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CKB Snapshot
Asia Pacific Key Changes in Business Regulations (2011)

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KOREA

Industry	Regulation	Likely Impact
Agricultural Products / Automobiles	• South Korea's Parliament ratified a free-trade agreement with the U.S., set to take effect early 2012, is expected to expand the countries' US$90 billion two-way trade relationship by 10% within 5 years. • The agreement eliminates most tariffs on goods between the two countries. Many will end immediately but some, particularly covering automobiles and fruits, will be reduced in steps lasting 3-10 years. • South Korea has far higher tariffs than the U.S. and will see bigger changes in the variety and cost of goods after trade deal takes effect.	• Auto imports will likely rise as the import duty is reduced. • Analysts estimate South Korea likely to sharply increase imports of U.S. agricultural products.
Media	• President established new privately owned stations free of some government restrictions to which the older ones adhere. • Total number of South Korean broadcasters allowed to show a wide variety of general-interest programs increased by 4 to 9, and the number of government-owned stations stayed at 3. The 5th new channel is only permitted to show news programs. • The government chose four newspapers (Chosun Ilbo, South Korea's largest newspaper by circulation, Dong-a Ilbo and JoongAng Ilbo) and the Yonhap news agency to start the stations • In addition to the general-interest TV channels, most South Koreans can access dozens of channels on cable and satellite systems that present specialized programming, from church services to movies to business news to videogame tournaments.	• A government agency will continue to control ad rates and sales at the general-interest stations that were already on the air. • This is likely to limit revenue and growth prospects for the new stations.

TAIWAN

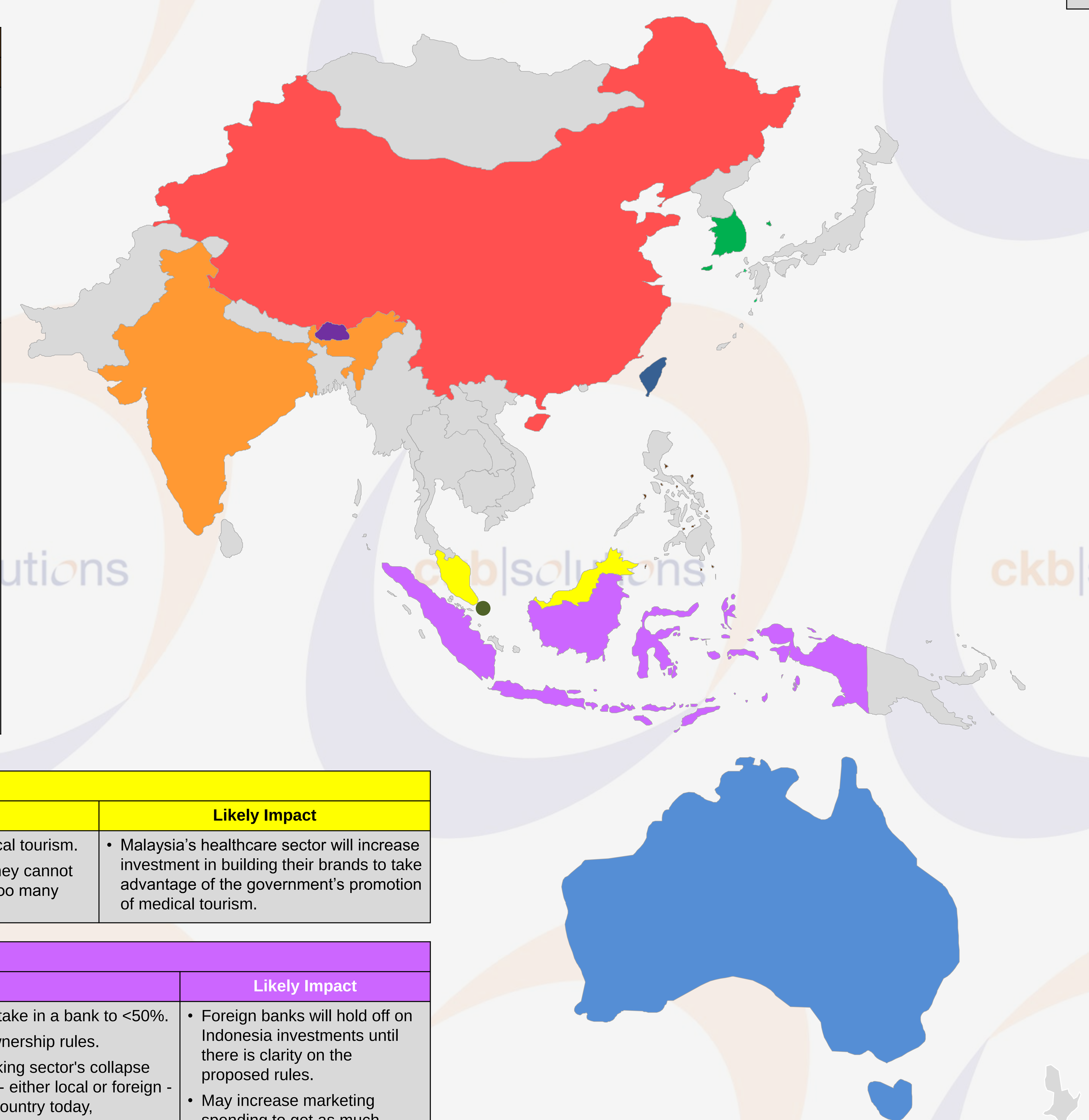
Industry	Regulation	Likely Impact
Banking	• Mainland banks will be allowed to own minority stakes in Taiwanese lenders and financial firms from January 2, 2012. • Mainland banks could buy up to 5% in any Taiwanese banks or financial holding firms. • Total mainland equity in any lenders or financial firms is limited to 10%. • The ban on mainland investment in Taiwan's financial sector had lasted >60 years.	• The lifting of the previous ban will enable mainland banks to enter Taiwan's financial market and facilitate the expansion of their Taiwanese counterparts on the mainland. • However such minor equity positions will likely be more symbolic rather than a real driver of huge investment; but an important first step nonetheless.

