European Commerce Registers' FORUM Report 2012

Global benchmarking of business registration - ECRF and CRF Business registers survey

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Preface

The ECRF/CRF survey has now been in place for more than 10 years. In the beginning very little was done to analyse and draw conclusions based on the data collected. However, this changed in 2011 when ECRF (European Commerce Registers' Forum) made provision for the forming of a working group with the objective of developing the survey and the report. A three year project was sponsored and therefore, this year's report is the second report that has been prepared with the ambition to try to understand more about the logic behind different registration procedures and the performances among registries in different parts of the world.

The working group have had two meetings during the last year - in October 2011 in Stockholm, and in April 2012 in Amsterdam. Besides that an editorial group was formed that met in Sundsvall in May 2012 to edit and write the 2012 report.

The working group has worked extensively to improve the quality of the survey and report. In all, 28 new or altered questions were incorporated in the 2011 survey. Attention was especially devoted to try to better understand the importance of e-services and also to ask questions regarding the existence of the required infrastructure - i.e. existence of unique identification numbers that will impact the possibility to implement the impending new directive concerning the interconnection of central, commercial and companies registers in Europe.

Even though the report and the survey is the result of the combined efforts made in the working group, the report has been written by six persons. Staffan Larsson, responsible for editing the report and writing the fifth, background and summary chapters; Tanja Kothes and André Nowak, responsible for writing chapter one; Stacey-Jo Smith, responsible for language review and chapter three; Magdalena Norberg Schönfeldt, for writing chapter four; and Ronald Telson for writing chapter two and being responsible for statistics.

The working group would like to thank ECRF for their decision to fund the development of the survey and the report. The working group will continue for another two years to improve the benchmarking element of the report based on the data collected. The working group would also like to thank CRF (Corporate Registers Forum) for promoting the survey amongst its members. Finally, we are of course thankful to all the business registers that have taken the time to answer the survey, since this is at the core of the project. To give business registries a better tool for improving how registration activities are carried out, we need data from different organisations with a worldwide geographical spread.

The conclusions reached herein are the responsibility of the editor and the writers, and do not reflect the opinions of ECRF, CRF or the working group. Any questions or comments regarding the report should be directed to Staffan Larsson, or Ronald Telson regarding statistics.

July 2012, Sundsvall, Sweden

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Background

This is the second year that the ECRF/CRF report has been written with the ambition to analyse data and to try to improve the benchmarking knowledge that can be used by different business registries. As mentioned last year the main purpose for conducting the survey is to make it easier for business registries to compare their practices and performances with those of other organisations. Benchmarking is one of the best ways to learn valuable lessons from other jurisdictions on how to improve procedures and solve challenges. Also, benchmarking legal systems in different countries is important since legal systems constitute the foundation upon which obstacles and possibilities for improved performance are created. Last but not least, the results of the survey can be used by customers of business registries, e.g. the business community. The learning opportunity stretches from acquiring simple knowledge about such things as fees and charges, to more complex knowledge about differences in legal and administrative procedures in different countries.

Improvements to the report and survey compared to last year

Much effort has been put into improving the survey and some changes in the way the report is structured have been introduced as part of this. One obvious change introduced in this year's report is that the chapter on legal and institutional settings has been moved to become the first chapter. It has also been extended as a result of the insight from last year's report that legal and institutional frameworks to a large extent explain how well different jurisdictions perform. Therefore, this chapter includes more description on how business registration is carried out in different parts of the world and serves as a good introduction to the other chapters where procedures and performances are compared.

In the survey for 2011, upon which this report is based, more attention has been focused on trying to understand the usage of e-services, unique identification numbers and to what extent branches are registered. The focus on the latter is as result of the impending new directive on interconnection of central, commercial and companies registries in Europe. We have also tried to ask more questions about the existence of pre-registration activities, since these activities must be taken into consideration when processing times are compared between different registries.

One last improvement worth mentioning is that in the 2012 report we have used a new way of grouping countries/organisations (see Figure 2). In previous reports the organisational affiliation to either ECRF or CRF has been the only method used to relate groups of organisations to each other. This year this has been changed to more geographically determined groups. In all, four groups have been constructed: Africa & Middle East, America (North and South America), Asia-Pacific and Europe. We hope that this will enhance the possibility to draw interesting conclusions based on geographical patterns of legal practices.

General disclaimer

28 new or altered questions have been incorporated into the 2011 survey, and the data obtained from responses has been analysed in the 2012 report. This clearly signals the efforts made by the working group to increase the quality of the survey. Despite these efforts there is a need to be cautious when interpreting the data; this is for a number of reasons.

Different registries operate within specific legal frameworks, and the need to act within the law may be the reason for differences when benchmarking. Just to compare performances would be wrong without taking into account the constraints caused by legislation.

The questions asked in the survey are generic and based on the notion that most registries in the world should be able to answer the questions. This means that not every aspect of differences in legislation have been taken into consideration. In some instances we have noticed that some registries have had problems with interpreting the questions based on the fact that their own procedures and legal systems differ from those of others. We have done our best to isolate spurrious data from this report, but there might still be errors included in the conclusions drawn based on this notion.

In the three year development project, the working group will continue to develop the questions asked in the survey in order to progressively make the quality of the data better.

Data collection and response rate

On the 27th of February 2012, the survey was distributed to 73 ECRF and CRF, and a few other business registries. The survey related to activities carried out during 2011. The survey was structured around five major topics: general information on the registry, registration process, facts and registered objects, performance and costs regarding the registration process, and business dynamics/trends resulting from registration.[1]

In all 50 of the organisations that received the survey replied, giving a response rate of 68 %. This is slightly lower than the year before, but this is caused by the fact that the survey was sent to more respondents than the previous year, 73 compared to 66 in 2010. The survey was also sent to more countries/organisations that have not participated in earlier surveys, so this year's report includes a larger portion of first time entrants.

Figure 1 shows the number of organisations participating in the survey divided between ECRF and CRF organisations. The number has progressively increased over the years.

Table 1 shows the countries/organisations participating in the 2011 survey (the organisations that have been part of the survey for more than one year are highlighted in the table).

[1]The questions in the survey primarily deal with the four most common company types: Sole trader, General partnership, Private Limited Company and Public Limited Company.

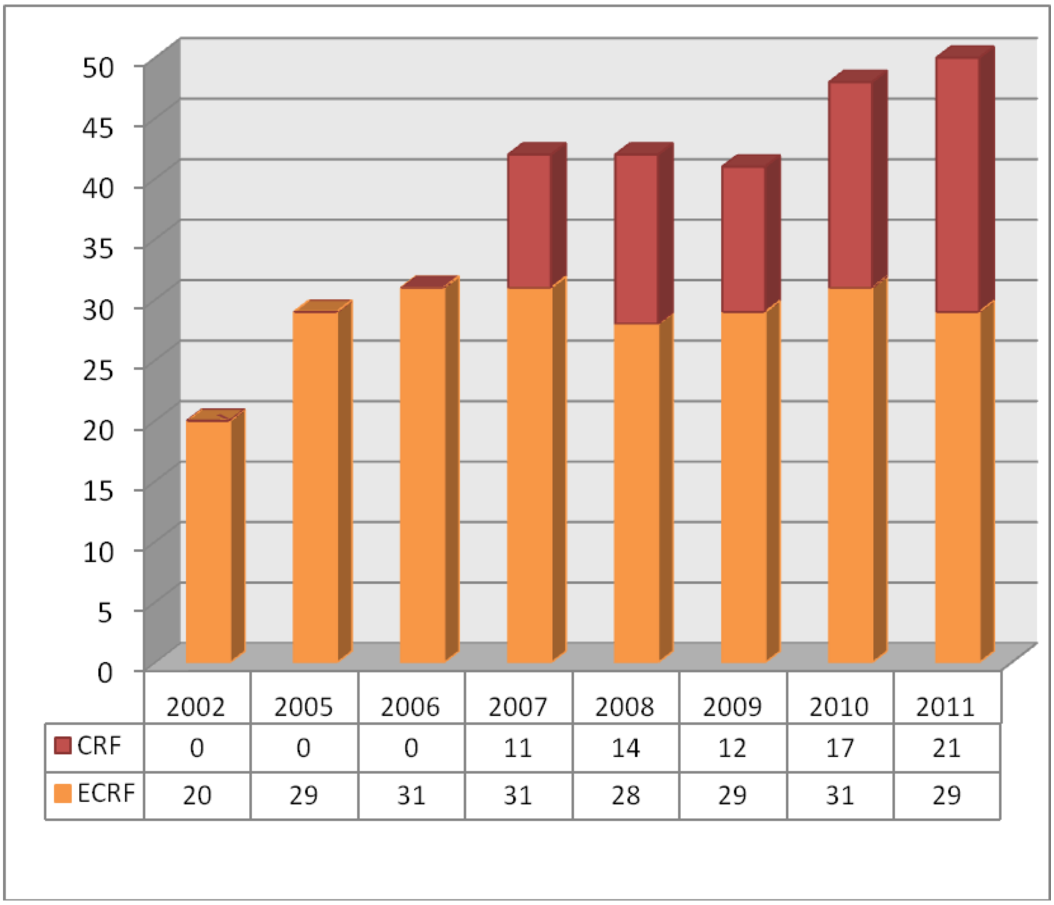


Figure 1: Number of Participating Countries/Organisations in the ECRF/CRF Survey from 2002 -2011

ECRF and CRF Participants			
ECRF		**CRF**	
Austria**	Italy**	Botswana*	Mongolia
Azerbaijan	Jersey**	Israel*	New Zealand**
Belgium*	Liechtenstein**	Jordan	Pakistan**
Belgium*	Lithuania**	Lesotho	Singapore**
Croatia*	Luxembourg**	Mauritius*	Azerbaijan
Czech Republic*	FYR of Macedonia	South Africa**	Georgia
Estonia**	the Netherlands**	Brazil - Rio de Janeiro	
Finland	Norway**	British Virgin Islands*	
France**	Romania**	Canada**	
Georgia	Serbia*	Colombia	
Germany*	Slovenia*	Australia**	
Gibraltar*	Spain*	Cook Islands*	
Guernsey*	Spain, Central*	Hong Kong	
Ireland	Sweden**	India	
Isle of Man*	Switzerland**	Malaysia*	
	United Kingdom**		
* = 2010, 2011 Trend data available		** = 2007, 2010 and 2011 Trend data available	

Table 1: Participating Countries/Organisations in the 2011 ECRF/CRF Survey

In Figure 2, the number of countries/organisations from the different regions is shown. As can be seen most participating organisations are from Europe – 62% in all. This is mainly due to the fact that ECRF was the organisation that initiated the benchmarking survey, and there is a shared history among European business registries of participating in survey. From Africa & Middle East, America and Asia-Pacific region 6, 4 and 9 organisations respectively participated. One of the most important challenges for the future is to increase the number of organisations participating in the survey from the above mentioned regions.[2]

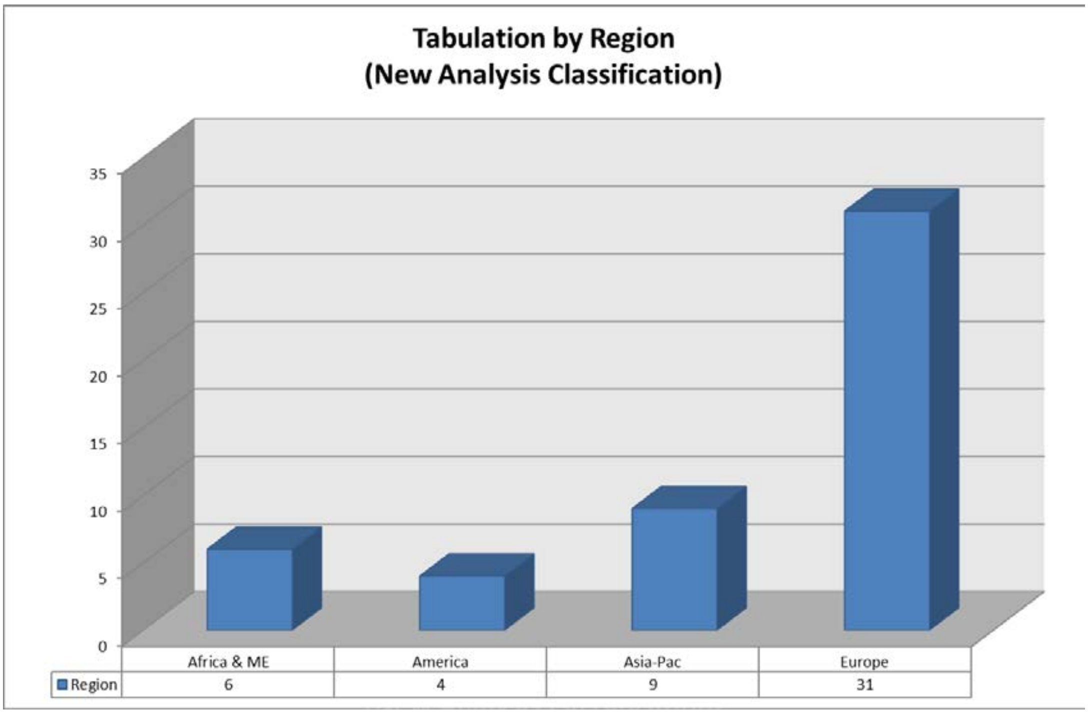


Figure 2: Number of Countries/Organisations Participating from Different Regions

The chapters in the 2012 report

The 2012 report contains the following chapters:

Chapter 1: Legal and institutional settings – the chapter contains information about how different jurisdictions carry out business registration procedures. It serves as a background chapter for the subsequent chapters in the report since legal and institutional systems to a large extent determine how business registration is carried out in different parts of the world. In the chapter a description of the notary system in Germany is put forward.

Chapter 2: Processing time – as last year this chapter attempts to measure the time it takes organisations to handle different types of submissions. This year we have made an attempt to calculate pre-registration activities to make it easier to benchmark organisations with each other.

Chapter 3: Use of e-services by company registries – the chapter deals with the usage of e-services. E-services are considered by many as one of the most important tools to improve quality, customer

[2]Even though the number of countries/organisations participating from some regions is very low, the working group has decided to use the new way to group countries since this will give more interesting knowledge in the analyses done in the report. Important to remember is that, besides Europe, it is only possible to draw conclusions based on the individual organisations participating in the survey and not make assumptions for the region as a whole.

satisfaction, and productivity. This year more efforts have been made to understand what is exactly meant by e-services.

Chapter 4: Cost, Fees and Charges – the chapter benchmarks the types of fees and charges collected by different organisations. In the chapter correlation analysis is carried out to better understand how prices are set.

Chapter 5: Business dynamics is a chapter where different country's business dynamics are measured based on the information registered in different jurisdictions. Information used in this chapter to determine business dynamics is terminations and incorporations of companies, types of firms created and the effects of mergers.

Executive summary

The executive summary is a short extraction of the most important findings in the different chapters in the ECRF/CRF benchmarking report. It highlights some of the findings but does not include all the knowledge presented in the different chapters. The reader is therefore recommended to explore the different chapters according to individual preferences. Each chapter can be read separately even though some cross-references are made between chapters.

Below some of the main conclusions are put forward:

European organisations are more empowered than organisations from other regions

European organisations seem to be more empowered than organisations from other regions, since they more often not only register but also decide upon bankruptcy, merger and strike off than do other regions: 60% of the respondents from the European region decide on bankruptcy compared to 14%, 20% and 33% for Africa & Middle East, America and Asia-Pacific respectively. This is also true when we consider if organisations are centralised or not.

There are several different ways a business registration system can be organised and run. As shown in last year's report, it is most common that the organisation is governmentally operated (i.e. state-owned organisation). The second most common operational form is by Courts of Justice and/or Chambers of Commerce. Except for Europe, where the number of business registries that are organised centrally is much more common, there is an even spread of centralised and decentralised structures in all regions. No matter who operates the register, the cost-covering principle is often applied when setting prices.

Unique identification numbers are used, but there is still a need for improvement

It is a general trend to provide companies with a unique number for identification upon registration. Private limited and public limited companies are almost always given a unique ID when registered, whereas general partnerships and sole traders are given a unique ID in about half the cases. To register a national branch of a foreign company is a common practice in all regions, ranging from America where all registers do, to Asia-Pacific where half of the registers do. Even though most organisations register the national branch of a foreign company, the foreign ID-number is not registered in the majority of countries. This means that it is not possible to use the registrations for traceability etc.

When it comes to the registration of branches of a national company in foreign countries, the story is different. Only in America, the majority of registers require the registration of branches in foreign countries. Overall, this means that organisations from America seem to be more concerned with keeping track of both national branches abroad and national branches of foreign companies.

In all regions a unique identification number for branches of foreign companies is more often provided than not. On the other hand the provision of identification numbers for branches of national companies does not show a consistent practice throughout all regions. In America and Africa & Middle East it is more common than not to give branches of national companies ID-numbers.

To summarize, the data shows that from a European point of view and the impending Directive regarding the interconnection of central, commercial and company registers, that not all the necessary data infrastructure is at hand. It is not enough to just register foreign or national branches, you also need to provide some sort of unique identification number in order to link data and companies. This is an area that all jurisdictions have to improve upon in order to make true interconnection possible.

Many jurisdictions are introducing one-stop-shops and making formation easier, cheaper and faster

During 2011, many changes were implemented in the area of business registers. The idea of a one-stop-shop is spreading, facilitations in the formation of companies were made, laws to speed up the registration process were implemented and more and more countries provide electronic filing services. The focus is on making formation easier, cheaper and faster, laying the foundations for more and faster growing companies.

Even though many countries are making changes in order to facilitate formation, there are still huge differences in the requirements for company formation between registers. For example, the average share capital needed for private limited companies ranges from €0 to €7,143. For public limited companies, the range is from €0 to €44,385. Another thing that differs widely between regions is the number of documents necessary to complete incorporation. In Europe 37% of registers require eight to ten documents for incorporation, for Africa & Middle East the same percentage is zero.

