Rethinking compliance

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IN today's complex business environment, organisations need to deal with several regulatory compliances in the course of conducting business. Bangladesh, being an emerging nation, is fast adopting several regulatory compliance measures to regulate businesses across industries. With the right kind of focus on automation, organisations can convert many of these compliance requirements into automated processes, thereby improving the compliance environment.

The collapse of Rana Plaza taught us an important lesson on safety standards. Several safety standards are available and companies, particularly apparel manufacturing companies, have worked hard to adopt these measures. Foreign buyers impose a few additional requirements with respect to the safety of factories as well as certain labour practices, and apparel manufacturing companies in Bangladesh are expected to comply with these standards.

The other concern is environmental. The Department of Environment under the government of Bangladesh is responsible for implementing the rules and regulations pertaining to environment protection and sustainability. Businesses in Bangladesh need to adhere to these requirements as well.

Above all, there are requirements for tax compliance. Companies need to follow both direct and indirect tax rules within Bangladesh. While value added tax (VAT) and income tax are the biggest tax components, companies routinely need to deal with other taxes such as import duty and excise duty. As a result, there are multiple compliance requirements corresponding to each type of tax.

In short, the regulatory environment today is highly complex. Noncompliance with any of these requirements would result in loss of reputation of the company, penal actions against the company, and more rigorous compliance assessments. Hence, businesses need to prioritise compliance needs, which result in significant effort and cost for a company.

Technology can be an efficient way for businesses to ensure compliance. The right kind of technology solution would provide adequate interfaces to capture all compliance needs for an organisation. Subsequently, the technology solution can generate daily, weekly and monthly alerts for the compliance officers to address in a timely manner.

The right technology solution can also collect and collate data periodically and use it to automatically prepare compliance forms. Some organisations have already started using such solutions for tax-related compliance. For example, VAT returns can be prepared automatically by collating VAT-related data captured in transactional forms generated through ERP systems.

However, it should be noted that technology cannot solve all compliance-related requirements. Often, rules and regulations are subject to interpretation and subsequent deliberations. A technology solution will function robustly when such regulations are free of ambiguity. Regulators belonging to all domains need to be mindful of such needs and, where necessary, regulatory reforms can be initiated.

STAR/FILE

Companies, particularly apparel manufacturers, have worked hard to adopt several safety standards and compliance measures.

A simplified set of rules helps in standardised codification and automation through technology. The best compliance regimes are nimble and responsive to changes in the structure of their economies. The next few years are likely to test these attributes as significant disruptive forces emerge. One of the most significant disruptions is expected to emanate from the use of artificial intelligence (AI) and its impact on labour-intensive processes in the near future. A similar effect will be observed in the case of compliance processes. Labour-intensive compliance processes are likely to be replaced with sophisticated algorithm-driven compliance processes.

Technology-led transparency will also bring about some radical changes in compliance processes. Distributed ledger technology, such as blockchain, is likely to improve the process of data sharing between companies and regulators. Once data sharing becomes a frequent and automated process using technology like blockchain, the degree of compliance will also improve. Companies and regulators need to collectively invest in building compliance systems that can automate processes and bring in more transparency.

Compliance also helps in boosting the brand value of an organisation. For example, the revenue department recognises the highest taxpayers within the country every year. This is an indirect way of recognising compliance. Regulators from other domains can take a more direct approach in recognising compliance of organisations. Once organisations find that their brand value is being enhanced through compliance, they would be inclined to invest more in implementing compliance efficiently and accurately.

Regulators will also have to familiarise themselves with the new technologies to comprehend their impact on improving compliance. The ministry responsible for developing such skills should take proactive steps to train and enable the officials of regulatory bodies to adapt to this new way of working. This will also change the profile of a typical regulatory official. In addition to their respective domain knowledge, regulators of the future will have to rely on technology and statistics to a greater extent.

The writer is a partner at PwC. The views expressed here are personal.