BHUTAN

Industry	Regulation	Likely Impact
Tobacco	• Banned the sale of tobacco.	• Black market will find a way to satisfy any demand.

INDIA

Industry	Regulation	Likely Impact
Media	• The Cable Television Networks (Regulation) Amendment Bill 2011, aimed at digitising cable sector by December 31, 2014, was passed. • The Government earlier announced a timetable for complete digitisation of cable television in the four metros (Mumbai, Delhi, Kolkata and Chennai) by 31 March, 2012, but this was put off to June 2012 in a notification issued subsequently. The target date for completely digitising cable sector in cities with population of more than one million was 30 March 2013, all urban areas by 30 September 2014, and the whole country by 31 December 2014. • Separately, in December 2013, the National Broadband Plan (nation-wide fibre optic network) is likely to be completed.	• While there are >600 channels available, a cable network can carry only a little over 100 channels. In India, cable network dominates the market with almost 75-80% of the 140 million TV homes. Once digitised, a cable network can carry at least 400 channels. • Will help broadcasters have better and accurate TRP ratings and as a result channels will be able to price their airtime accordingly. • Will likley mean better sales for flat panel TV makers as all content will be in digital quality - huge impetus to full HD TV sales in the market.
Retail	• In cities with >1m people, foreign firms can now own 100% of single-brand chains (up from 51%). • Foreign firms must source 30% of their products from Indian small and medium scale enterprises, defined as enterprises that have total investment in plant and machinery <US$1 million. • Government backed down from allowing 51% of "multi-brand" retailers, such as supermarkets (up from zero), due to heated political backlash, most likely due to an important election early next year in the state of Uttar Pradesh.	• Single-brand foreign companies such as Nike, Ikea etc. will be able to take greater control of their JVs. • Foreign supermarket chains, such as Walmart, Tesco and Carrefour, will have to wait until political climate more favourable; if finally passed, will be able, with an Indian partner, to open supermarkets. • Local sourcing requirement will still pose a problem for luxury-goods companies, many of which make their products in Europe and export them to India and thus face high import duties because many products fall under a so-called luxury tax on high-end goods. • As with all things India, this may get bogged down in the political abyss. • Indian states not obliged to follow central government's lead and many may refuse to liberalise foreign ownership in their territory. • Standard Chartered estimates of 53 cities with >1m people, 28 are run by politicians who say they will block the reform.