Organisations without pre-registration activities are quicker at handling submissions

In the 2011 survey, an attempt was made to account for differences in processing time by incorporating the role played by pre-registration activities in the entire registration cycle. The Asia-Pacific region has the most number of countries/organisations with no pre-registration activities, while the European region has the least number of countries/organisations without any pre-registration activities. Half of the American and a third of the African regions report no pre-registration activities at all. The time taken to process a registration, including pre-registration activities, is on average 57 hours, while the average time to process a change in the registry is about 27 hours. When one does not account for activities preceding the formal registration process it is clear that the impact of pre-registration activities is substantial. The maximum decrease is from 744 to 120 hours and the average time to incorporate a company decreases from 57 to 19 hours. For the time taken to process changes the pre-registration activities do not seem to be important and the time taken remains the same. The registers that reported no pre-registration activities have significantly shorter times for incorporation than countries citing Notary Public as part of the pre-registration activities or countries that mentioned Other as part of the pre-registration activities (countries with other pre-registration activities were too few to compare with).

E-services have still no impact on processing time

When it comes to e-services, overall there is no correlation between the time taken to register a request for incorporation and the percentage of electronically submitted documents for incorporation. The same applies for the time to register changes and the percentage of electronically submitted documents for changes. E-services do not seem to be the main driver of faster processing times to register a request for incorporation or changes to the register.

While the number of documents examined for incorporation varies from three to 40, it does not correlate with the time taken to register the company. Additionally, the lack of correlation persists even when pre-registration activities are not taken into account.

There is a consistent group of registries that perform well every year

95% of the countries who ended up in the top performers' group (those countries with values on processing time for incorporation and changes falling below the mean values) in this year's study also made the top performers' list in 2010 (these are foremost countries who reported no pre-registration activities). The results seem to indicate a high level of consistency in the performance of countries. Over half the countries/organisations have performed at levels equal to or better in 2011 when compared with 2010. The other half, however, have performed considerably worse in 2011 than they did in 2010. On a regional level, the Asia-Pacific region has improved its processing time for changes while the other three regions have done worse in 2011 when compared with 2010.

For 2011 the following countries are high performers when the time for processing changes and incorporations are measured: Cook Islands, Luxembourg, Jersey, Belgium, Liechtenstein, Singapore, Malaysia and Lesotho.

Paper is still the most commonly available method for company registration

The use of e-services by company registries is a key benchmarking indicator, as the ability to provide services electronically could be a vital tool to drive speed of service delivery up and costs down. Since e-services are delivered in several different ways, the respondents interpret questions on e-services in different ways. Therefore, different ways of accepting company registrations were broken down into categories in this year's survey. Throughout all regions, paper is still the most commonly available method available for company registration.

Across all regions the percentage of electronically submitted registrations is lower than the percentage of changes in company details that are electronically submitted. European registers have a higher percentage of electronically submitted documents than registers in other regions, and there is no direct correlation between mandatory e-services and the proportion of documents that are filed electronically. The areas where capability to register completely online is most prevalent are Europe and America. Several countries have either made improvements to existing e-services or introduced new electronic services during 2011.

Incorporation prices are lower for privately funded organisations

When it comes to funding, governmental funding is more common among the respondents than is other (private) funding. All registers collect some sort of fees or charges but 80% state that some of their services are free of charge.

Even though 80% of the registers state that they always or sometimes apply the cost covering principle when setting prices, applying the cost-covering principle seems to be more important for those who do not receive governmental funding. Among the 18 organisations who do not receive governmental funding, 83% state that they always apply the cost covering principle. Among the 30 organisations receiving governmental funding, only 37% state that they always apply the cost covering principle. There are differences between organisations and the prices they charge for incorporation. The average incorporation price ranges from €0 to €555. The average incorporation price is lower for the organisations that do not receive governmental funding than for those who do.

The average incorporation price is €183 for the latter and €100 for the former organisations. One explanation for the differences in average incorporation price could be that it reflects the general economic development of the countries; however, there is no strong correlation between the average incorporation price and GDP per capita. Countries with a high use of e-services are found both among the ones with high incorporation price as well as among those with low incorporation price and vice versa, meaning that introducing e-services does not necessarily reduce incorporation fees.

America is performing better in business dynamics

In chapter five the business dynamics for different regions are calculated based on the number of companies created and terminated during 2011. Six countries in particular: Serbia, Singapore, United Kingdom, Cook Islands, Canada and South Africa have had a large inflow of new companies at the same time as unsuccessful companies having been terminated. Of these countries Serbia, United Kingdom and Singapore belonged to this category in 2010 as well.

The most common way of terminating a company is through compulsory procedures, meaning that the termination was enforced by law and initiated by the registry. More than 60% of the terminations belong to this category.

Despite the financial crisis the world is currently struggling with, all regions have a positive inflow of companies, meaning that more companies were created than terminated. This was also true for Europe, in 2011 the number of companies increased by 2.5% in Europe. If the business dynamics is calculated for different regions the most dynamic region is America. In 2011 the percentage of new companies in the region amounted to 12%, with terminations amounting to 9%.

Chapter 1: Legal and Institutional Settings

The chapter on legal and institutional settings is included in the report for the second time. Following last year's experience, the working group decided to expand the chapter, due to the importance of showing the differences between the registration systems of the participating countries. The aim of this chapter is to provide a better understanding of the answers given in the survey and their background. During many conferences and working groups, discussions showed that the understanding of questions contained in the ECRF/CRF Survey Questionnaires can be very different, depending on the registration system in the participating country. For example, it became obvious that the understanding of "processing time" is very different in the participating countries, which can be attributed directly to the various registration systems (e.g. notary systems as against systems without intermediaries). Another reason is the Directive of the European Union concerning the interconnection of business registers[3], which will have an impact at least on the Member States of the European Union. Against this background, this chapter will try to describe the current picture of registration systems, in order to be able to follow future developments in the legal and institutional sector.

As last year, the chapter is structured in two parts. The first one is an analysis of the participating countries'/registers' answers with reference to legal and institutional settings, and consists of four sub-chapters. In the first sub-chapter, some aspects of the different types of organisations are described, to give the reader the opportunity to understand the background of the answers given. As always, the data and analysis contained in the ECRF/CRF Survey Reports are only meant to show differences, rather than rate the different registration systems. The second sub-chapter provides information about handling of branches and unique identifiers, which is especially of interest against the background of the before mentioned EU-Directive. Of course, last year's major developments and changes in law-making and procedures adopted by different jurisdictions are of particular importance in this context, and this is analysed in sub-chapter three. Last but not least, sub-chapter four shows different aspects of the incorporation of new companies.

The second part of the chapter is a case study of the German registration system, which was chosen because of the fact that Germany is one of the few countries that rely on the notary system. The case study is a way to give a better understanding of the characteristics and benefits of a system with preliminary legal checks.

Many different types of organisations are responsible for business registration

The way business register systems are organised differs among regions

As mentioned before, there are several different ways a business registration system can be organized and run. Figure 3 gives an impression of the division of the different systems:

[3] Directive of the European Parliament and of the Council amending Council Directive 89/666/EEC and Directives 2005/56/EC and 2009/101/EC of the European Parliament and of the Council as regards the interconnection of central, commercial and companies registers, was adopted without discussion at the Education/Youth/Culture/Sport Council meeting on May 10, 2012. It followed an agreement with the European Parliament at first reading.

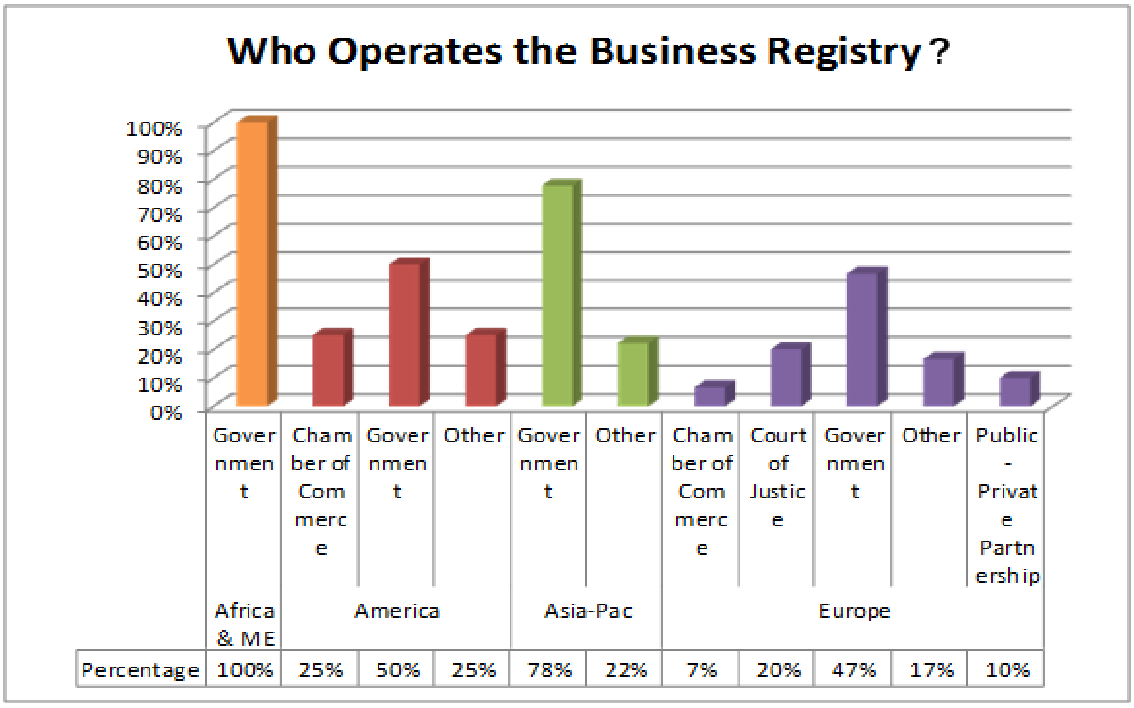


Figure 3: Who operates the business registry?

Obviously, the most common type of organisation in most regions is governmental, i.e. state-owned, followed by Courts of Justice and/or Chambers of Commerce as business registry operators, whereas in Africa & Middle East the registry is always operated by the government. It should be kept in mind that only 6 countries from that region answered the survey. Worth mentioning also is that Court of Justice is only used in Europe as a way of organising business registration.

The survey showed that there are also different ways of organising business registries, which are shown in Figure 3 as “Other”. One example of a different approach is the Belgian system, which was described as follows: “The Belgian Crossroads Bank for Enterprises (CBE, part of the FPS[4] Economy) is responsible for recording, storing, the management and the provision of data regarding enterprises. The registration of companies is delegated to initiators (entities responsible for registration and/or modification of certain data). One of the most important initiators is the licensed enterprise counters, which are private entities. This can be seen as public-private partnership. Other initiators are state-owned, for example registries of commercial courts (part of the FPS-Justice).”, and: “The Central Balance Sheet Office (CBSO) is operated by the National Bank of Belgium...”. Another alternative can be found in Jersey, where the Jersey Companies Registry is part of the Jersey Financial Services Commission, which is the Jersey financial regulator and independent from the government.

An important issue when organising a business registry is the question of how to build up its structure:

[4]Federal Public Service of Belgium, formerly the Ministry of Justice.

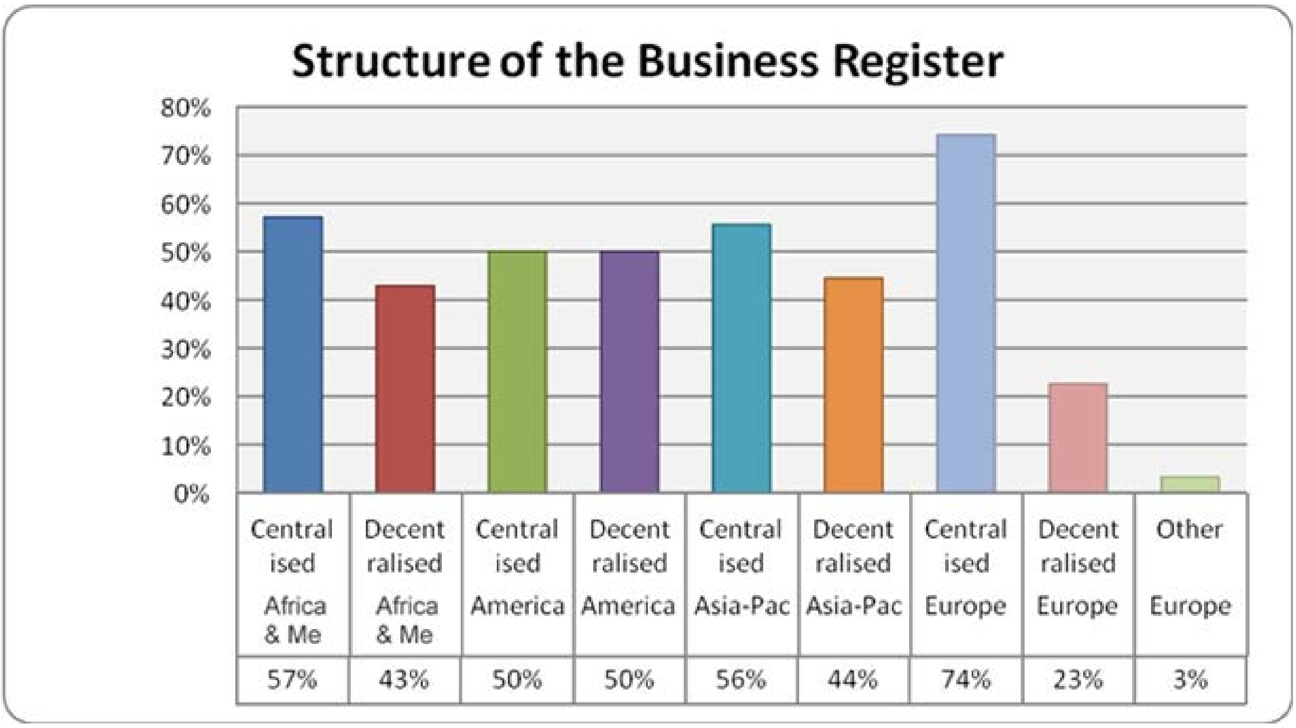


Figure 4: Structure of the Business Register

There is a significantly even spread of centralised and decentralised structures in all regions except Europe, where the number of business registries that are organised centrally is triple the number of those that are organised de-centrally.

The answers to the survey lead to the conclusion that no matter who operates the register, most business registers apply the cost covering principle, as can be seen in Figure 5. Despite this, there is some dissimilarity in those organisations run by Court of Justice or as public-private partnership, which are less likely to work under the cost-covering principle.

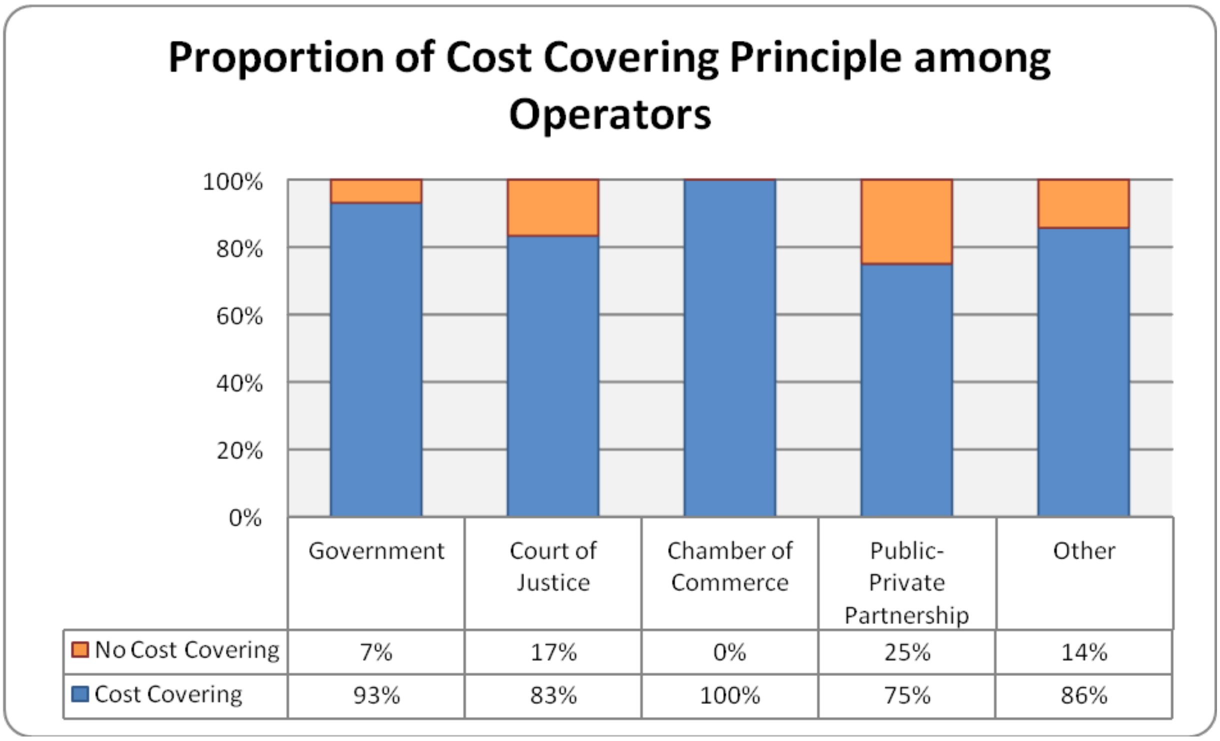


Figure 5: Proportion of Cost Covering Principle among Operators

A very important issue to understand the complexity of business registers across the world is the diversity of business cases and how different registers treat them. A major difference in that respect is the scope of examination, as some registers, more or less, simply *register* facts (no legal checks), while others *decide* upon business cases (legal checks). As it is not possible to display every business case in this kind of survey, the report focuses upon four important business cases (bankruptcy, wind-up/liquidation, merger, and strike off).

