

Client Alert

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Baker McKenzie FenXun
A Leading Chinese and
International Law Joint Platform



For further information, please contact:

Mini vandePol
+852 2846 2562
mini.vandepol@bakermckenzie.com

Simon Hui
+86 21 6105 5996
simon.hui@bakermckenzie.com

Vivian Wu
+86 10 6535 3860
vivian.wu@bakermckenziefenxun.com

China's ranking improves in Transparency International's latest Corruption Perception Index

Transparency International (TI) released its 2019 Corruption Perception Index (CPI) on 23 January 2020.

TI reports that the Asia Pacific region has not witnessed substantial progress in anti-corruption efforts. With a regional average CPI score of 45 after many consecutive years of an average of 44, TI considers that there is general stagnation across the region. Nevertheless, China's global CPI ranking has improved by seven places while its CPI score improved by two points. In China, we continue to see active anti-corruption enforcement across different industries.

Our alert discusses some of the highlights of the 2019 CPI and what it means for companies doing business in China.

Highlights of the 2019 CPI

The CPI continues to be an important gauge by companies in mitigating and managing corruption risks for their businesses in foreign countries. TI's CPI remains the leading global indicator of public-sector corruption and offers a snapshot of the relative degree of corruption by ranking countries from all over the globe.

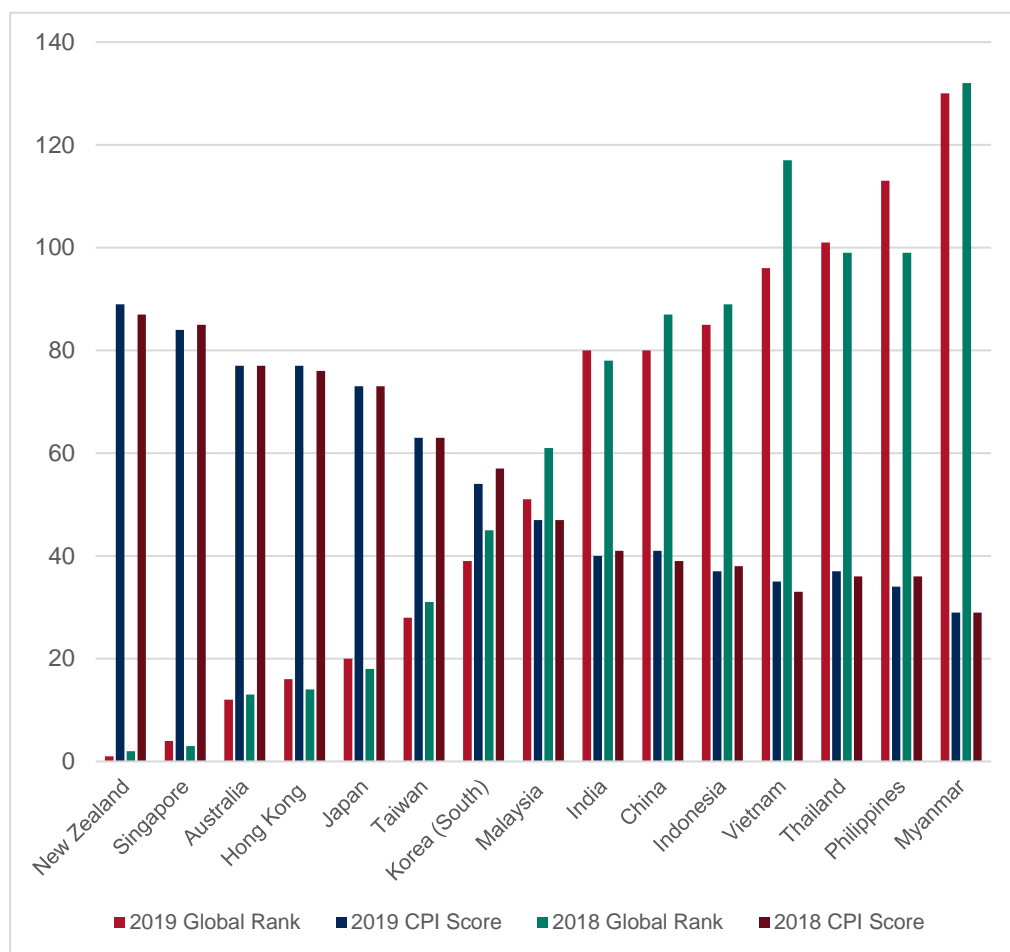
The 2019 CPI draws on 13 surveys and expert assessments to measure public sector corruption in 180 countries and territories, giving each a score from zero (highly corrupt) to 100 (very clean). A country or territory's rank indicates its position relative to the other countries and territories in the index.

Some highlights of the 2019 CPI:

- China's global ranking has improved seven places to #80.
- Other improvers include:
 - Australia moving up one rank to #12,
 - Malaysia up ten places up to #51,
 - Indonesia up four places to #85, and
 - Vietnam up 11 places to #96.
- Among those who have poorer results include:
 - Singapore moving down one place to #4,
 - Japan down two places to #20,
 - India down two places to #80, and
 - Hong Kong down two places to #16.

The table below sets out some key jurisdictions in the Asia Pacific showing their 2019 CPI rankings and scores against their 2018 position.





What it means for you

Companies should pay closer attention to those countries and regions that score poorly on the index, and identify any compliance risks that may be previously undetected. Companies doing business in China should remain alert to risks arising from government touch-points and business models which rely upon third party relationships such as agents or intermediaries. We recommend that companies regularly review their compliance policies, controls and on-the-ground implementation measures to reduce gaps or other weaknesses.

We are also seeing greater scrutiny across different sectors and joint enforcement efforts between various Chinese regulators. The Chinese government is not only continuing its efforts to combat bribery but has widened its lens to tackle all manner of compliance misconduct. A key indicator is the establishment of an information sharing platform under the Social Credit System (SCS) that will allow various Chinese regulators to act in concert when tackling various misconduct and fraud. Another important example is the recent guidance on compliance management for Chinese companies covering all areas of risks, including bribery. We therefore recommend that companies adopt a holistic approach when reviewing their compliance programs so that potential exposures arising from different compliance and regulatory risks can be minimised.

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www.fenxunlaw.com

Baker McKenzie FenXun (FTZ)
Joint Operation Office
Unit 1601, Jin Mao Tower
88 Century Avenue, Pudong
Shanghai 200121, PRC

Tel: +86 21 6105 8558
Fax: +86 21 5047 0020

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