MALAYSIA

Industry	Regulation	Likely Impact
Healthcare	• The government liberalised ad guidelines for Malaysia's healthcare sector to promote medical tourism. • Doctors and hospitals are now allowed to advertise their services with certain limitations: they cannot make claims to be 'the best providers' of a particular treatment and are not allowed to use too many personal photographs to promote themselves.	• Malaysia's healthcare sector will increase investment in building their brands to take advantage of the government's promotion of medical tourism.

INDONESIA

Industry	Regulation	Likely Impact
Banking	• Indonesian central bank is considering a proposal to limit any entity's - either local or foreign - stake in a bank to <50%. • Indonesia's central bank temporarily barred takeovers in the banking sector, citing upcoming ownership rules. • Until recently, Indonesia had an open-door policy for foreign banks. In 1999, soon after the banking sector's collapse during the Asian financial crisis, Indonesia's government issued a decree saying that any entity - either local or foreign - could own up to 99% of a bank's shares. As a direct result, out of more than 100 banks in the country today, approximately one third have at least some form of foreign ownership. • Indonesia is currently the only emerging market in Asia with almost no ownership limits on banks. It is one of Asia's most fragmented banking markets, and foreign lenders control about one-quarter of the country's outstanding loans.	• Foreign banks will hold off on Indonesia investments until there is clarity on the proposed rules. • May increase marketing spending to get as much revenue/profit out of Indonesia before the rules take effect.

SINGAPORE

Industry	Regulation	Likely Impact
Casinos	• Singapore is tightening its rules on casino advertising as part of efforts to limit the social impact its two integrated resorts have on the city-state's residents. • The Casino Control (Advertising) Regulations have been expanded to halt promotional activities targeting local players - including membership campaigns, loyalty programs and shuttle bus services - which were not regulated previously, as the rules previously applied only to advertisements. • Under the revised rules, the integrated resorts' operators - Genting Singapore PLC, which runs Resorts World Sentosa, and Las Vegas Sands Corp., which runs Marina Bay Sands - must obtain the ministry's approval for all casino advertising and promotions, media-related activities, and community sponsorship. Such approvals were previously issued by the Casino Regulatory Authority.	• Casino industry marketing will place increasing emphasis on travel and tourism market.

AUSTRALIA

Industry	Regulation	Likely Impact
Airlines	• Australia's competition regulator gave the go-ahead for an alliance between Virgin Australia and Singapore Airlines saying the tie-up is likely to increase competition for international air passengers. • The commission said the alliance—which will see the airlines cooperate on pricing, scheduling, marketing and sales for flights between Australia and Singapore, and on connecting domestic and international routes—would be attractive to corporate and government passengers.	• The deal is expected to intensify pressure on rival Qantas Airways which is also seeking to expand its presence in Asia, had already been given preliminary approval to do so by the Australian Competition and Consumer Commission.
Tobacco	• Australia will become first country to restrict logos, branding, colors and promotional text on tobacco packets. • Beginning December 2012, product names will appear in standard colors and positions in a plain font and size on packets colored a dark olive-brown, which government research has found holds the lowest appeal to smokers. • Health warnings with graphic images of the harmful effects of smoking will have to make up 75% of the front of the packaging and 90% of the back.	• Australia wants to cut the number of people who smoke from around 15 percent of the population to 10 percent by 2018. • Philip Morris and BAT are suing Canberra for damages and to stop the legislation from taking effect.

