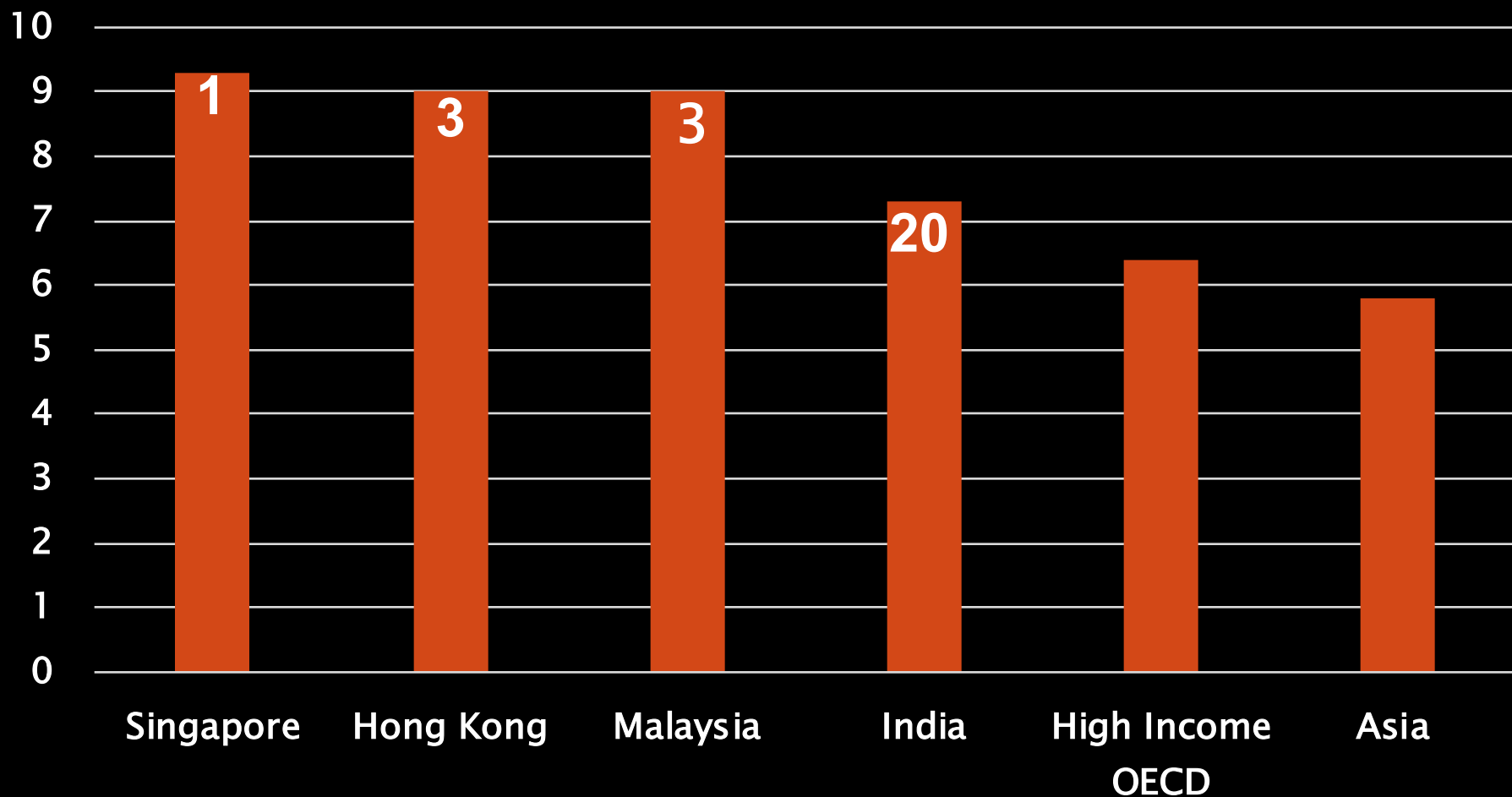


Related Party Transactions in Commonwealth Asia Complicating the Comparative Paradigm