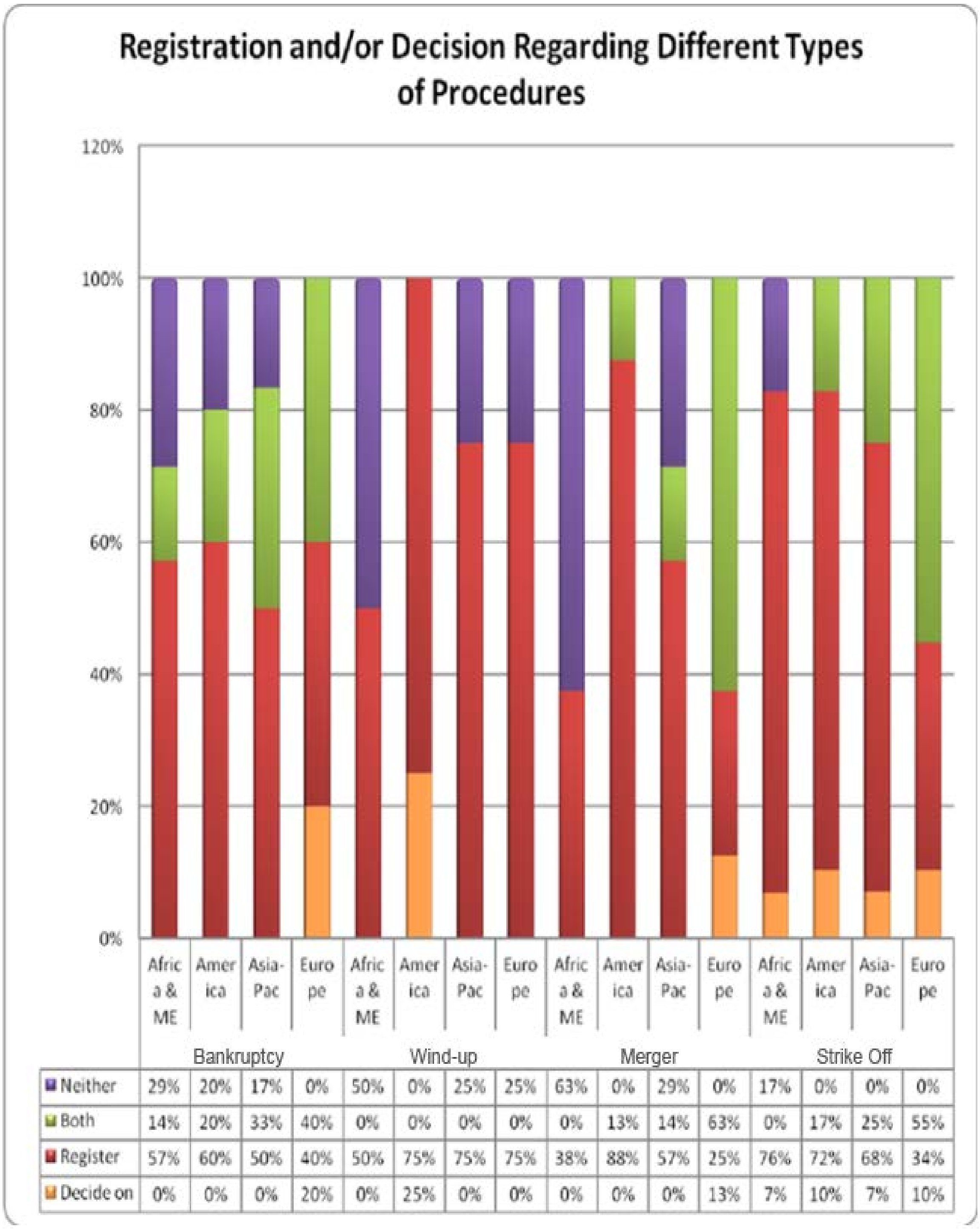


Figure 6: Registration and/or Decision Regarding Different Types of Procedures

Figure 6 shows that in all regions, and for all types of registration, there is a high rate of those business registers that only register procedures. However, there are three striking exceptions: bankruptcy, merger and strike off in Europe are far more often decided upon: 60% of the respondents from the European region decide on bankruptcy, 76% on merger, and 65% on strike off (the answers “decide on” and “both” have been added together in the before mentioned numbers). There is another exception for merger in the Africa & Middle East region, where only 37.5% of business registers register them, while 62.5% neither register nor decide upon them. The handling of wind-up procedures shows another specific characteristic: 25% of the business registers from

America decide upon it. In the other regions, business registers only register or do not register or decide at all.

The above analysis shows that European organisations seem to be more empowered than organisations from other regions. This also implies that, when we in later chapters compare time for processing incorporations and changes, it should be borne in mind that the workload differs among registries.

Registration of branches and the usage of unique identifiers

The business crisis and actual problems arising from the internationalisation of businesses show that it is very important to make the exchange of company documents and information across borders as simple and as fast as possible. In this context business registers play a very important role, which *inter alia* can be seen in several initiatives (the recently adopted EU-Directive on interconnection of registers, LEI-initiative[5] of the Financial Stability Board). Two important aspects that are always named in this context are the registration of (foreign) branches and the creation of a unique identifier. The latter is of great importance in the field of interconnection of business registers, since it enables traceability of companies and branches to their home registry as well as tracing company relations, as it provides a unique characteristic of the company.

Registration of branches

Since 1990, when the 11th Company Law Directive[6] was enforced in Europe, and since the implementation period ended in the beginning of 1992, branches of companies from another Member State must publish documents, which include the following information:

- the address of the branch;
- the activities of the branch;
- the company's place of registration and registration number; and
- particulars of the company directors.

Against this background, the registration of branches from another state (not necessarily another EU Member State) is common in Europe, but as can be seen in Figure 7, that is a common practice in most regions. For instance, all of the American organisations participating in the survey reported that they are required to register national branches of foreign companies.

[5] The Legal Entity Identifier

[6] 11th Council Directive 89/666/EEC of 21 December 1989 concerning disclosure requirements in respect of branches opened in a Member State by certain types of company governed by the law of another State.

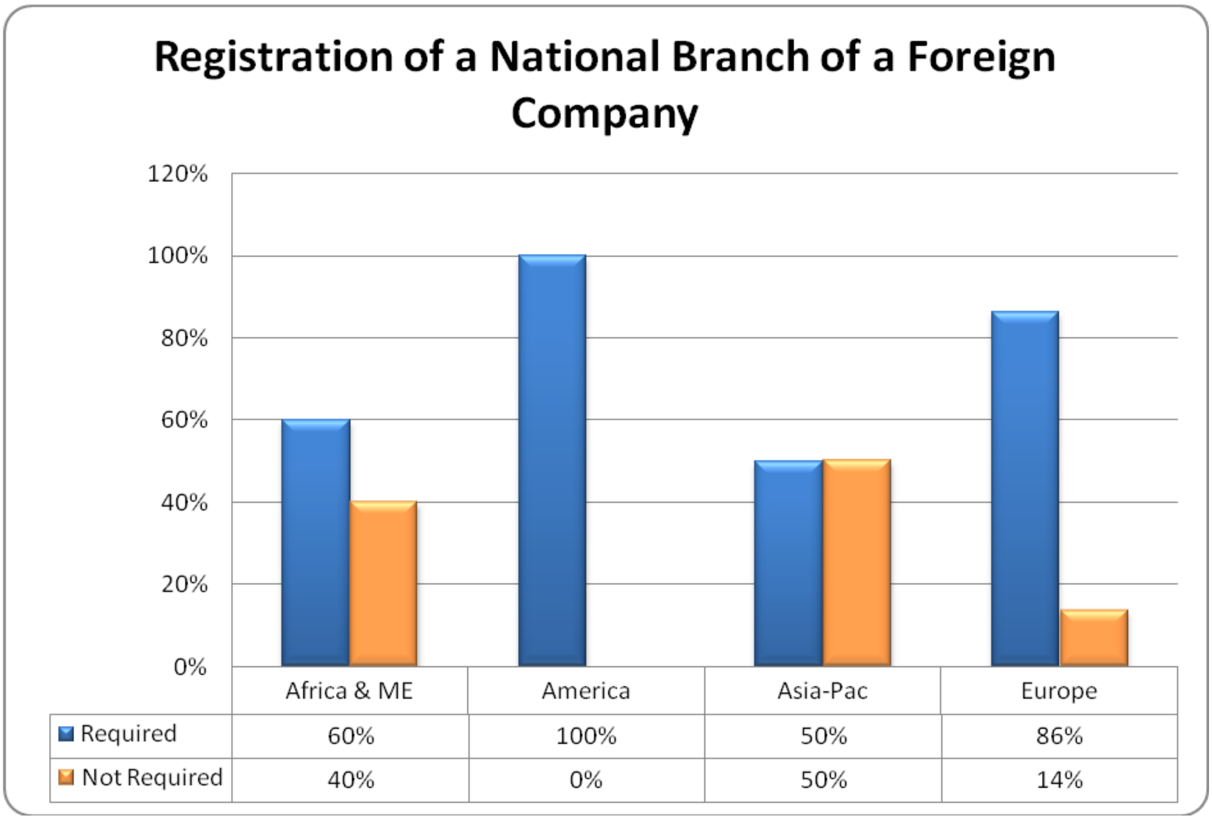
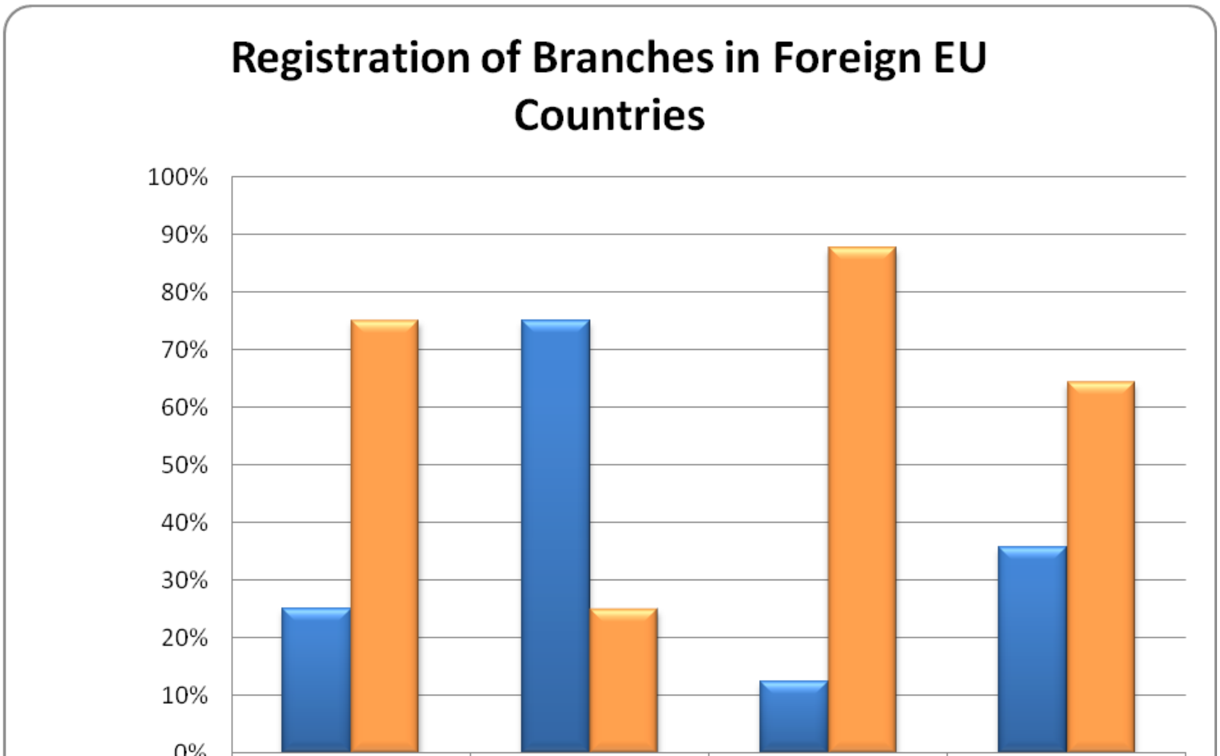


Figure 7: Registration of a National Branch of a Foreign Company

One additional piece of information that can't be shown in the graph is that those countries in Europe that answered "not required" were non-EU Member States without exception. That means all EU Member States that answered the question 18 register national branches of foreign companies. The registration of branches of national companies in foreign EU countries results in a slightly different picture:



	Africa & ME	America	Asia-Pac	Europe
Required	25%	75%	13%	36%
Not Required	75%	25%	88%	64%

Figure 8: Registration of Branches in Foreign EU Countries

Two issues are striking:

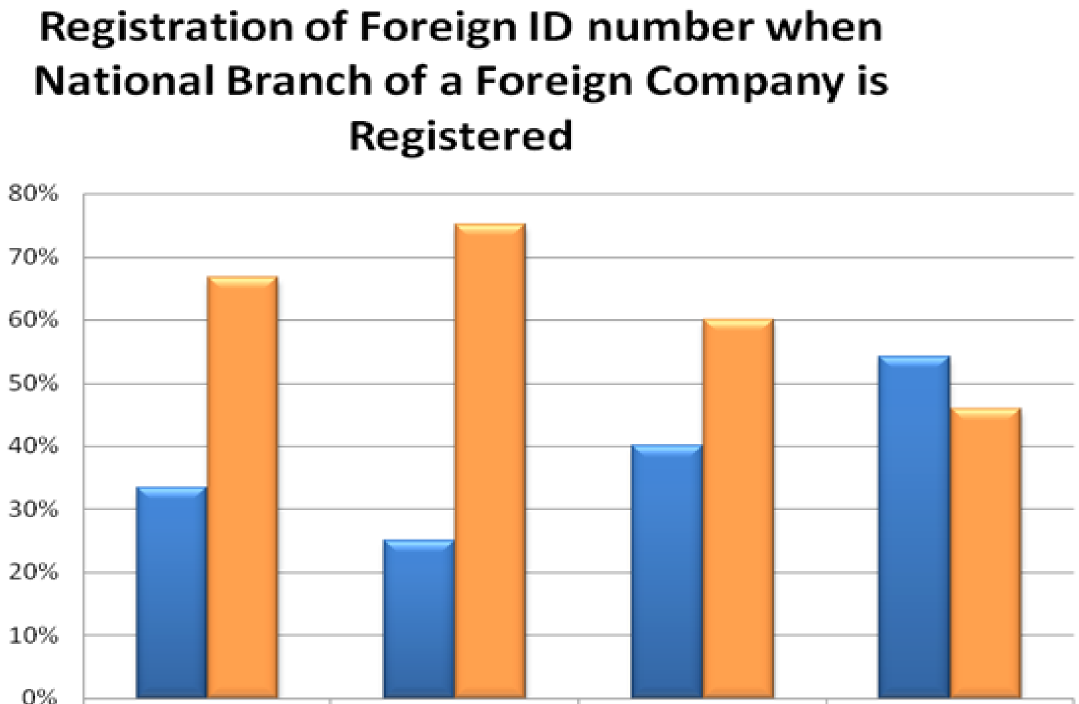
Whilst in all regions national branches of foreign companies are required to be registered, most registries from Africa & Middle East, Asia-Pacific and Europe don't require foreign branches of national companies to be registered. One possible explanation could be that in the past most business registers didn't consider the international activities of registered national companies to be important. However, recent global developments like the financial crisis could be an impulse for a future change.

The second thing is that conversely, most of the business registers from America that answered the survey do require foreign branches of national companies, at least in EU countries, to be registered. Overall, this means that organisations from America seem to be more concerned regarding keeping track of both national branches abroad and national branches of foreign companies.

The usage of unique identifiers

A major issue in the recently adopted EU-Directive on the interconnection of business registers will be the tracing of branches to their parent company. One way to achieve that is the registration of the foreign ID-number of a foreign branch in the national register. As the below visualized results of the survey show, the potential need for this is as yet not realised by all participating regions, as most of Africa & Middle East, America and Asia-Pacific do not register a foreign ID-number when a national branch of a foreign company is registered. By contrast, in Europe – obviously as a result of the enforcement of the 11th Company Law Directive – more countries register foreign ID-numbers than not.

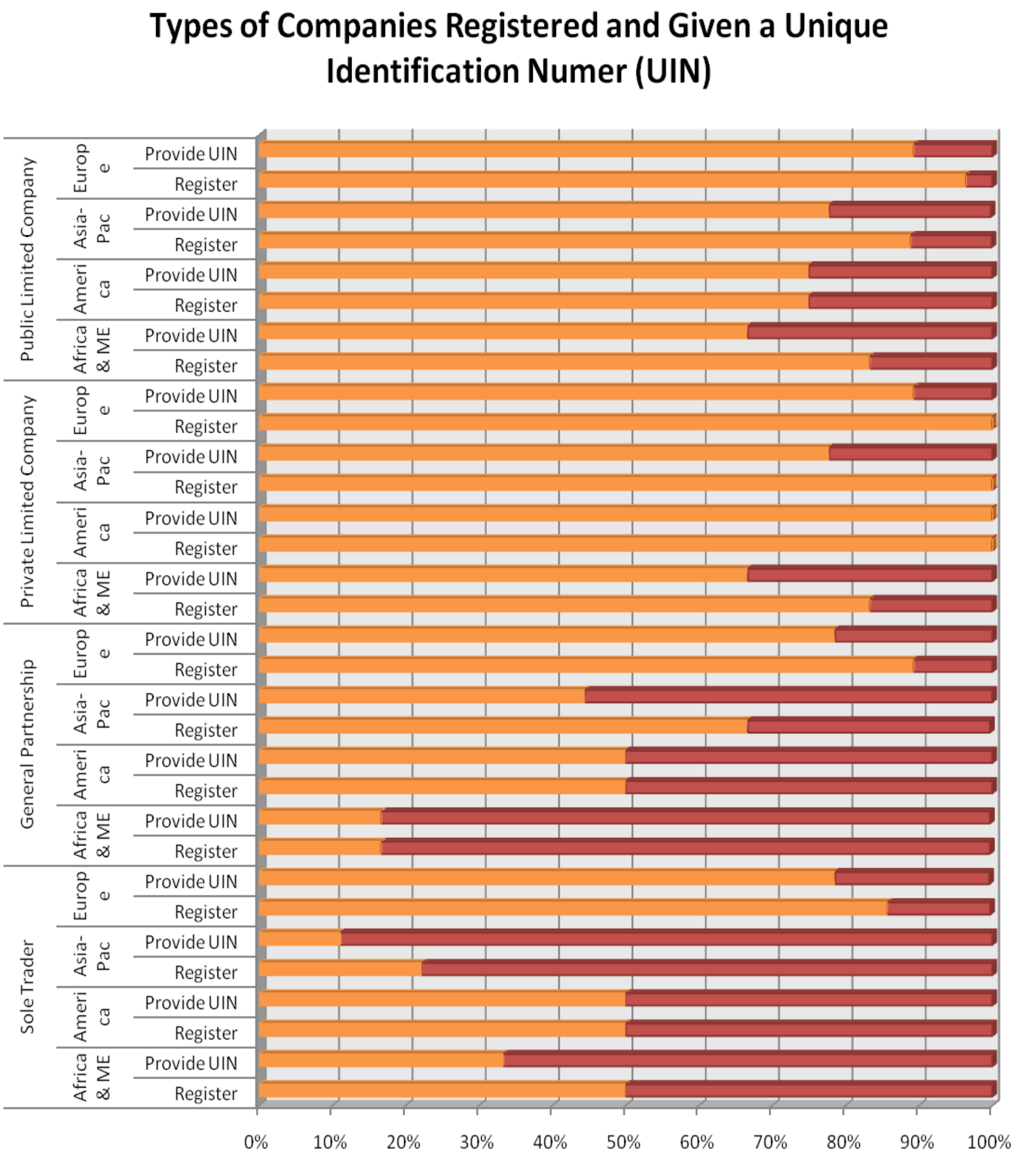
One interesting observation is that, when comparing the answers in Figure 9 with Figure 7 on registration of national branches of a foreign company, there is a huge difference in the way American organisations have replied: 100% replied that they register a national branch of a foreign company, but only 25% also register the foreign ID number when doing so. This implies that even though these entities are registered, the registry entry could possibly not easily be traced back to the registry of origin.