CHINA

Industry	Regulation	Likely Impact
Advertising & Marketing	• Beijing banned outdoor advertising which promotes luxury or pleasure-seeking lifestyles or encourage "hedonism", "royalty" or living a "supreme" or "foreign" lifestyle.	• Will shift use of such imagery to other media channels and use outdoor to support such campaigns in indirect manner.
	• SARFT banned TV stations from airing commercials during TV dramas which run longer than 45 minutes beginning January 1, 2012.	• Media inflation could be even higher than recently completed upfront buys. • TV stations will likely shorten length of dramas to circumvent the regulations.
	• CCTV announced new restrictions limiting ads for pharmaceuticals and medical organizations, including plastic surgery hospital ads, to broadcast after 6pm on CCTV-1 channel. • The other CCTV channels will completely stop broadcasting these types of ads: CCTV-2 (Business & Finance), CCTV-9 (Documentary), CCTV-4 (International), News, Children's and foreign language. • The new regulations take effect January 1, 2012.	• May simply be able to shift media spending from CCTV to provincial satellite stations. • Will place greater emphasis on digital, promotions, PR, events, outdoor and sponsorships to build their brands and sales.
Alcohol	• CCTV issued directive to limit ads for alcoholic beverages beginning January 1, 2012. • Only 12 time slots will be available in future tenders for top Chinese rice wine ("baijiu") manufacturers. • Beyond these 12 time slots, baijiu manufacturers will only be allowed to sponsor public service announcements featuring their company logo and cannot contain bottles, cups or include certain words. • Only 2 ads for baijiu products will be allowed to be broadcast each night between 7pm-9pm.	• Will place greater emphasis on digital, promotions, PR, events, sponsorships, retail marketing and investing in their distribution channels to build their brands and sales.
Automobiles	• Communist Party and state agencies jointly issued new rules requiring public servants to spend less and buy more fuel-efficient, smaller-engine vehicles, including electric cars. • Maximum amount "regular," or mid-level, government officials can spend on cars lowered to ¥180,000 (≈US$28k) from ¥200,000. • Officials required to buy vehicles with engines <1.8 liters; previously, officials could purchase cars with engines up to 2.0 liters. • Unclear whether Chinese policy makers also enacted tougher rules for minister-level officials and senior bureaucrats. According to earlier draft, the max senior officials could spend would drop to ¥380,000 (US$60k)from ¥450,000, while max engine size would drop to 2.5 liters from 3.0 liters. The new policy did not mention these restrictions.	• Many senior Chinese government officials purchase luxury cars like the Audi A6 and Mercedes-Benz E-Class. • Mid-level officials who used to be able to buy lower-end Volkswagen Passat or Toyota Camry may not be able to any more, and will probably have to settle for Volkswagen Jetta or Toyota Corolla. • Auto makers like Volkswagen are introducing version of Passat with smaller engine, and that might help officials keep buying upper-scale cars if dealers are willing to give them a discount or through other loopholes.
Insurance	• China Insurance Regulatory Commission (CIRC) submitted proposal to State Council to allow foreign insurers to enter the mandatory third party liability (MTPL) market for auto insurance. • Existing legislative restrictions have effectively blocked foreign invested insurers (insurers incorporated in China by foreign insurers with foreign ownership being ≥25%) from tapping into this market. This legal hurdle is expected to be lifted shortly once the State Council gives its approval.	• Motor insurance already accounts for >70% of the total non-life insurance premiums in China. • Foreign insurers already face very competitive market in China and many may be reluctant to take on the risk of auto insurance.
Media	• SARFT issued new restrictions limiting each provincial satellite TV stations to broadcast 2 entertainment programs per week during 7:30pm-10pm prime time. [限娱令] • SARFT limited provincial satellite TV stations to broadcasting 10 talent shows per year, and they cannot be repeated. • SARFT reduced number of entertainment programs to 9 per night, down from 17, across 34 channels nationwide in an effort to stamp out "excessive entertainment and a trend toward low taste" and the 34 channels must increase their news programming. • The regulations take effect January 1, 2012.	• Without compelling and interesting programming contents, consumers will increasingly shift their media consumption habits to online/digital. • Will make Youku (e.g. China's YouTube) et. al. more valuable media channels.
	• SARFT issued new regulations: • Requires provincial satellite TV stations to increase number of TV dramas with modern setting as proportion of total TV dramas to at least 40% by 2013. • Ban on all TV dramas during prime time that depict false historical events, such as time travelers. • Limits on entertainment content during primetime hours. • Police dramas remain strictly regulated, but can depict personal lives of police officers. • By 2013, 15% of broadcast content should contain subject matter relevant to children, rural viewers, and ethnic minorities.	• Without compelling and interesting programming contents, consumers will increasingly shift their media consumption habits to online/digital. • Will make Youku (e.g. China's YouTube) et. al. more valuable media channels.
Tobacco	• SARFT banned all product placements of tobacco brands in all movies and TV shows across the country. • Tobacco advertising has been banned in China since January 1996. • More subtle forms of tobacco advertising such as sponsorship and promotions were banned in 2007.	• Will try to leverage product placements in non-China programming and leverage media piracy of such non-China movies and TV programming.