Xiaomi's revenue jumps 27pc, beats estimates

REUTERS, *Shanghai*

Chinese smartphone maker Xiaomi Corp reported better than-expected quarterly revenue on Monday due in part to steady growth in sales outside its home market.

The results indicate Xiaomi's overseas expansion and focus on markets such as India and Europe are paying off as the smartphone market in China, the world's biggest, slows.

Xiaomi's revenue rose 27 percent in the quarter ended March from a year earlier to 43.8 billion yuan ($6.3 billion), beating an average estimate of 42.109 billion yuan in a survey of analysts polled by Refinitiv.

Xiaomi gets most of its revenue by selling mobile handsets, but it also makes money from selling online ads and other types of consumer hardware - an approach it described as a "triathlon" business model when it listed in Hong Kong in 2018. Its adjusted net income for the first quarter rose to 2.1 billion yuan, versus 1.7 billion a year ago.

According to data from Counterpoint Research, the overall smartphone market in China contracted 7 percent year-on-year in the first quarter of 2019.

Xiaomi's share of the domestic smartphone market shrank 21 percent over the period, the same study shows, while rivals Oppo, Vivo, and Huawei each saw gains.

Xiaomi has tried to compensate for the slowdown at home by expanding abroad aggressively. It remains the leading phone vendor in India, and has grown steadily in Europe after launching across the continent throughout 2018.

Xiaomi has also attempted to move upmarket and raise the price of its flagship devices, while siphoning off its cheaper models into sub-brands.

REUTERS/FILE

The logo of Xiaomi is seen inside an office of the company in India.

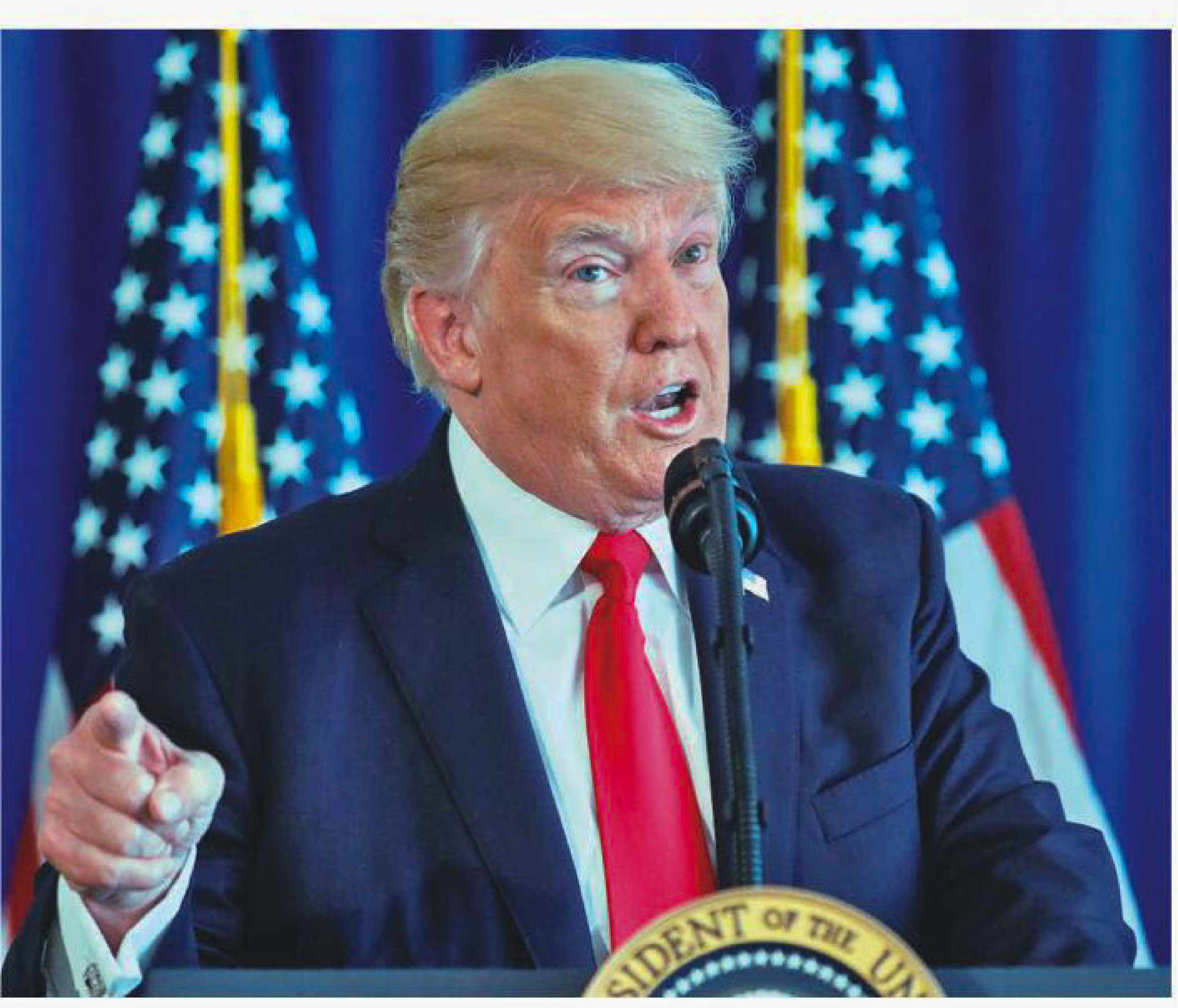
Trump says tariffs making companies leave China