	Africa & ME	America	Asia-Pac	Europe
Register	33%	25%	40%	54%
Do not Register	67%	75%	60%	46%

Figure 9: Registration of Foreign ID number when National Branch of a Foreign Company is Registered

In order to understand the impact of the changes of the recently adopted EU-Directive, it might be helpful to know for which registered entities business registers provide a unique identification number. It would not be wise to focus only on the European region when exploring the provision of a unique identification number: of course, the newly adopted Directive will only apply to EU Member States, but it has to be assumed that the interconnection of registers will not stop at EU-borders once it has begun. As for today, the answers to the survey show a differentiated picture:



	Sole Trader							
	Africa & ME		America		Asia-Pac		Europe	
	Register	Provide UIN	Register	Provide UIN	Register	Provide UIN	Register	Provide UIN
Yes	50	33	50	50	22	11	86	79
No	50	67	50	50	78	89	14	21

	General Partnership							
	Africa & ME		America		Asia-Pac		Europe	
	Register	Provide UIN	Register	Provide UIN	Register	Provide UIN	Register	Provide UIN
Yes	17	17	50	50	67	44	89	79
No	83	83	50	50	33	56	11	22

	Private Limited Company							
	Africa & ME		America		Asia-Pac		Europe	
	Register	Provide UIN	Register	Provide UIN	Register	Provide UIN	Register	Provide UIN
Yes	83	67	10	10	10	78	10	89
No	17	34	0%	0%	0%	22	0%	11

	Public Limited Company							
	Africa & ME		America		Asia-Pac		Europe	
	Register	Provide UIN	Register	Provide UIN	Register	Provide UIN	Register	Provide UIN
Yes	83	67	75	75	89	78	96	89
No	17	34	25	25	11	22	4%	11

Figure 10: Types of Companies Registered and Given a Unique Identification Number (UIN)

As can be seen in Figure 10 in general, there is a trend that when a business register registers a certain company type, it will also provide the company with a unique identification number. That means that the quantity of registrations and the quantity of unique identifiers issued are mostly the same. The biggest exception is to be found in the Asia-Pacific region, where 67% of the respondents register general partnerships, but only 44% provide a unique identifier for that company type. That is a divergence of 23%. There is a similar exception for private limited companies in the same region, because 100% of the respondents register this company type, but only 78% provide a unique identification number, which leads to a divergence of 22%. An analysis of the most important company types, i.e. private limited company and public limited company, shows that in most parts of all regions they are registered as well as provided with a unique identification number. The highest number of registers that don't provide a unique identification number is to be found in the African region, where it is – for both company types mentioned above – as high as 34% (in both cases it was the same two countries who register but don't provide a unique identification number). It also becomes obvious that general partnerships and sole traders in Europe are registered nearly as often as the company types mentioned before. Conversely, in the other regions those two are not likely to be registered and given a unique identification number by a majority of business registers.

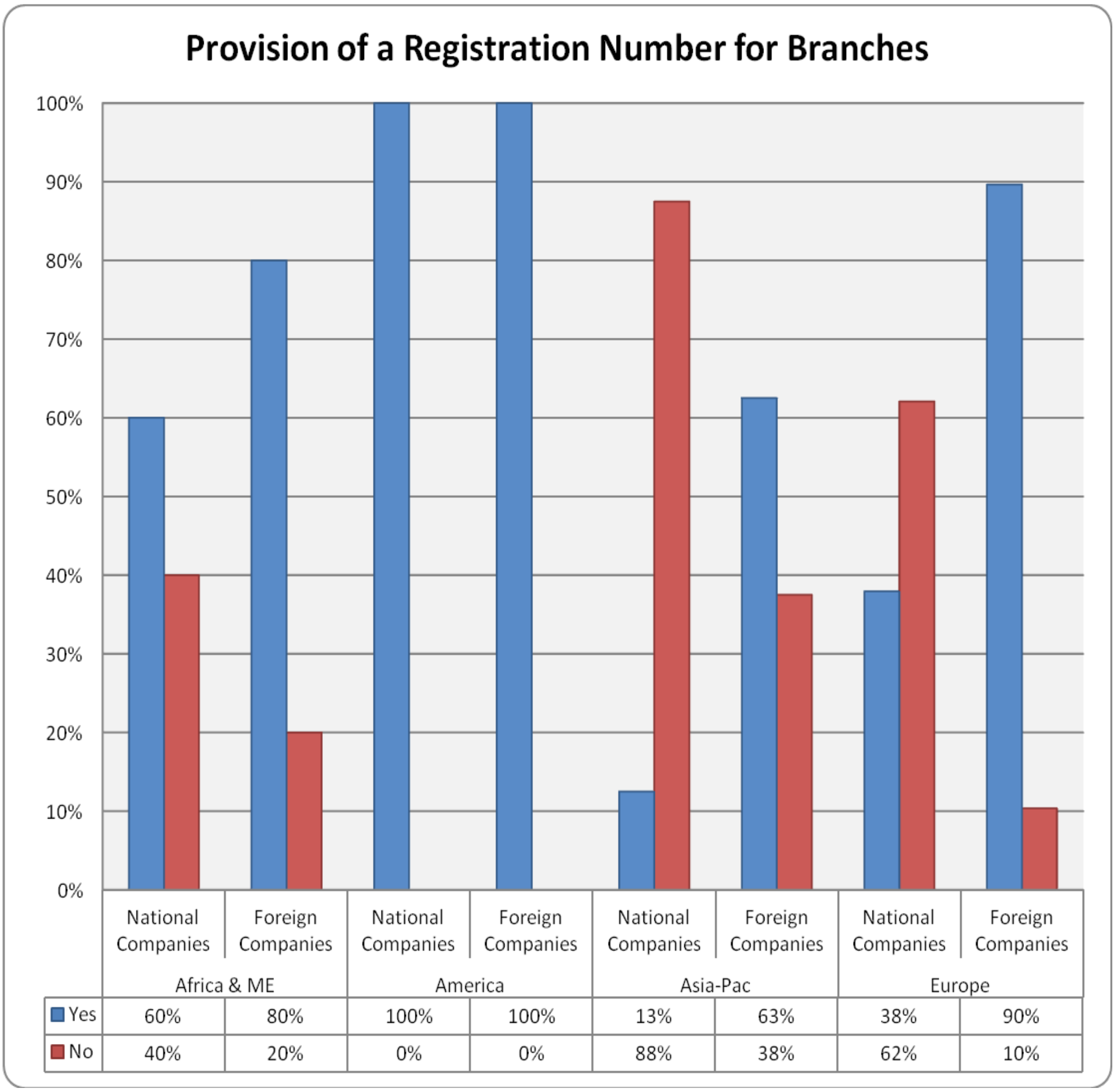


Figure 11: Provision of a Registration Number for Branches

Figure 11 shows that in all regions a unique identification number for branches of foreign companies is significantly more often provided than not, with the Asia-Pacific region being the lowest at 63%. On the other hand, comparison of the provision of identification numbers for branches of national companies doesn't show a consistent practice throughout all regions. To understand these results, it is important to know that not all business registers register branches of national companies at all, for example because in their jurisdictions a branch of a national company is not recognised as a legal entity. Another explanation could be that in some countries – like in Germany – the national branch of a national company is registered directly at the company's register, so that they don't receive their own registry entry and, due to this they do not receive a unique identification number.

Last but not least, it has to be pointed out that – especially with respect to the recently adopted EU-Directive – it is not sufficient just to register foreign or national branches, if one wants to ensure that the register of the branch/company is informed about relevant changes in the register of the company/branch. Rather it has to be certified that the register of the company and the branch are connected in a way that enables a quick, safe and reliable exchange of information when changes appear. One possibility to achieve this could be the introduction of a unique identifier that enables the linking of the company's and the branch's registry in a way that they are informed about changes automatically, for example by the development of a common registry platform, as demanded by the newly adopted EU-Directive.

Major developments and changes

The answers to question 10 ("Describe any major changes during the last year that have affected your registry and/or the registration activities.") showed that there were many changes in the area of business registers. In this chapter only the most important changes can be highlighted. For a full impression of all the changes, please have a look at appendix 4.

The idea of a one-stop-shop appears to be spreading further, as five countries have introduced changes that enable one-stop-shop-services. These countries are: Hong Kong, Singapore, Georgia, FYR of Macedonia and Lesotho.[7]

Furthermore, there were facilitations for the formation of companies implemented in three countries. United Kingdom introduced a new web-service that enables customers to incorporate a simple company (basic company type of 'private limited by shares', adopting model articles in their entirety) online, directly with Companies House. In Sweden, the minimum required share capital was reduced from 100,000 SEK to 50,000 SEK, and the requirement for auditors to start a limited company was removed. There were also facilitations in Colombia, as the costs of registering companies were reduced and the liquidation process was simplified.

Another trend that can be observed is the increasing speed of company registration. In Central Spain a law has been enforced, obliging registrars of the Central Mercantile Registry to verify within 24 hours if a company name complies with legal requirements. Croatian law even demands a 24-hour deadline for company registration and online company name reservation through HITRO.HR web application.

Not surprisingly, more and more countries modify the registration process by providing electronic filing services. In this year's survey, Lithuania, Azerbaijan, Cook Islands and Mauritius stated that they have introduced or improved electronic filing services. Australia introduced a new financial management system that enables the business register to offer new payment services, like online credit card payment.

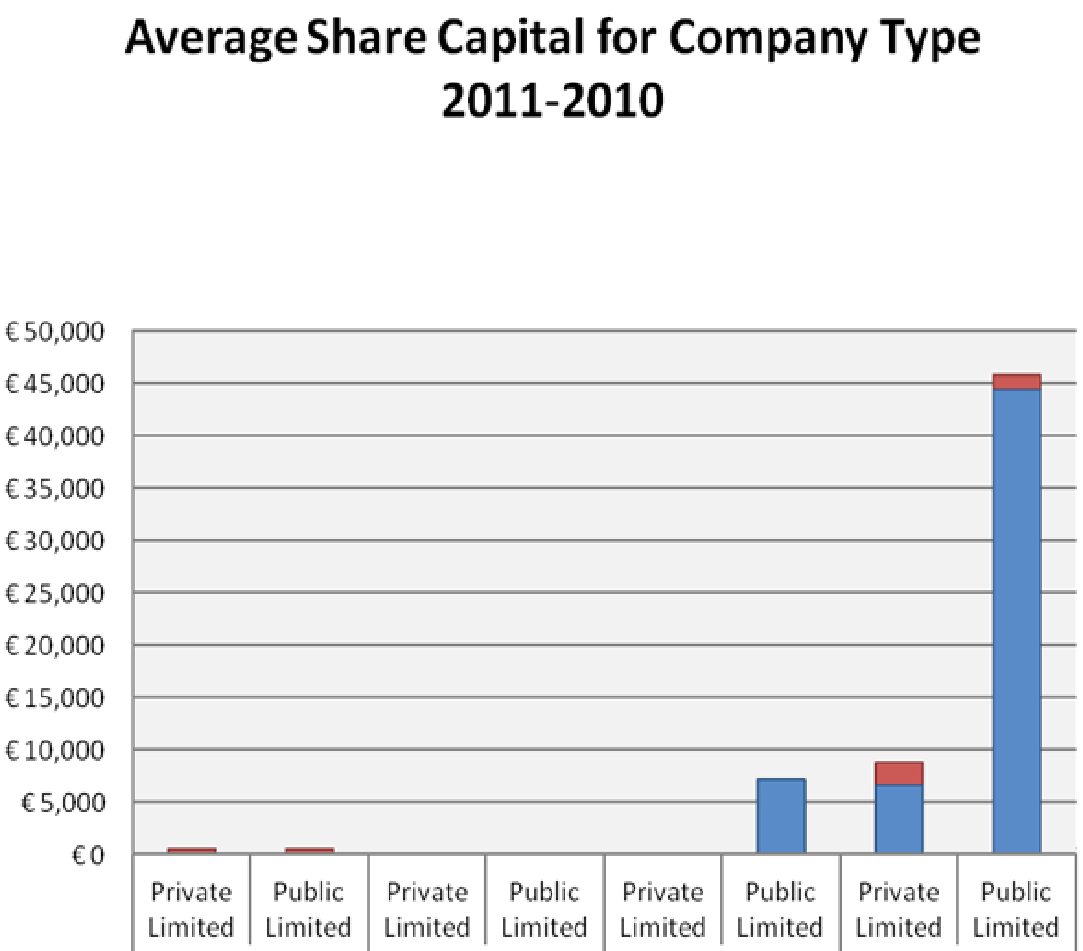
To meet today's requirements some countries have introduced new types of companies, like Separate Limited Partnerships and Incorporated Limited Partnerships in Jersey, and the individual enterprise with limited liability (EIRELI) in Brazil/Rio de Janeiro.

Formation of new companies

A look at the major developments mentioned in subchapter 3 shows that many recent changes are related to the formation of companies, targeting making formation easier, cheaper and faster. Having that in mind it seemed beneficial to show requirements for the formation of a new company in the different regions. Answers to last year's ECRF/CRF Survey gave us the opportunity to compare the past requirements with present ones, and enabled us to show some trends. Considering the

[7] See chapter 3 for a more thorough description of these cases.

requirements for company formation as one major factor of the economic climate, this comparison shall be pursued further in future reports. Of course the information at hand can only show the most important company types and some important requirements.



	Africa & ME Private Limited	Africa & ME Public Limited	America Private Limited	America Public Limited	Asia-Pac Private Limited	Asia-Pac Public Limited	Europe Private Limited	Europe Public Limited
2011	€ 1	€ 1	€ 0	€ 0	€ 0	€ 7,143	€ 6,595	€ 44,38
2010	€501	€ 501	€ 0	€ 0	€ 0	€ 0	€ 8,752	€ 45,77

Figure 12: Average Share Capital for Company Type 2011-2010

The above displayed Figure 12 for 2011 shows very clearly that respondents from Africa & Middle East and America, have a very low share capital of €1 and €0 respectively, whereas the average in the European region is rather high (€6,595 for a private limited and €44,385 for a public limited). In Asia, in contrast, the situation is not that homogeneous for private and public limited, as there is no share capital needed for a private limited, but €7,143 on average for a public limited.

The comparison of the 2011 and 2010 figures shows a slight decrease in the average minimum share capital, both for private and public limited companies in the Africa & Middle East region. This is due to the reduction of the 2010 minimum share capital from €1,000 for both company types in South

Africa to no minimum share capital in 2011. In the European region also, a slight reduction in the average minimum share capital for both company types can be observed. For private limited companies this results from the reduction of the minimum share capital for a private limited company in Norway, from €12,500 to €3,900. The slight decrease in the average for public limited companies in this region is caused by new respondents that didn't participate in the 2010 survey. It might seem that there has been a rise in the average minimum share capital for public limited companies in the Asia-Pacific region, because in 2010 there was no minimum share capital, whereas in 2011 there is an average minimum share capital of €7,143. However, no respondent has actually raised the minimum share capital. The higher average is to be attributed to the first time participation of India in this year's survey. India has a minimum share capital of €50,000 for public limited companies, which raised the average.

There was no change to the minimum share capital according to the respondents from the American region.

According to the answers, the amounts of share capital shown above are not likely to be changed in the near future. Only 25% of the respondents from America, 11% of the respondents from Asia-Pacific and 4% of the respondents from Europe, declared that they envisaged changes of share capital in the near future; according to the answers to the survey, share capital will not be subject to change in the African region in the near future. It may be worth noting that even though the share capital is much higher in Europe, less organisations have stated that it will be subject to change in the near future than in other regions. In any case, the level of a company's share capital is an issue where safety for creditors and simplification of company formation compete with each other.

