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ADVANCED COMPLIANCE INSIGHTS

THE TEN MOST COMPLEX INTERNATIONAL JURISDICTIONS FOR DOING BUSINESS 2016

WRITTEN IN CONJUNCTION WITH TMF GROUP, BASED ON THE *GLOBAL BENCHMARK COMPLEXITY INDEX*

Not all overseas markets are created equal in terms of ease of doing business. That's one reason why it's vitally important for company leaders to understand the challenges of setting up operations in a country with complicated local business laws and regulations. Failing to do your homework in these cases may result in reduced efficiency, blown deadlines and financial setbacks.

The following is an overview of the ten most complex international jurisdictions for doing business, courtesy of a recent TMF Group study.

THE GLOBAL BENCHMARK COMPLEXITY INDEX

Compiled yearly by international expansion experts TMF Group, the Global Benchmark Complexity Index ranks top international jurisdictions in terms of the degree of complexity involved when starting a business and complying with local business laws and regulations.

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From a broad perspective, greater complexity is being driven by several key factors. Governments are now creating new layers of compliance by demanding that organizations provide more detailed data about corporate structure and activities. Additionally, interconnectivity between governmental departments is increasing, and these departments are improving their internal effectiveness by sharing information more efficiently.

THE TEN MOST COMPLEX JURISDICTIONS BY REGION

The following ten countries ranked at the bottom of the most recent Global Benchmark Complexity Index. By identifying these markets, corporate leaders can make more informed decisions concerning complexity issues, such as allowing more lead time for launches.

Latin America

Multinational companies seeking to stay compliant with corporate regulation and legislation face considerable challenges when operating in the Latin America region. It ranked first in the Index among all regions in terms of overall complexity, with half of the ten most complex jurisdictions situated in South or Central America.

Among individual nations, **Argentina** ranked first this year, a repeat of last year's ranking. The country's new Civil and Commercial Code, which became effective in August, 2015, aimed to reduce complexity by overhauling trust regulation and modifying other regulations. However, the effects of the Code are just now being felt, and confusing procurement clauses in the new regulations may still complicate fulfillment of trustee functions.

Colombia rocketed up the most recent complexity rankings, jumping all the way to third from last year's rank of 21. Sweeping tax reforms have been implemented in an effort to mitigate complexity, yet these changes have had little effect to date. Long-term the prognosis is rosier, as the Pacific Alliance has strengthened the regional economy and promoted enhanced cooperation.

Mexico remains in the sixth position in the latest complexity rankings, showing no movement from last year. The Mexican government has initiated a comprehensive series of regulatory reforms in a variety of sectors: telecom, labor, education, energy, etc. Yet entrenched bureaucracy and red tape have proven resistant to such reform efforts.

Other nations of note in Latin America include **Bolivia**, which moved down to seventh in the index rankings from third, and regional powerhouse **Brazil**, which dropped to tenth from last year's second-place ranking.

Country	2016	2015	2014
Argentina	1	1	1
Indonesia	2	9	5
Colombia	3	21	28
UAE	4	4	4
China	5	12	8
Mexico	6	6	30
Bolivia	7	3	2
Lebanon	8	n/a	n/a
Thailand	9	10	6
Brazil	10	2	17

Asia

With three countries ranking in the bottom ten of the Benchmark Complexity Index, Asia ranks second behind Latin America in terms of regional complexity. **Indonesia**, which ranked ninth last year in terms of complexity, now ranks second. This is due in part to the local legal system, which lags behind peers in the region, and a calcified government bureaucracy. Indonesia is likely to sustain its low ranking in the coming years, as long-term structural problems present in its legal system, and other associated problem areas, have not been addressed.

China jumped from 12th to fifth in this year's complexity rankings, due in part to the ongoing difficulty of reconciling numerous separate Chinese provinces with their own regulatory structures. The country's variety of language dialects can also prove to be a hurdle for businesses to clear. On the positive side, Chinese officials have moved to address this excessive complexity by reducing the number of business licenses required, among other efforts.

Thailand moved up one space to ninth from tenth in this year's rankings. The issues here remain the same: A highly unstable political landscape, mixed with an excessively bureaucratic government structure.

The Middle East

With two countries ranked among this year's ten most complex, the Middle East ranks third among regions in overall complexity. **The United Arab Emirates** ranked fourth on the Global Benchmark Complexity Index, a repeat of last year's showing. Improvement may be on the horizon, however. The country approved a new Companies Law in 2015 that requires changes in company structures, voting rights and board of director membership. In 2016 the effects of the new law should begin to become more pronounced.

Another country in the Middle East, **Lebanon**, made its debut appearance on the Index, ranking eighth overall. Multinational countries are encountering an increasing regulatory and compliance burden in Lebanon, while a fractured governmental landscape is proving difficult for corporate leaders to negotiate. Companies operating in Lebanon also face pressure from a variety of local regimes, something that can create serious headaches for in-house teams with superficial knowledge of the region.

CONCLUSION

New legislation enacted by the jurisdictions seems to have the greatest effect on corporate secretarial complexity. However, this may reduce complexity on one hand yet introduce new forms of complexity on the other.

Each jurisdiction presents its own unique combination of factors that challenge or facilitate doing business overseas. Local knowledge and expertise remains an essential support for the success of the internal teams who manage their global corporate compliance and governance.

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