REUTERS, *Washington*

US President Donald Trump said his tariffs on Chinese goods are causing companies to move production out of China to Vietnam and other countries in Asia, and added that any agreement with China cannot be a "50-50" deal.

In an interview with Fox News Channel recorded last week and aired on Sunday night, Trump said that the United States News host Steve Hilton had taken place two days after he raised the tariffs, said he would be happy to simply keep tariffs on Chinese products, because the United States would be taking in $100 billion or more in tariffs.

But he added that he believed that China would eventually make a deal with the United States "because they're getting killed with the tariffs, China' getting totally killed."



US President Donald Trump

and China "had a very strong deal, we had a good deal, and they changed it. And I said that's OK, we're going to tariff their products."

No further trade talks between top Chinese and US trade negotiators have been scheduled since the last round ended on May 10 - the same day Trump raised the tariff rate on $200 billion worth of Chinese products from 10 percent.

Trump took the step after China soured the negotiations by seeking major changes to a deal that US officials said had been largely agreed.

Since then, China has struck a sterner tone in its rhetoric, suggesting that a resumption of talks aimed at ending the 10-month trade war between the world's two largest economies was unlikely to happen soon.

Trump, who said the interview with Fox

But he said that he had told Chinese President Xi Jinping before the most recent rounds of talks that any deal could not be "50-50" between the two countries and had to be more in favor of the United States because of past trade practices by China.

Trump also said that Democratic presidential candidate and former US vice president Joe Biden should be investigated over a conservative author's allegation that Biden's son Hunter Biden took advantage of his father's position to sign a lucrative business deal with state-controlled Bank of China. The allegation was made in Peter Schweizer's 2018 book "Secret Empires."

Asked if this should be investigated, Trump said: "100 percent. It's a disgrace and then (Joe Biden) says China's not a competitor of ours. China is a massive competitor of ours. They want to take over the world."

Google suspends some business with Huawei after Trump blacklist

REUTERS, *New York*

ALPHABET Inc's Google has suspended business with Huawei that requires the transfer of hardware, software and technical services except those publicly available via open source licensing, a source familiar with the matter told Reuters on Sunday, in a blow to the Chinese technology company that the US government has sought to blacklist around the world.

Holders of current Huawei smartphones with Google apps, however, will continue to be able to use and download app updates provided by Google, a Google spokesperson said, confirming earlier reporting by Reuters.