Another very important factor when considering the formation of a new company is the necessary number of founders, shareholders and board members. A look at Figure 13 shows a very consistent picture:

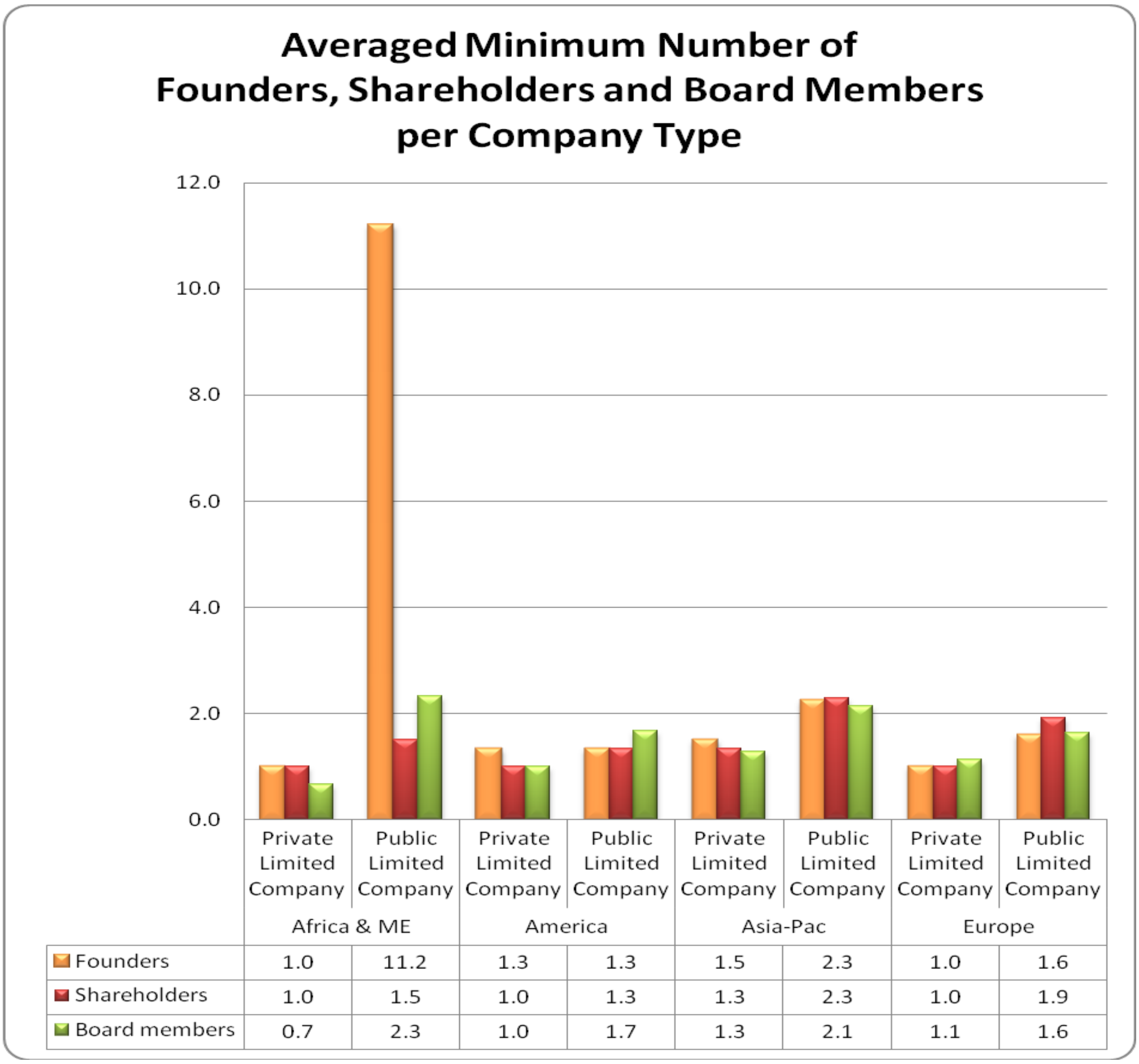


Figure 13: Averaged Minimum Number of Founders, Shareholders and Board Members per Company Type

In most regions, for a private limited company only one person is needed for the functions mentioned above, in fewer countries two persons are needed, and very seldom three persons, but only for the board. A similar situation can be seen for public limited companies, although the necessary number of persons is slightly higher, mostly between one and five persons. A striking point is that in one country of the Africa & Middle East region a remarkably high number of 50 founders is needed for a public limited company.

Of further importance when assessing the ease of company formation are the necessary information and documents that have to be delivered to the business register before incorporation. There are a high number of different requirements in different business registers. Those cannot be listed in their entirety in this report, so a simplified chart has been put together[8].

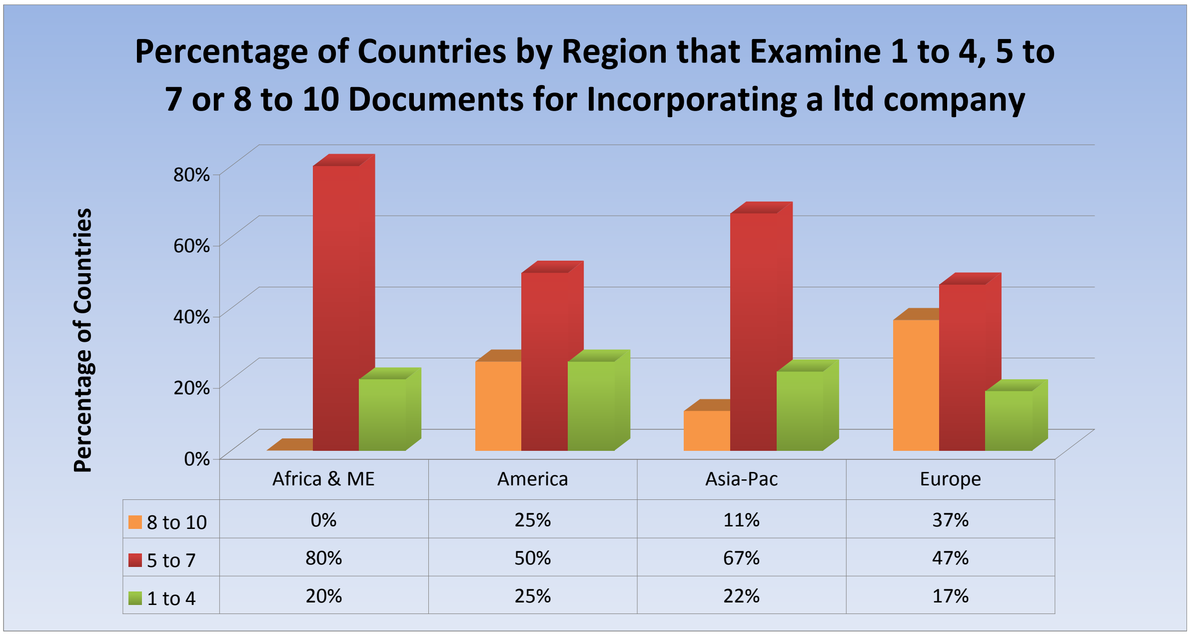


Figure 14: Percentage of Countries by Region that examine 1 to 4, 5 to 7 or 8 to 10 Document Requirements for Incorporating a new Private Limited Company

In the figure given above, the different regions have been compared according to the number of documents needed to incorporate a private limited company. In general, more documents are needed in European registries when incorporating a company. 37% of the organisations from Europe require 8 to 10 pieces of information (memorandum of association, name(s) of company, minutes of constituting, etc.) when incorporating a company, while the corresponding percentages for America, Asia-Pacific and Africa & Middle East are 25%, 11% and 0% respectively.

The German case – a description of the notary system

In Germany, 118 local courts in the 16 states (Länder) administer the register of companies. The relevant actual and legal relationships of companies are completely and reliably recorded there. As the notary system in Germany is statutory, applications have to be filed by a notary. In recent years we have realised – especially in discussions at international meetings and conferences – that the notary system is not that well known around the world, and this raises a lot of questions. This is the reason why we decided to give an overview of the German notary system in this chapter.

As mentioned before, all applications to the business register have to be delivered by a notary, as demanded by Art. 9 of the German Commercial Code ("Handelsgesetzbuch – HGB").But this is, more or less, the last step in the process. Reducing the function of the notaries to this alone wouldn't meet

[8]For an overview of the numerous issues that can be relevant for incorporation throughout the reviewed regions, please have a look at appendix 2.

the importance of the preliminary activities of the notaries. During the whole process of company formation the notary plays a decisive role:

As soon as the entrepreneur decides to start a business, one of his first steps would be to get some legal advice from the notary as an independent public authority, who will help him to find out the right legal form for the business in question. Because the notary is a legal professional and is independent, the founder can be sure that he gets competent and neutral advice which meets his business needs in the best possible way. Even (or especially) in cases where persons with different and/or concurring needs are involved, the notary will help them to find the best solution.

After the decision to choose a particular legal form has been taken, the notary will provide advice on different possible regulations in the statutes and will once again provide help so that right decisions are made. The notary will then finally draft the statutes. The requirement for statutes to be certified by the notary [according to Art. 39 Authentication Act ("Beurkundungsgesetz – BeUrkG")] is by the way statutory for all capital companies, but not for private company types. In addition, the notary also drafts all other necessary documents, such as list of shareholders, list of non-executive board directors, necessary declarations and affirmations of directors and, of course, the announcement of the formation to the registry court. After discussing and finalising the documents, the notary also advises and accompanies the parties during the incorporation meeting, and will put up the memorandum of association which – once again – can only be done by a notary.

One important issue to note is that the founders don't necessarily have to attend the meetings with the notary personally; they can generally give power of attorney to anyone else. An exception is the signature of the announcement to the registry court, including necessary personal affirmations (e.g regarding criminal records or occupational bans).

Before the documents prepared by the notary are signed, the notary will have to apply an identity check of the persons who appeared to sign. Afterwards he will testify the signature. This procedure might seem formal, but it is extremely effective to prevent cases of company hijacking or company identity theft. In jurisdictions without identity checks, these criminal methods are often used to change the personal data of directors in the business register to be able to act for the company without permission.

As soon as all necessary documents have been finalised and signed, the notary will scan them, apply his electronic signature, to certify the origin according to Art. 12 German Commercial Code, and will send the announcement together with the other documents to the local court. The delivery is handled electronically, via an OSCI-based[9] secure administrative communication channel ("ElektronischesGerichts- und Verwaltungspostfach – EGVP"). It is important to note that not only the scanned documents are delivered by the notary, but also certain data sets in a structured form. That applies especially for the name of a company, seat, address, company type, share capital, directors, date of formation and other important facts.

Upon receipt at the registry court, the data is read out and copied directly into the court's registry application, which will then be able to automatically produce a draft of the new registry entry. In case any legal complaints remain despite the preliminary legal check by the notary, the registry court is able to forward those complaints directly to the notary. The notary will in most cases be able to

[9] Online Services Computer Interface.

apply necessary changes or send the missing information himself, because power of attorney has been given. The founders or shareholders will only have to become active again in certain cases, for example, for the amendment of personal affirmations. This can – as mentioned before - only be done by themselves in person, due to the fact that false affirmations are liable to prosecution in Germany. As soon as the announcement with all delivered documents is correct and incorporation fees are paid, the new company or the changes to an existing company is registered by the court. As a general rule, at this stage the incorporation or the changes to the company come into effect. The registry court will then send a notification to the notary, who checks the correctness of the entry.

The result of the notary system is that it guarantees a broad protection of legal relations: everyone can rely upon the registry entries. This principle of an irrefutable presumption of the accuracy of the contents of the business register ("public trust"/"ÖffentlicherGlaube") is regulated by Art. 15 of the German Commercial Code, according to which everyone's reliance upon the correctness of registered facts is protected ("positive reliance"/"Positive Publizität", Art. 15 Sec. 3 German Commercial Code), as well as everyone's reliance upon the fact that only registered facts are legally relevant and true ("negative reliance"/"Negative Publizität", Art. 15 Sec. 1 German Commercial Code).

After all, it could be said that the "four-eyes-principle", including preliminary legal and identity checks, leads to a high quality of announcements and also of registry entries, resulting in safety for creditors of the newly formed or changed company, as well as in prevention of legal disputes.

Chapter 2: Processing Time

This second chapter, also found in previous reports, addresses the time taken by the different registries to process a new request for incorporation or to file registry changes to an existing company. The term processing time refers to the time spent - at the registry - working on a case submitted by a customer. It spans from the receipt of the case, electronically or otherwise, to when a company registration is issued in the case of a new incorporation, or to when an update is registered, reflecting the change submitted or requested by the customer.

In last year's report, we excluded from the processing time analysis any time taken for pre-registration activities, such as time for required permits or statements from other authorities or entities such as courts, public notaries, banks, etc. For example, while some registries (notably, Finland, Norway and Sweden, amongst others) incorporate the legality of the business name in the registration process, others (for instance the Netherlands, and Romania) make that determination prior to the registration process. In this year's survey, we begin to address the differences in legal frameworks between countries and organisations and their effects on the registration process.

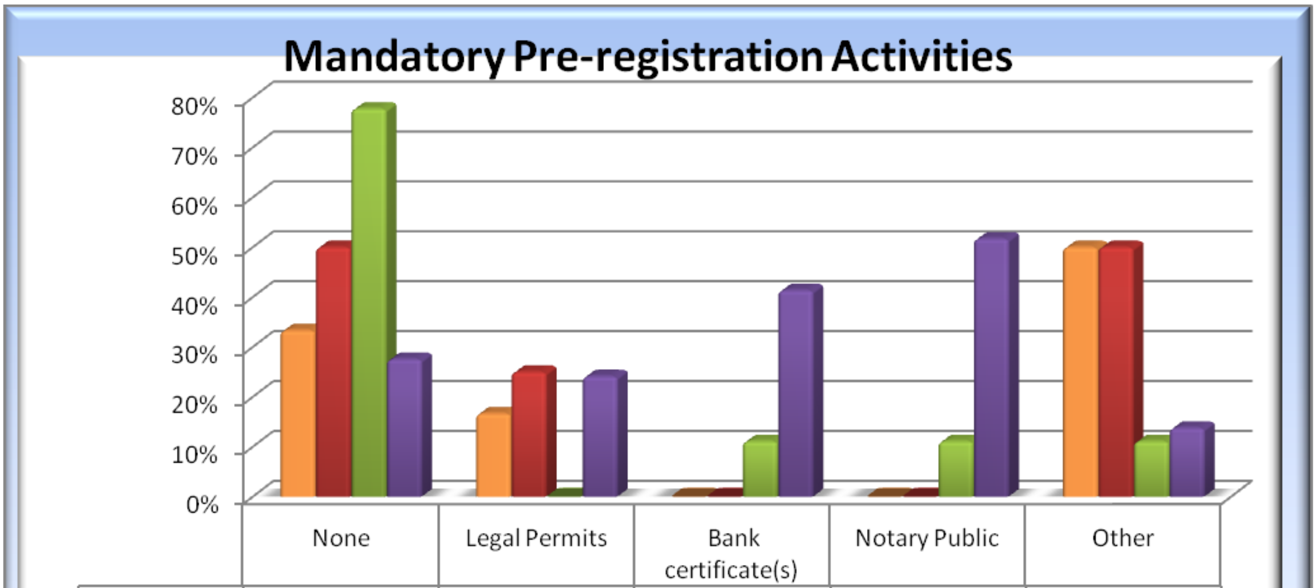
It is noteworthy that while we are not changing the definition of *processing time*, the 2012 Report strives to account for differences in processing time by incorporating the role played by pre-registration activities in the entire registration cycle. In other words, the results in this chapter will show the effect of including time spent on pre-registration activities by adding it directly to the processing times. Where appropriate, the data will show a combination of individual registry/organisation data, aggregation by region, legal framework, and/or trend comparisons from 2007. The data in this chapter are in hours (or days converted to hours, one day equalling eight hours). When analysing the data, a problem with interpretation of the questions regarding time for incorporation and time for processing changes was discovered. The respondents were asked to report their answer in hours if their processing times were one day or shorter and in days if their processing times were longer than one day. Some of the respondents have answered both in hours and in days. In those cases, the answers have been interpreted by adding the days (converted to hours) and the hours. In next year's survey the questions will be formulated differently in order to avoid any confusion as to the required format of the answers.

We have also reviewed the impact of e-services on processing time and asked again the question regarding a possible correlation between e-services and the time taking to register a new company. In keeping with last year's report, we have looked at the role of the number of documents under examination during the registration of a new company on the processing time. This section closes with a presentation of trend data between the 2011 and this year's survey.

We have considered data from a given country/organisation as valid when the country/organisation has reported a complete set of data. Missing or incomplete data from a country/organisation for a year disqualify it from inclusion in trend comparisons. Missing or zero-value data for a given survey question may also disqualify a country/organisation from a specific part of the report.

Mandatory pre-registration activities

Figure 15 shows the classification of the different regions into one or more of the following pre-registration activities: *None*, *Legal Permits, Bank Certificate(s), Notary Public* and *Other.* The figure shows that the Asia-Pacific region has the most number of countries/organisations with no pre-registration activities, while the European region has the least number of countries/organisations without any pre-registration activities. Half of the American and a third of the African region report no pre-registration activities at all. While the Asia-Pacific region has no countries/organisations that require legal permits, the balance of pre-registration activities for the region is evenly distributed across *Bank Certificate(s)*, *Notary Public* and *Other*. Conversely, the American and African regions report no mandatory pre-registration activities for either *Bank Certificate(s)*, or *Notary Public,* but half of the activities lie in the *Other* category. Countries and organisations in the European region report that 52% of the pre-registration activities are concerned with *Notary Public*, 41% with *Bank Certificate(s),* and 14% with the *Other* category.



	None	Legal Permits	Bank certificate(s)	Notary Public	Other
Africa & ME	33%	17%	0%	0%	50%
America	50%	25%	0%	0%	50%
Asia-Pac	78%	0%	11%	11%	11%
Europe	28%	24%	41%	52%	14%

Figure 15: Pre-registration Activities by Region

As shown in Figure 16, of the 48 countries that reported data, the majority (52%) cited either no pre-registration activities, or pre-registration activities involving a public notary while the rest (48%) reported an almost equal number of activities for *Legal Permits*, *Bank Certificate(s)* and *Other*. *Legal Permits* represent the least sought after form of pre-registration activity; *Notary Public* is the most common.