Dan W. Puchniak & Umakanth Varottil



2018 World Bank's RPT Index Commonwealth Asia is Uniformly Strong



The RPT Index Ranks 190 Countries

Ant-Self-Dealing Index

Singapore 1st Hong Kong 2nd Malaysia 3rd India 18th
Out of 72



Available online at www.sciencedirect.com



Journal of Financial Economics 88 (2008) 430–465



www.elsevier.com/locate/jfec

The law and economics of self-dealing^{☆, ☆ ☆}

Simeon Djankov^a, Rafael La Porta^b, Florencio Lopez-de-Silanes^c, Andrei Shleifer^{d,*}

^a*The World Bank, 1818 H Street, NW Washington, DC 20433, USA*

^b*Dartmouth College, Tuck School of Business, 314 Woodbury Hall, Hanover, NH 03755, USA*

^c*EDHEC Graduate School of Management, France*

^d*Harvard University, M9 Littauer Center, Cambridge, MA, 02138, USA*

Received 13 April 2006; received in revised form 13 November 2006; accepted 19 February 2007

Available online 29 January 2008

Abstract

We present a new measure of legal protection of minority shareholders against expropriation by corporate insiders: the anti-self-dealing index. Assembled with the help of Lex Mundi law firms, the index is calculated for 72 countries based on legal rules prevailing in 2003, and focuses on private enforcement mechanisms, such as disclosure, approval, and litigation, that govern a specific self-dealing transaction. This theoretically grounded index predicts a variety of stock market outcomes, and generally works better than the previously introduced index of anti-director rights.

© 2008 Elsevier B.V. All rights reserved.