"We are complying with the order and reviewing the implications," the Google spokesperson said.

"For users of our services, Google Play and the security protections from Google Play Protect will continue to function on existing Huawei devices," the spokesperson said, without giving further details.

The suspension could hobble Huawei's smartphone business outside China as the tech giant will immediately lose access to updates to Google's Android operating system. Future versions of Huawei smartphones that run on Android will also lose access to popular services, including the Google Play Store and Gmail and YouTube apps.

"Huawei will only be able to use the public version of Android and will not be able to get access to proprietary apps and services from Google," the source said.

The Trump administration on Thursday added Huawei Technologies Co Ltd to a trade blacklist, immediately enacting restrictions that will make it extremely difficult for the company to do business with US counterparts.

On Friday, the US Commerce Department said it was considering scaling back restrictions on Huawei to "prevent the interruption of existing network operations and equipment". It was not immediately clear on Sunday whether Huawei's access to mobile software would be affected.

The extent to which Huawei will be hurt by the US government's blacklist is not yet known as its global supply chain assesses the impact. Chip experts have questioned Huawei's ability to continue to operate without help from the United States.

Details of the specific services affected by the suspension were still being discussed internally at Google, according to the source. Huawei attorneys are also studying the impact of the blacklist, a Huawei spokesman said on Friday.

Huawei was not immediately reachable for further comment.

Chipmakers including Intel Corp, Qualcomm Inc, Xilinx Inc and Broadcom Inc have told their employees they will not supply critical software and components to Huawei until further notice, Bloomberg reported bloom.bg/2VLT5QK late on Sunday, citing people familiar with the matter.

Intel, Qualcomm, Xilinx and Broadcom did not immediately respond to requests for comments on the Bloomberg report.

Representatives of the US Commerce Department did not immediately comment.

Huawei will continue to have access to the version of the Android operating system open-source license," he said.

Popular Google apps such as Gmail, YouTube and the Chrome browser that are available through Google's Play Store will disappear from future Huawei handsets as those services are not covered by the open source license and require a commercial agreement with Google.

But users of existing Huawei devices who have access to the Google Play Store will still be able to download app updates provided by Google.

REUTERS/FILE

A staff member of Huawei uses her mobile phone at the Huawei Digital Transformation Showcase in China.

available through the open source license, known as Android Open Source Project (AOSP), that is available for free to anyone who wishes to use it. There are about 2.5 billion active Android devices worldwide, according to Google.

However, Google will stop providing Huawei with access, technical support and collaboration involving its proprietary apps and services going forward, the source said.

Huawei has said it has spent the last few years preparing a contingency plan by developing its own technology in case it is blocked from using Android. Some of this technology is already being used in products sold in China, the company has said.

FILE PHOTO: An illuminated Google logo is seen inside an office building in Zurich, Switzerland December 5, 2018. REUTERS/Arnd Wiegmann

In an interview with Reuters in March, Eric Xu, rotating chairman of Huawei, struck a defiant note in anticipation of retaliatory actions by US companies. "No matter what happens, the Android Community does not have any legal right to block any company from accessing its

Apps such as Gmail are updated through the store, unlike operating system updates which are typically handled by phone manufacturers and telecoms carriers, which the blacklist could affect, the source said.

The impact is expected to be minimal in the Chinese market. Most Google mobile apps are banned in China, where alternatives are offered by domestic competitors such as Tencent and Baidu.

In Beijing, foreign ministry spokesman Lu Kang said the ministry had noticed the report and would look into it and pay attention to developments.

"At the same time, China supports Chinese companies to use legal weapons to defend their legitimate rights," he added, but did not elaborate.

Huawei's European business, its second-biggest market, could be hit as Huawei licensed these services from Google in Europe.

"Having those apps is critical for smartphone makers to stay competitive in places like Europe," said Geoff Blaber, vice president of research, CCS Insight.