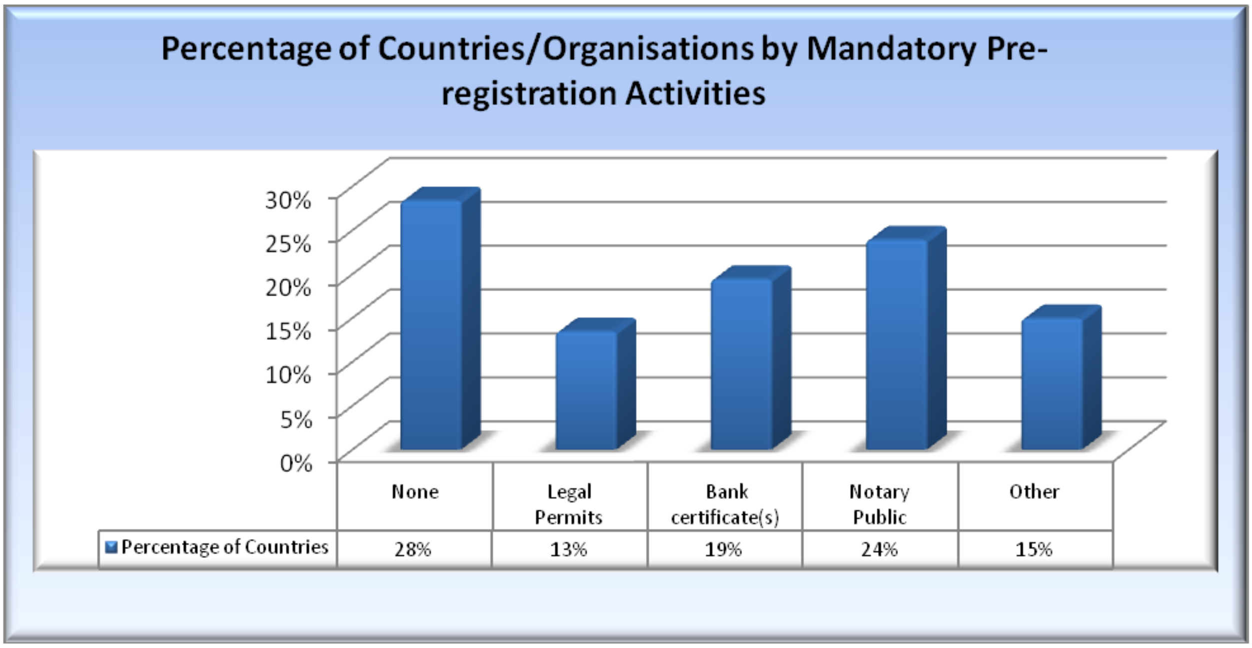


Figure 16: Percentage of Countries/Organisations by Mandatory Pre-registration Activities

Processing times for incorporation and changes

Were we to analyse this year's data as we did in previous reports, we would obtain the graph shown in Figure 17. The figure shows that when pre-registration activities are not taken into account in the time taken to process a registration or a change, the average time to process a change in the registry is about 27 hours, while it takes 19 hours on average to process a request for incorporation[10]. The correlation between time to process incorporation requests and to process requests for changes is all but negligible (.28). Close to two-thirds of the countries/organisations congregate in the region between 0-50 on both axes (refer to *Table 4 - Best Performers' Trends 2010 - 2011* for a list of these countries and performance). The remaining third spreads out without any discernible pattern on the remainder of the chart. The maximum hours for changes and incorporation are 136 and 120, respectively.

[10]The average time to process a new incorporation in the registry has increased significantly from the 2011 Report, from 14 to the current 27 hours. The average time to process a change in the registry has remained unchanged from the previous year, at 19 hours. While we have added new countries, the overall trend from the participants of the 2011 Survey is on the upside (cf. *Trends in Processing Times* later in this chapter).

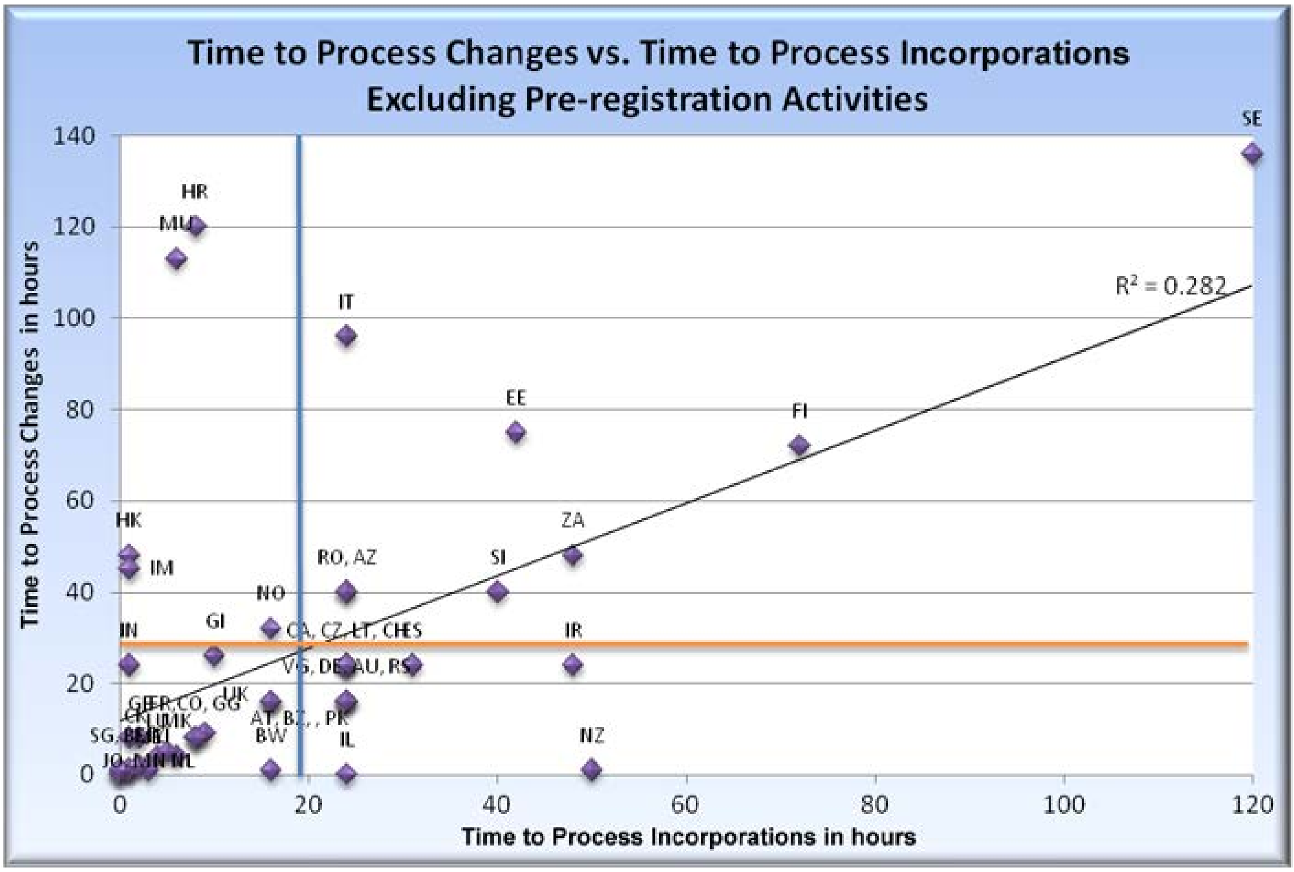


Figure 17: Time to Process Changes Vs. Time to Process Incorporation Excluding pre-Registration Activities

Figure 18 shows what happens to the processing time when one accounts for other activities preceding the formal registration process. While the time to process changes remains the same (Y-axis), the impact of pre-registration activities is significant. The maximum increase is from 120 to 744 hours (Lithuania) and the figure also shows that the average time for incorporation is about 57 hours (up from 19 hours in the previous figure). This causes most of the data points to compress even more below the mean values; only four countries/organisations remain above the means. Further analysis of the data shows an insignificant correlation between time to process incorporations and time to process changes. Thus when pre-registration activity time is added, the values for the majority of countries/organisations fall within the first quadrant (below the average times for incorporation and changes of 57 and 27 hours, respectively). A handful of countries, notably Brazil, Lithuania, Romania, Spain, and Jordan stated a significantly large number of days in pre-registration activities, while one-sixth (15) of the countries/organisations report just one additional day. Hence, almost one-third of the participating countries/organisations have reported an average of at least eight and at the most 480 hours in pre-registration times.

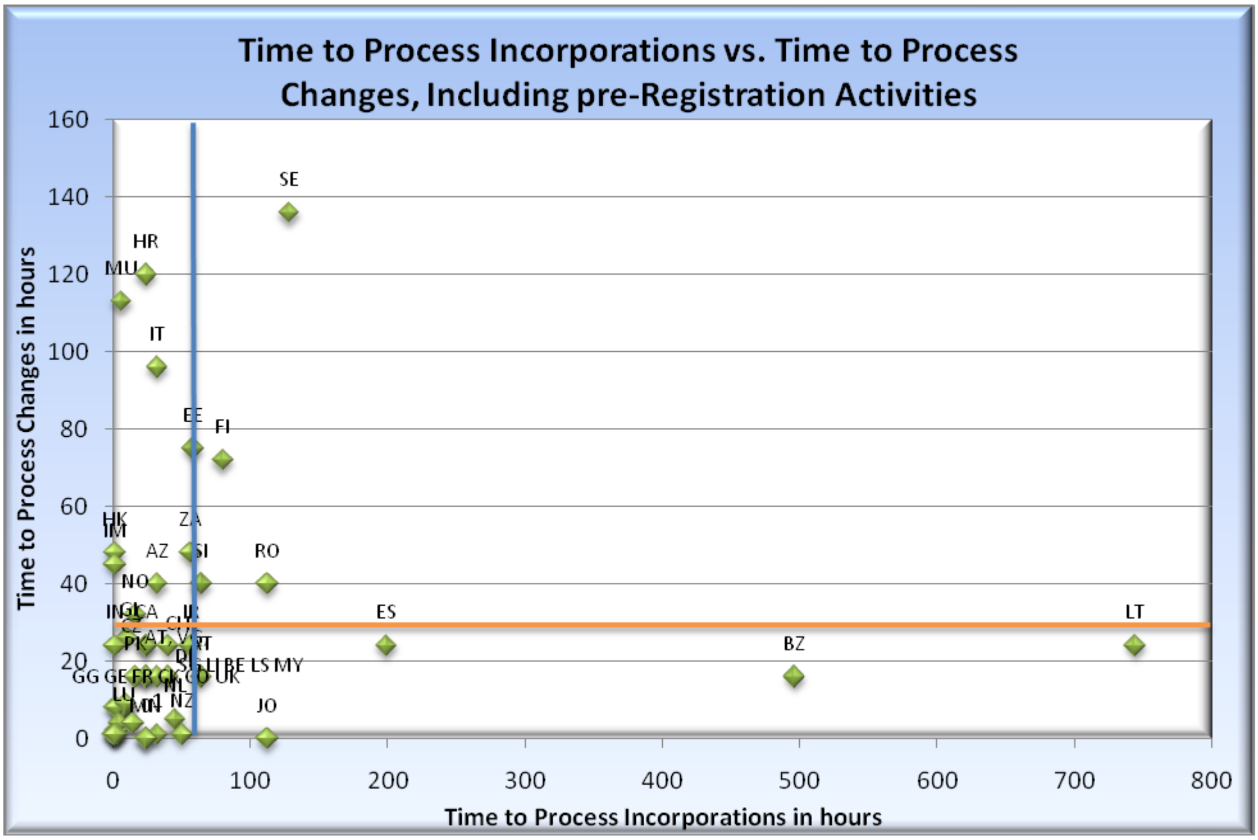


Figure 18: Time to Process Incorporations vs. Time to Process Changes, Including pre-Registration Activities

Table 2 recaptures the results presented in Figure 18, showing instead the increases on a per country basis. In addition, the table introduces two columns with gradient data bars, the first displaying all of the values, the second removing the countries with extremes (Brazil, Lithuania, Romania, Spain, and the Netherlands)[11].

[11] Jordan, Lesotho and Mongolia are not in the table because of an indefinite result (division by zero).

Country	ID	Region	No pre-Registration Activities	With pre-Registration Activities	Percent Change	Percent Change (no outliers)
Australia	AU	Asia-Pac	24	24	0%	0%
Austria	AT	Europe	16	64	300%	
Azerbaijan	AZ	Europe	24	32	33%	33%
Belgium	BE	Europe	1	1	0%	0%
Botswana	BW	Africa & ME	16	32	100%	100%
Brazil	BZ	America	16	496	3000%	
British Virgin Islands	VG	America	24	24	0%	0%
Canada	CA	America	24	24	0%	0%
Colombia	CO	America	8	8	0%	0%
Cook Islands	CK	Asia-Pac	1	1	0%	0%
Croatia, Republic of	HR	Europe	8	24	200%	200%
Czech Republic	CZ	Europe	24	24	0%	0%
Estonia	EE	Europe	42	58	38%	38%
Finland	FI	Europe	72	80	11%	11%
France	FR	Europe	8	8	0%	0%
Georgia	GG	Europe	8	8	0%	0%
Germany	DE	Europe	24	32	33%	33%
Gibraltar	GI	Europe	10	10	0%	0%
Guernsey	GE	Europe	2	2	0%	0%
Hong Kong	HK	Asia-Pac	1	1	0%	0%
India	IN	Asia-Pac	1	1	0%	0%
Ireland	IR	Europe	48	56	17%	17%
Isle of Man	IM	Europe	1	1	0%	0%
Israel	IL	Africa & ME	24	24	0%	0%
Italy	IT	Europe	24	32	33%	33%
Jersey	JE	Europe	2	2	0%	0%
Liechtenstein	LI	Europe	1	1	0%	0%
Lithuania	LT	Europe	24	744	3000%	
Luxembourg	LU	Europe	4	4	0%	0%
FYR Macedonia	MK	Europe	6	14	133%	133%
Malaysia	MY	Asia-Pac	3	3	0%	0%
Mauritius	MU	Africa & ME	6	6	0%	0%
Netherlands, the	NL	Europe	5	45	800%	
New Zealand	NZ	Asia-Pac	50	50	0%	0%
Norway	NO	Europe	16	16	0%	0%
Pakistan	PK	Asia-Pac	16	16	0%	0%
Romania	RO	Europe	24	112	367%	
Serbia	RS	Europe	24	40	67%	67%
Singapore	SG	Asia-Pac	1	1	0%	0%
Slovenia	SI	Europe	40	64	60%	60%
South Africa	ZA	Africa & ME	48	56	17%	17%
Spain	ES	Europe	31	199	542%	
Sweden	SE	Europe	120	128	7%	7%
Switzerland	CH	Europe	24	40	67%	67%
United Kingdom	UK	Europe	9	9	0%	0%

Table 2: Increase in Process Time for Incorporation due to Pre-registration Activities

Figure 19 - Time to Process Incorporations vs. Time to Process Changes, Including pre-Registration Activities, Excluding Outliers omits Brazil, Lithuania, Romania, and Spain from the previous figure. The graph shows the same concentration of countries closer to the mean lines of Figure 18 -Time to Process Incorporations vs. Time to Process Changes, Including pre-Registration Activities. About a third of the remaining countries/organisations have processing times for incorporation and changes above 50 hours; the remaining two-thirds have processing times below those values (refer to *Table 4 - Best Performers' Trends 2010 - 2011* for a list of these countries and performance).

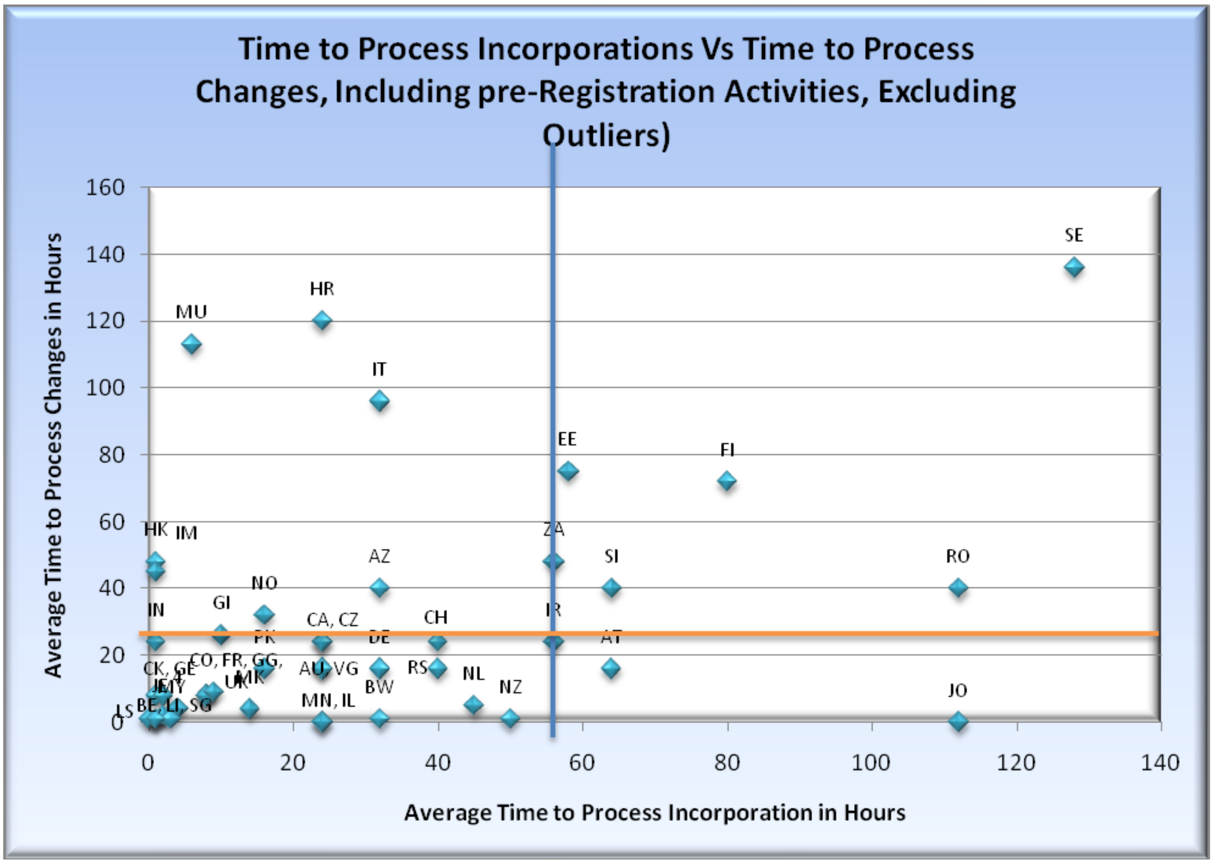


Figure 19: Time to Process Incorporations vs. Time to Process Changes, Including pre-Registration Activities, Excluding Outliers

The countries/organisations falling in the first quadrant of *Figure 18 -Time to Process Incorporations vs. Time to Process Changes, Including pre-Registration Activities*, are reported in *Figure 20 - 1st Quadrant: Best Performers*. Note that with the exception of Mauritius, we have included in the figure all countries with a time to incorporate below the mean of 57 hours, whether or not the time to process changes is also below the mean of 27 hours (in essence, all countries above the 30-hour line of the Y-axis). We have kept Mauritius out on the grounds that its average time to process changes of 113 hours would skew the figure. Using this scale, the best performers' data are more evenly distributed across the chart, all-the-while reconfirming the lack of correlation between the time to process incorporations and the time to process changes. The correlation coefficient does not improve when assessing only those countries with strictly both means falling below the mean values (refer to *Table 4 - Best Performers' Trends 2010 - 2011* for a list of these countries and performance).