JEL classifications: G3; G15; G38; K22; P51

Keywords: Corporate governance; Financial development

RPT Index

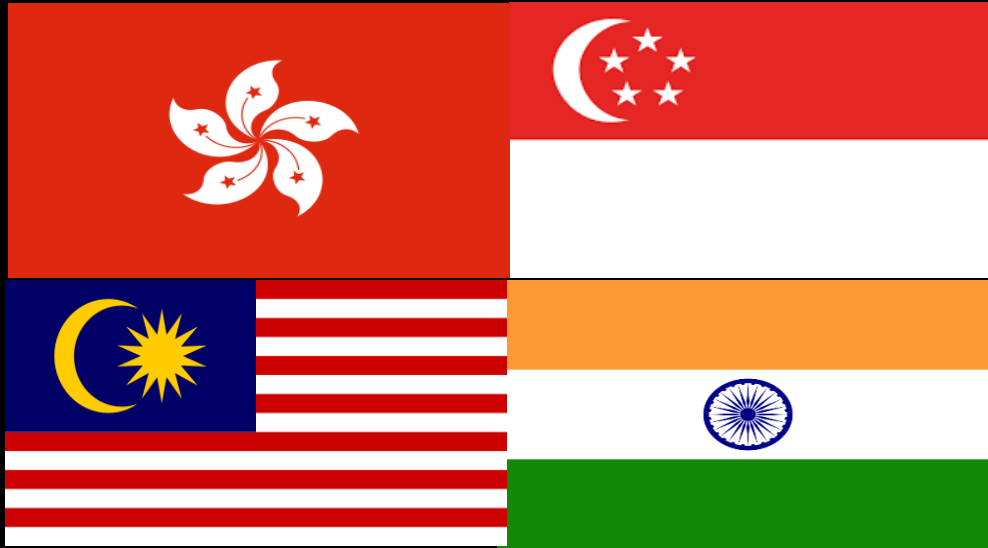
Practically and Academically Important

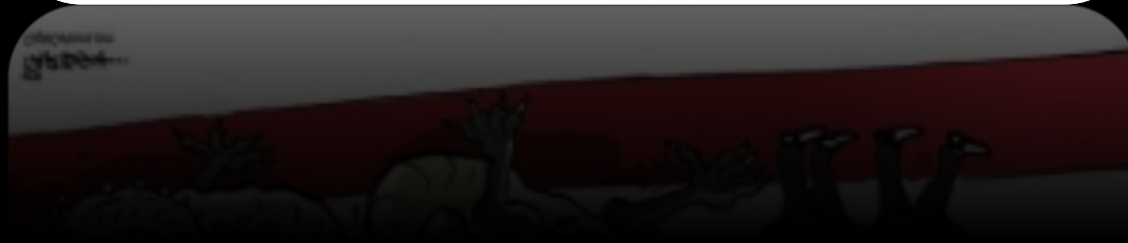


3008

0







Gap Between Rankings & Reality



What the RPT Index Measures

Extent of disclosure

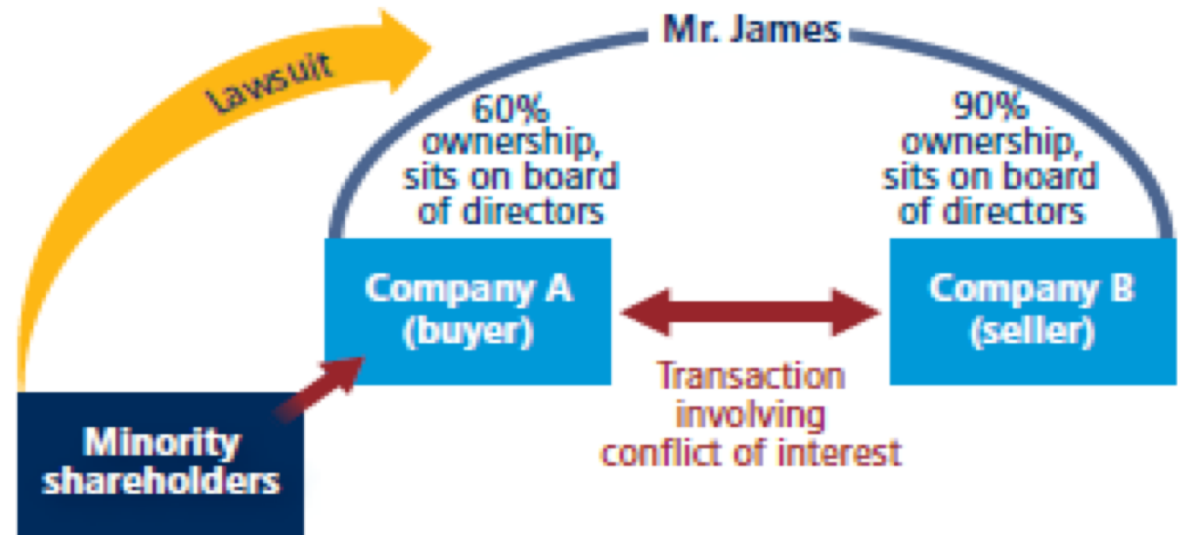
Disclosure and approval requirements

Extent of director liability

Ability to sue directors for damages

Ease of shareholder suits

Access by shareholders to documents plus other evidence for trial



What the RPT Index Misses

Law in Action

