constitutional documents/ governing laws/ articles, can shares in a company be freely transferred from one entity to another?
12. Do provinces within your jurisdiction have different compliance requirements?
13. Is a qualification required to prepare company secretarial submissions on behalf of the legal entity to the local authorities?
14. Is private company information centrally held by the government and available to the public?
15. Is the failure to comply with company secretarial obligations subject to severe penalties (including fines of more than USD 5,000 and prison sentences for the officers for non-compliance)?
16. Do official legal entity documents require an official stamp, chop or seal to be legally effective?
17. Are official submissions to the authorities done electronically/via the internet?
18. Does the registration of a private company with the authorities take longer than two months?
19. Does the dissolution of a private company take more than six months?
20. Is the legal registered address of a private company always a physical office owned or leased by the company?

Annex B – List of subjective questions 2015

The local TMF Group offices were asked to rank the following questions between one and five depending on whether they strongly disagree, disagree, agree or strongly agree, or to mark the statement as not applicable.

1. The burden of annual corporate secretarial compliance (relative to other jurisdictions) is particularly time consuming.
2. The burden of annual corporate secretarial compliance (relative to other jurisdictions) is particularly complex.
3. The rate of adoption of new legislation affecting corporate secretarial compliance is high.
4. The corporate secretarial compliance environment/ legislation/ the authorities' attitude to compliance is strictly enforced.
5. Fines or penalties incurred for compliance failure are relatively high in relation to the offense.
6. The incorporation/ registration of a company is a simple process.
7. Appointing and resigning a director is a simple process.
8. The registration of a Power of Attorney with the government authorities is a straightforward process.
9. Regulatory burden across all areas of compliance - company secretarial, accounting, tax and legal - is higher than in other jurisdictions.
10. Annual corporate secretarial expenses to maintain a company are relatively high.