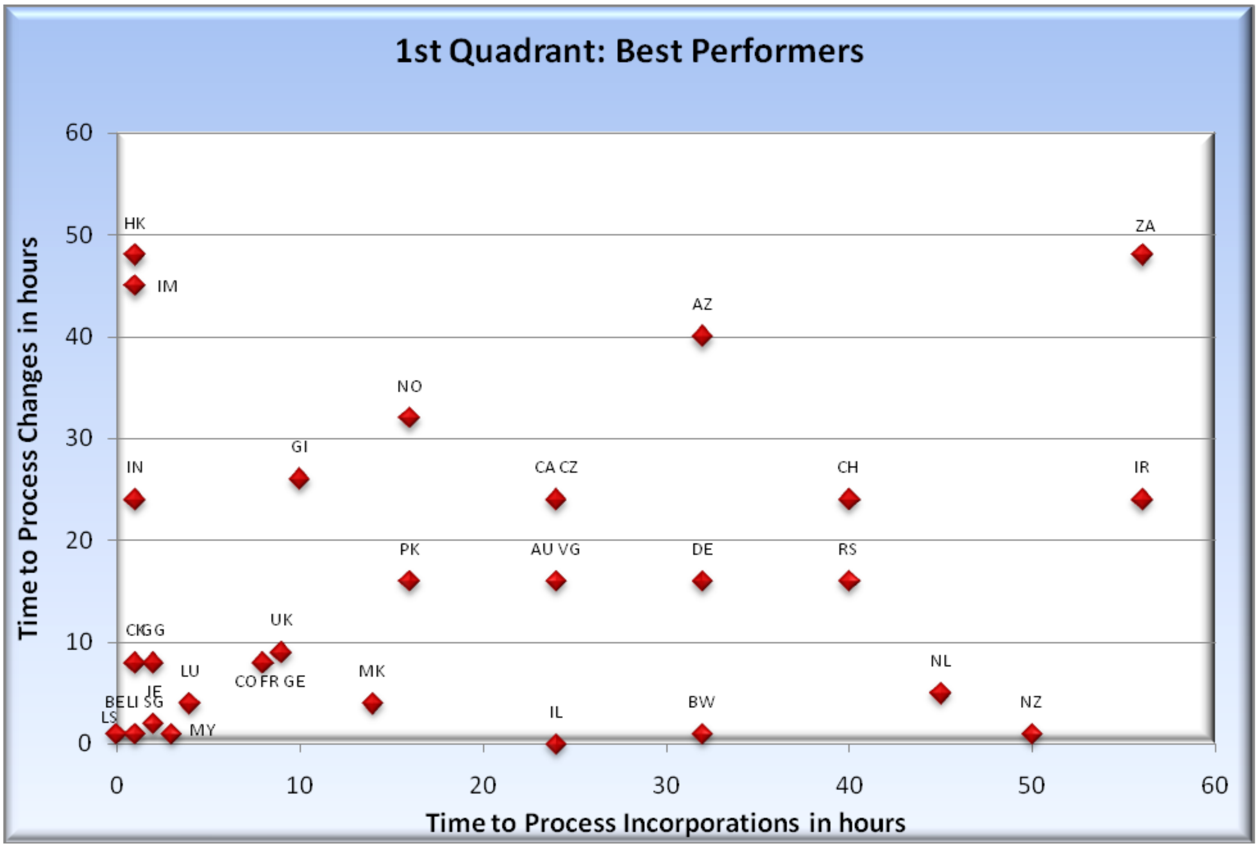


Figure 20: 1st Quadrant: Best Performers

Proposal for grouping of countries/organisations by generic classes

In the 2011 ECRF/CRF Report, we found no explanation for the significantly large differences between the different registries/organisations in the time taken to process a new registration or a change. Neither the use of e-services nor the complexity of the company name search accounted for the differences. In this year's survey, we attempt to account for the differences in processing times by incorporating the differences in legal frameworks in the analysis.

We have shown thus far that the effects of pre-registration activities have a direct and significant impact on a third of the countries/organisations involved. Referring back to Figure 18 and Figure 16, we now introduce a way of combining the different countries/organisations based on the legal framework discussed earlier in the chapter, by assigning them to a specific cluster depending on the types of pre-registration activities that are required in the pre-registration process. While 31 combinations are possible, 42 of the 48 countries that answered the question fall within 8 distinct clusters containing two or more countries. The remaining six countries stand alone and are not used in this analysis.

Table 3 - Clusters of Pre-Registration Activities, shows the grouping of countries/organisations according to the following pre-registrations clusters:

- **Cluster 1 –** grouping of countries reporting no pre-registration activities
- **Cluster 2 –** grouping of countries counting the filing for legal permits as pre-registration activities

- **Cluster 3 –** grouping of countries listing the acquisition of Bank Certificate(s) as pre-registration activities
- **Cluster 4 –** grouping of countries citing Notary Public as part of the pre-registration activities
- **Cluster 5 –** grouping of countries that mentioned Other as part of the pre-registration activities
- **Cluster 6 –** grouping of countries for which the acquisition of both Legal Permits and Bank Certificate(s) are part of the pre-registration activities
- **Cluster 7 –** grouping of countries that stated Bank Certificate(s) and/or Notary Public as pre-registration activities
- **Cluster 8 –** grouping of countries for which Legal Permits, Bank Certificate(s) and Notary Public are part of the pre-registration activities.

Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5	Cluster 6	Cluster 7	Cluster 8
Australia	Jordan	Finland	Belgium	Botswana	Austria	Estonia	Spain
Canada	Lithuania	Sweden	Germany	Virgin Islands	Romania	Mongolia	Switzerland
Colombia			Ireland	Israel		Serbia	
Cook Islands			Luxembourg	Pakistan		Slovenia	
Georgia			FYR of Macedonia	South Africa			
Gibraltar			Netherlands, The				
Guernsey							
Hong Kong							
India							
Isle of Man							
Jersey							
Lesotho							
Liechtenstein							
Malaysia							
Mauritius							
New Zealand							
Norway							
Singapore							
United Kingdom							

Table 3: Clusters of Pre-Registration Activities

Azerbaijan, Brazil, France, the Czech Republic, Italy, and the Republic of Croatia, each report a unique permutation of pre-registration activities. Although classified, they are not used in this analysis because they stand alone in their respective clusters.

Figure 21- Cluster in the 1st Quadrant (Best Performers), duplicates the data from *Figure 20 - 1st Quadrant: Best Performers* and maps into it the clusters presented in *Table 3 - Clusters of Pre-Registration Activities.* With the exception of Switzerland (CH in red) and Serbia (RS – in blue), all of the data points in the best performing quadrant are either from Cluster 1 (in black), Cluster 4 (in light blue) or Cluster 5 (in orange). Recall that Mauritius is the only country from Cluster 1 that is not part of the best performers group even though it qualified as a best performer as its Y-value of 113 would have skewed the chart.

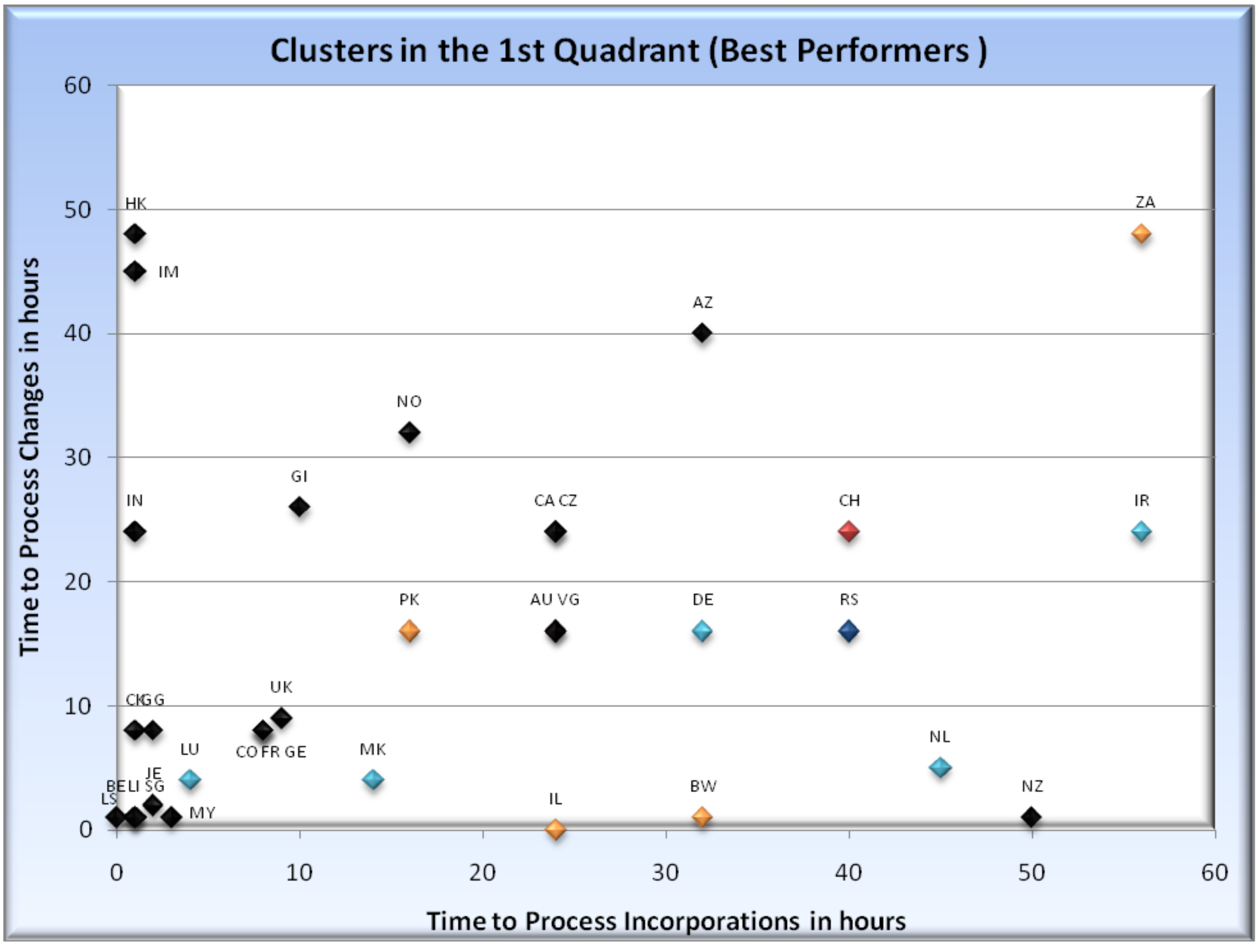


Figure 21: Cluster in the 1st Quadrant (Best Performers)

Figure 22 maps the remaining countries/organisations into their respective clusters. While these countries are exclusively not in quadrant one, one must refrain from reading more into the graph as the number of data points falls below the requirements for proper clustering. Five data points are required[12] per cluster before a proper analysis can be done.

[12] If one assumes 127 registries worldwide, and given the total of 50 respondents in our survey, our confidence interval or sampling error is ±11% at a 95% confidence level. Not the best, but this is a number that is acceptable. Ideally, we would need the participation of 96 randomly selected countries in order to have a ±5% confidence interval at the 95% level.

In the cluster analysis, however, the confidence interval increases to ±25 for a sample size per cluster of 5 at the 95% confidence level and 10% participation.

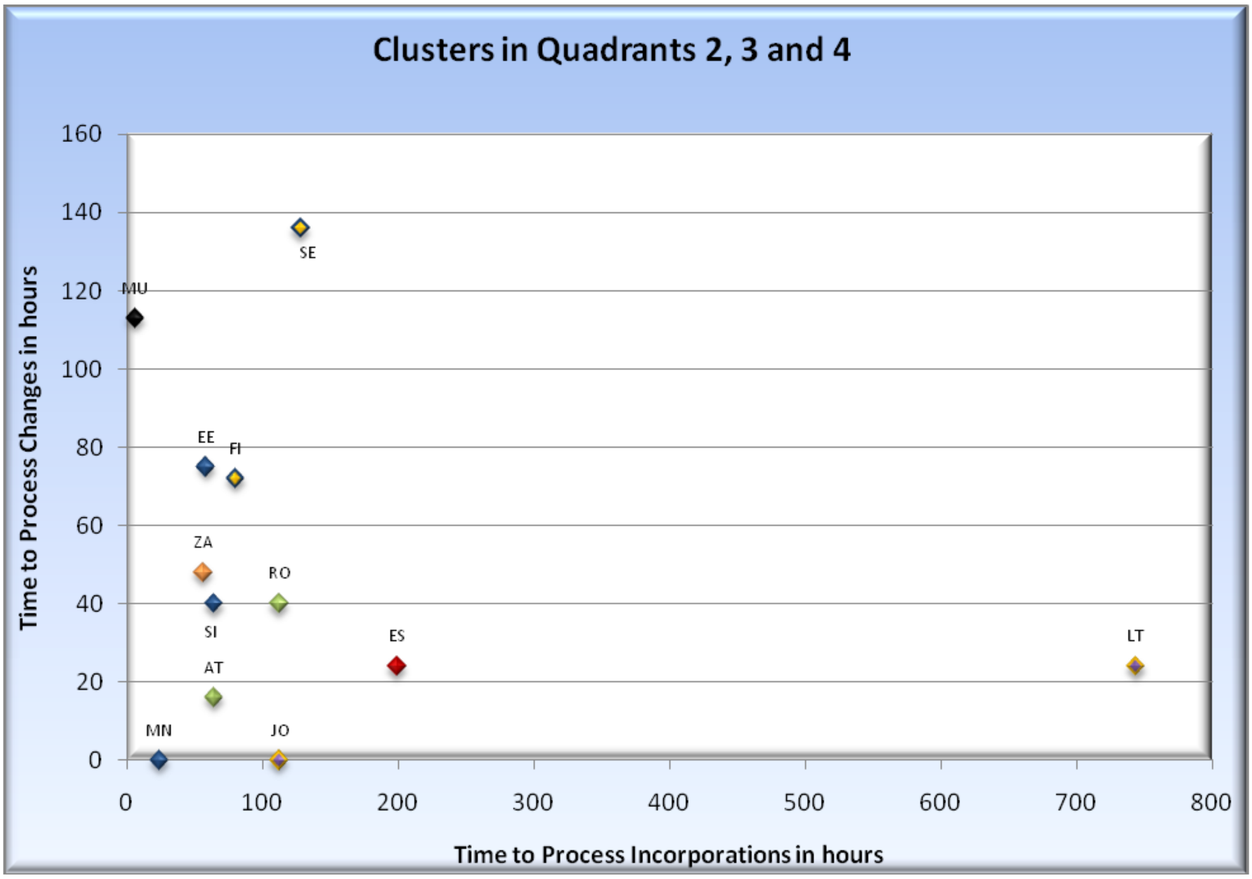
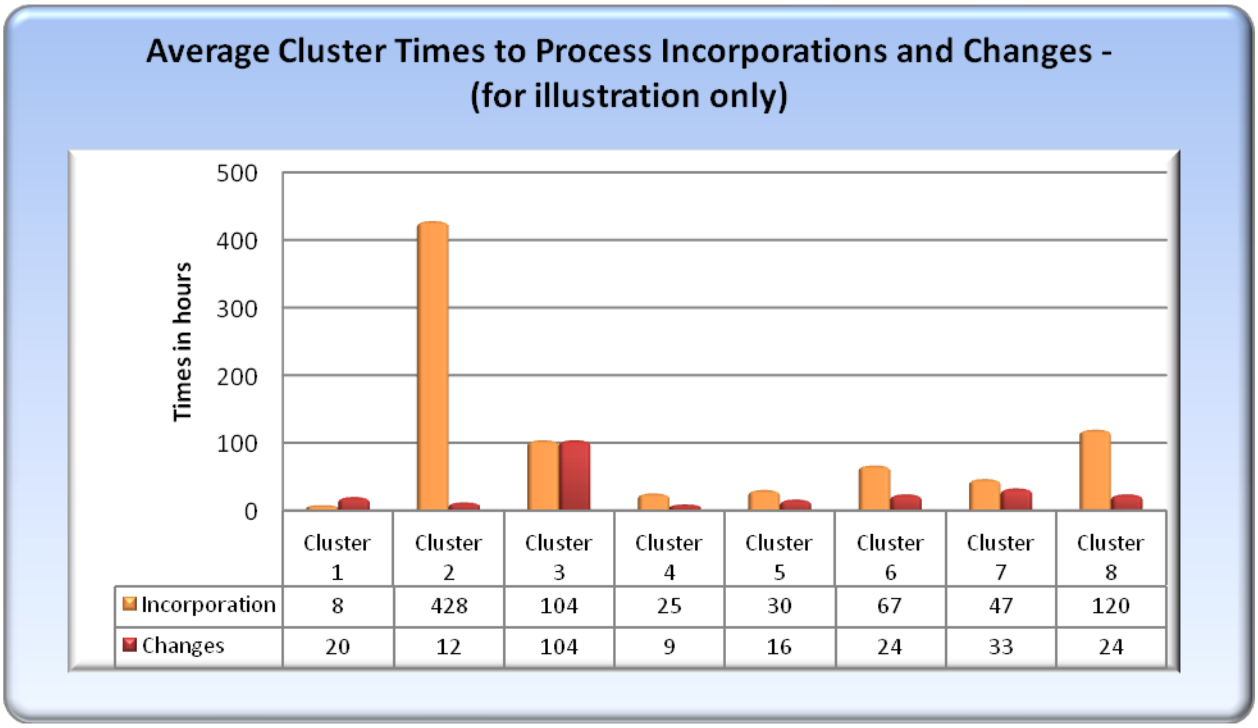