Narrow Focus on CSP Law

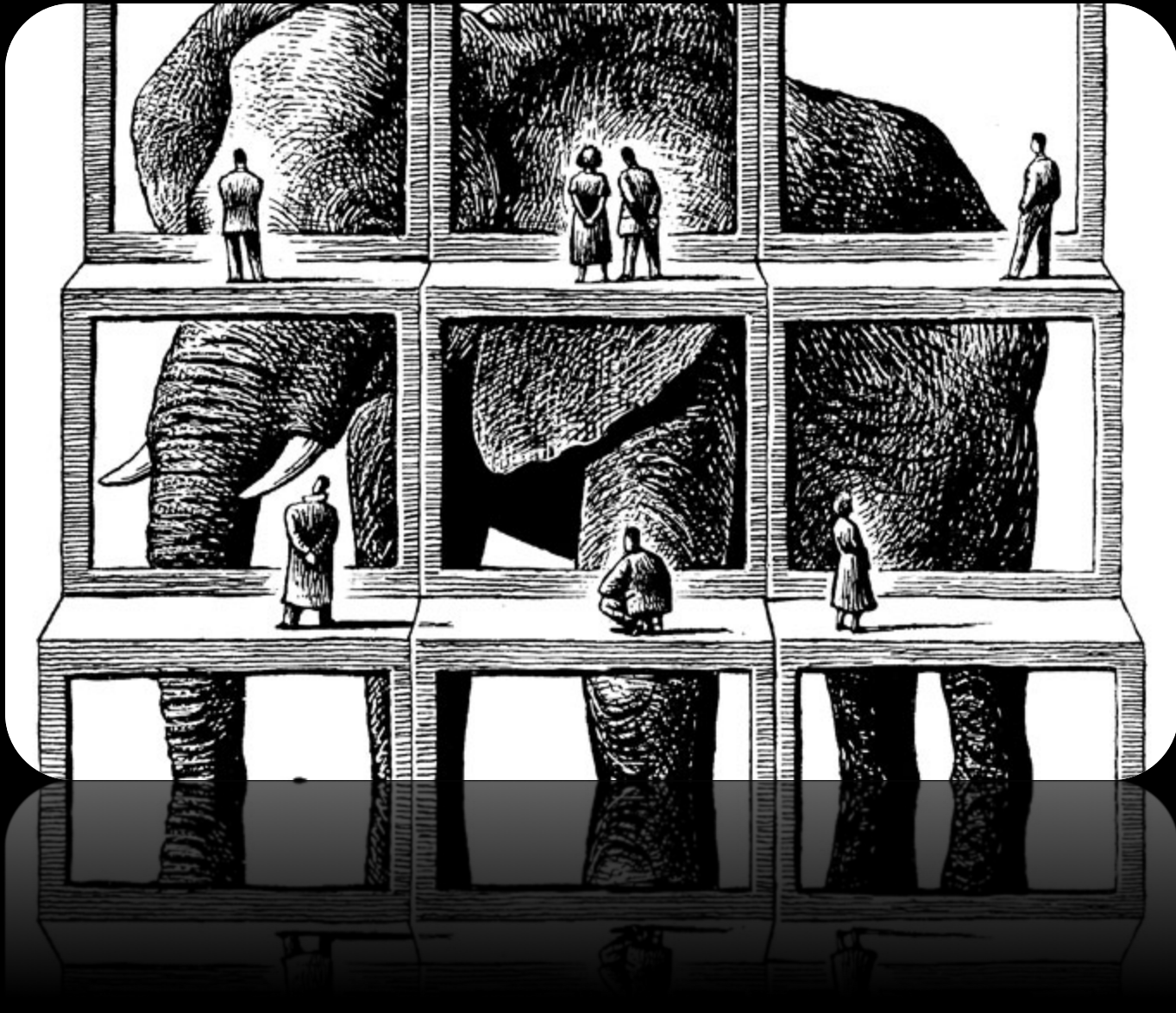
Overly Simplistic

Equates Stricter Law with Better Law

Why Commonwealth Asia Uniformly Ranks High



Regulatory Complexity



Shareholder Complexity



Normative Complexity



The RPT Index “focuses on one of the most serious breaches of good corporate governance around the world: the related-party transaction”
(World Bank, DBR Online, 2018)

COMPLEXITY



Importance of Complexity

Eliminates False Hope

Reveals Possible Solutions

Challenges Legal Origins

Opens Other Paths to Economic
Development

And the winner on the RPT Index in 2019 is....



Thank You