Figure 22: Clusters in Quadrants 2, 3 and 4

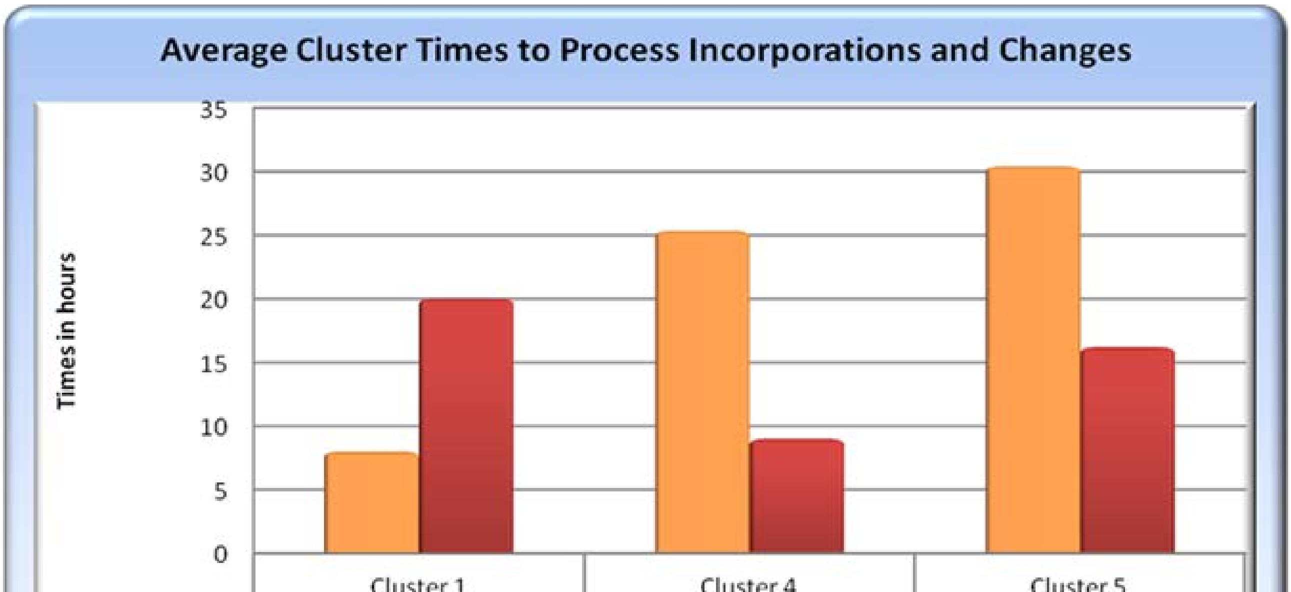
Figure 23 combines the data in the previous two figures. The figure is there for demonstrative purposes only as clusters with less than 5 countries/organisations contain too large a margin of error to be used in the analysis.



	Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5	Cluster 6	Cluster 7	Cluster 8
Incorporation	8	428	104	25	30	67	47	120
Changes	20	12	104	9	16	24	33	24

Figure 23: Cluster Times to Process Incorporations and Changes - for illustration only

Figure 24 removes the uncertainties in clusters 2, 3, 6, 7 and 8. The graph shows that the incorporation time in Cluster 1 is significantly less than the incorporation times in clusters 4 and 5. Of equal interest, for the countries/organisations in Cluster 1, it takes almost three times as long to make a change in an existing entry in the registry than it does to create an entirely new one! The inverse is true for the remaining two clusters: it takes respectively a third and about half the time in clusters 3 and 4 to effect a change in the registry than to create a new entry. The differences between time to process an incorporation and time to process a change are statistically significant in all three clusters. While the difference between time to register a new incorporation between Cluster 4 and Cluster 5 is statistically insignificant, the difference between times to register changes between the two clusters is significant.



	Cluster 1	Cluster 4	Cluster 5
Incorporation	8	25	30
Changes	20	9	16

Figure 24: Average Cluster Times to Process Incorporations and Changes

Processing times and e-services

Figure 25- Correlation between Time to Incorporation and e-Services - All Countries shows the results of correlating time to process a request for incorporation and e-Services. The coefficient is so weak as to show no correlation at all between the time taken to register a request for incorporation, and the percentage of electronically submitted documents for incorporation.

In *Figure 26 - Correlation between Time to incorporation and e-Services - Best Performers* a similar analysis shows that there is no correlation either when it comes to time to process a request for incorporation and percentage of electronically submitted documents for incorporation for the Best Performers group.

In *Figure 27 - Correlation between Time to Register Changes and* e-Services, the same results also hold for time to register changes and the percentage of electronically submitted documents for changes.

The results in these three figures are consistent with those obtained in last year's report. They indicate that e-services is, in and by itself, not a significant driver of faster processing times to register a request for incorporation or changes to the register.

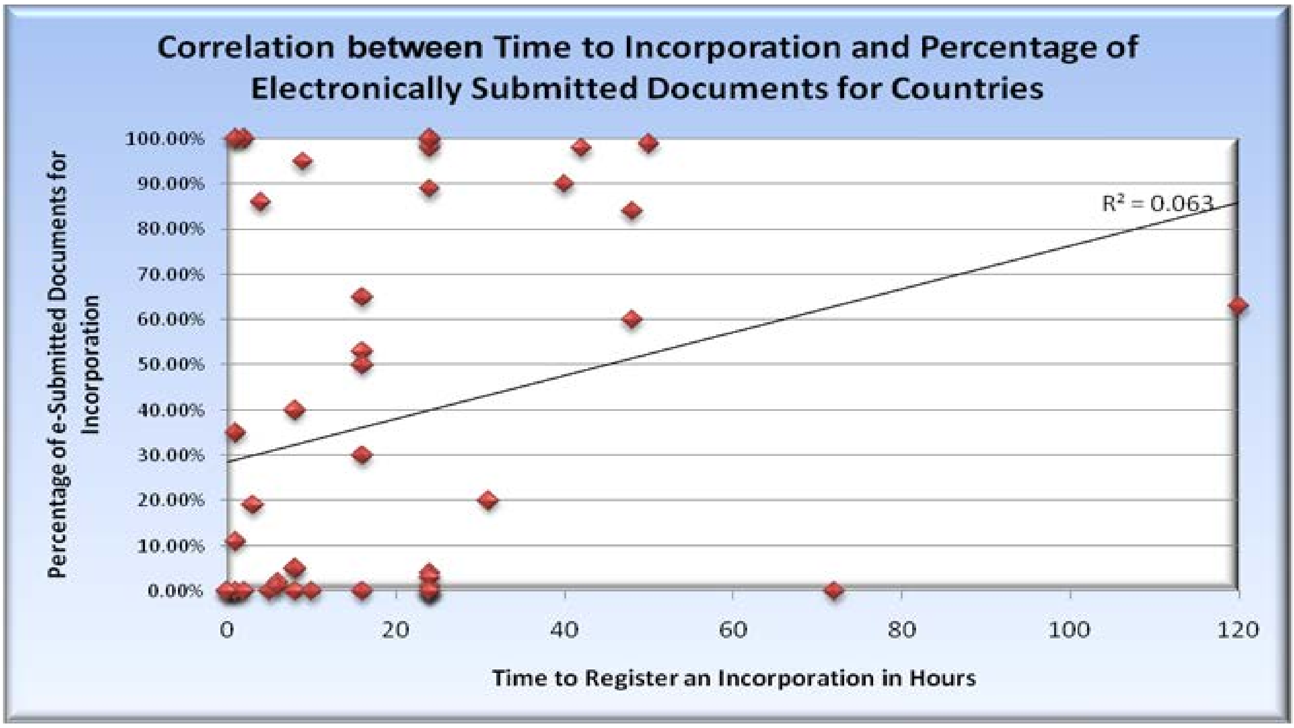


Figure 25: Correlation between Time to Incorporation and e-Services - All Countries

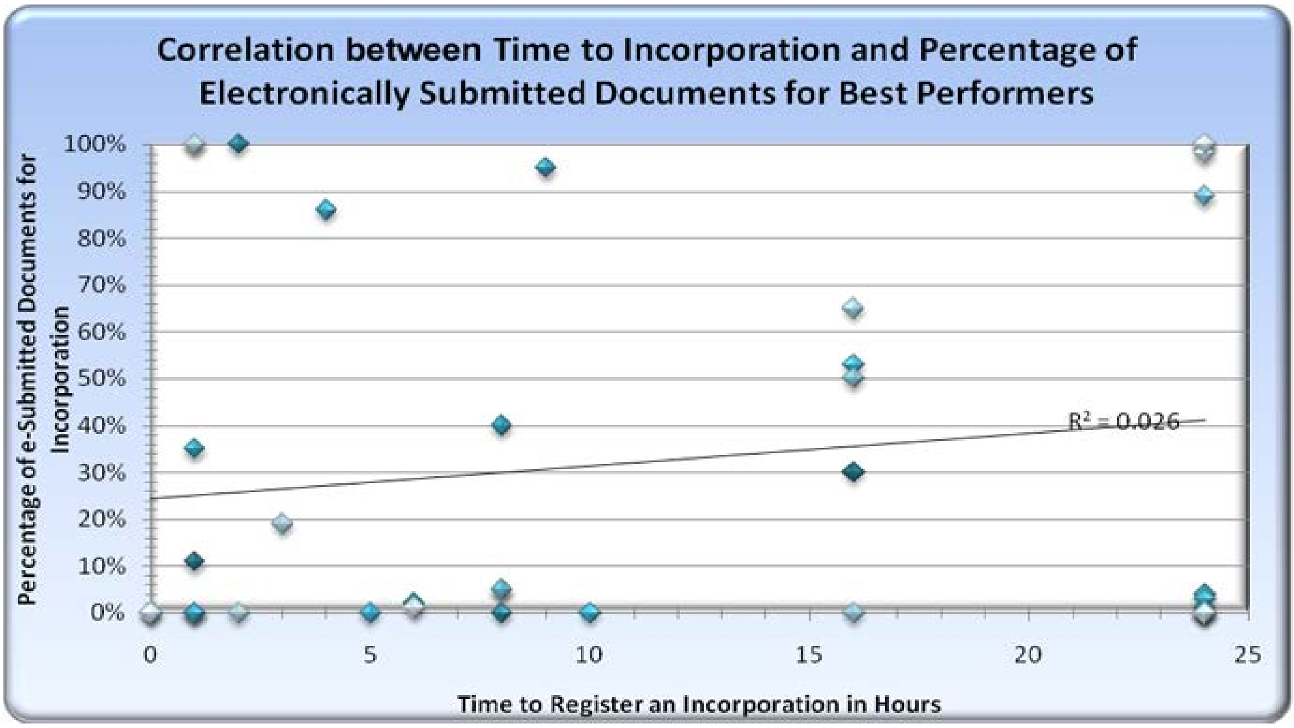


Figure 26: Correlation between Time to Incorporation and e-Services - Best Performers

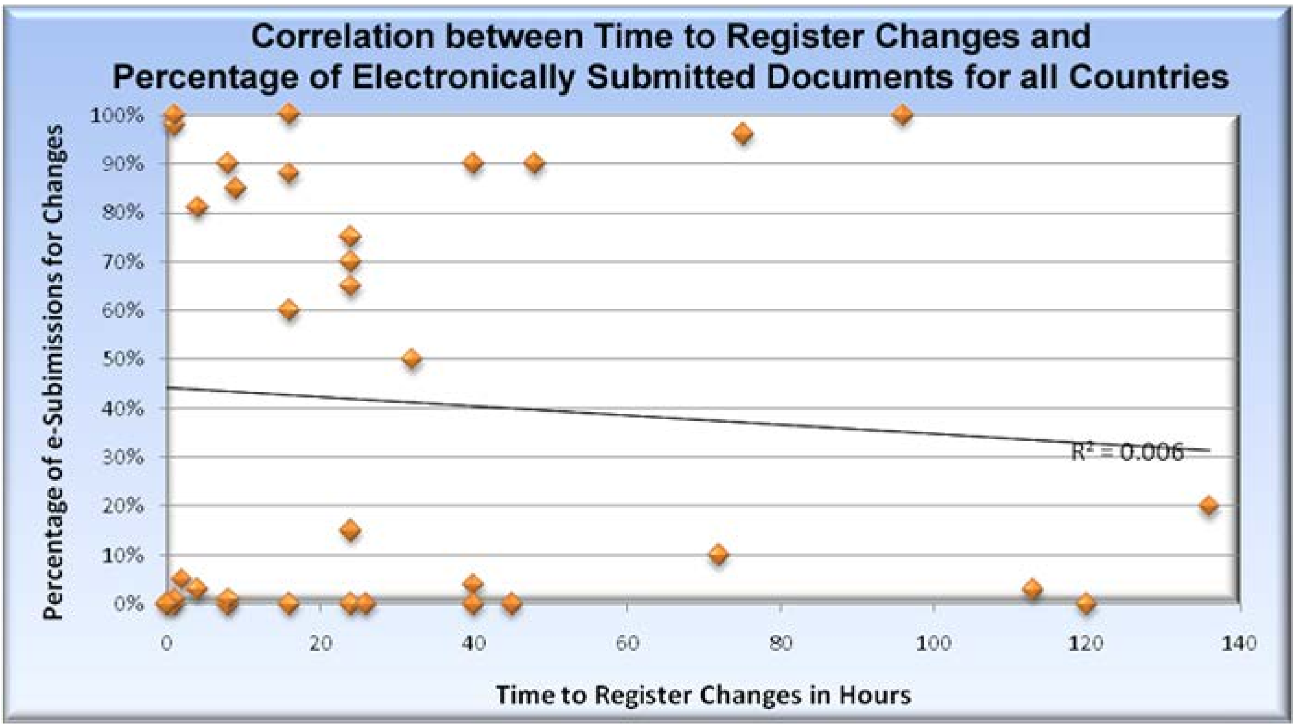


Figure 27: Correlation between Time to Register Changes and e-Services

Processing times and number of documents examined

Consistent with last year's report, we have also looked at the impact of the number of documents examined for incorporation with the time taken to register a new company. The results in Figure 28 indicate that while the number of documents examined varies from three to forty, it does not correlate with the time taken to register a company. Additionally, the results shown in Figure 29, further indicate that the lack of correlation persists even when pre-registration activities are not taken into account.

The results are also consistent with last year's report.

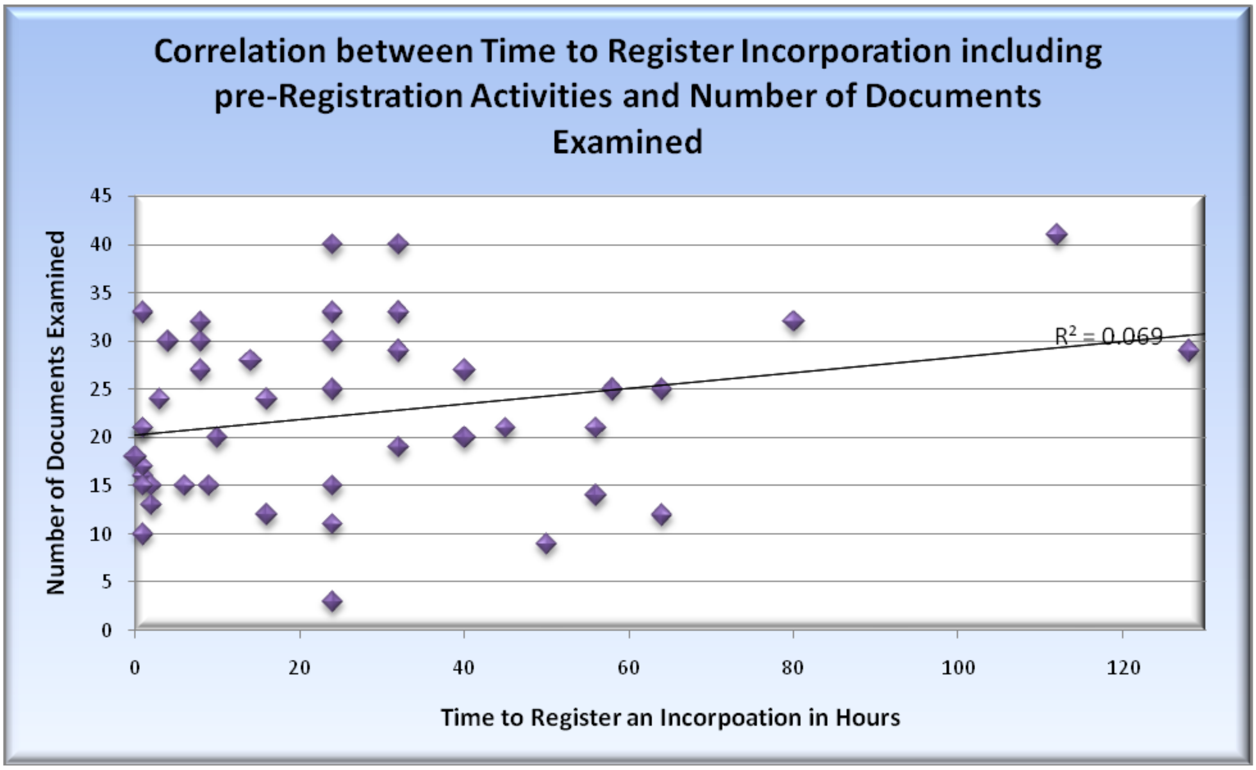


Figure 28: Correlation between Time to Incorporation (with pre-Registration Activities) and Number of Documents Examined

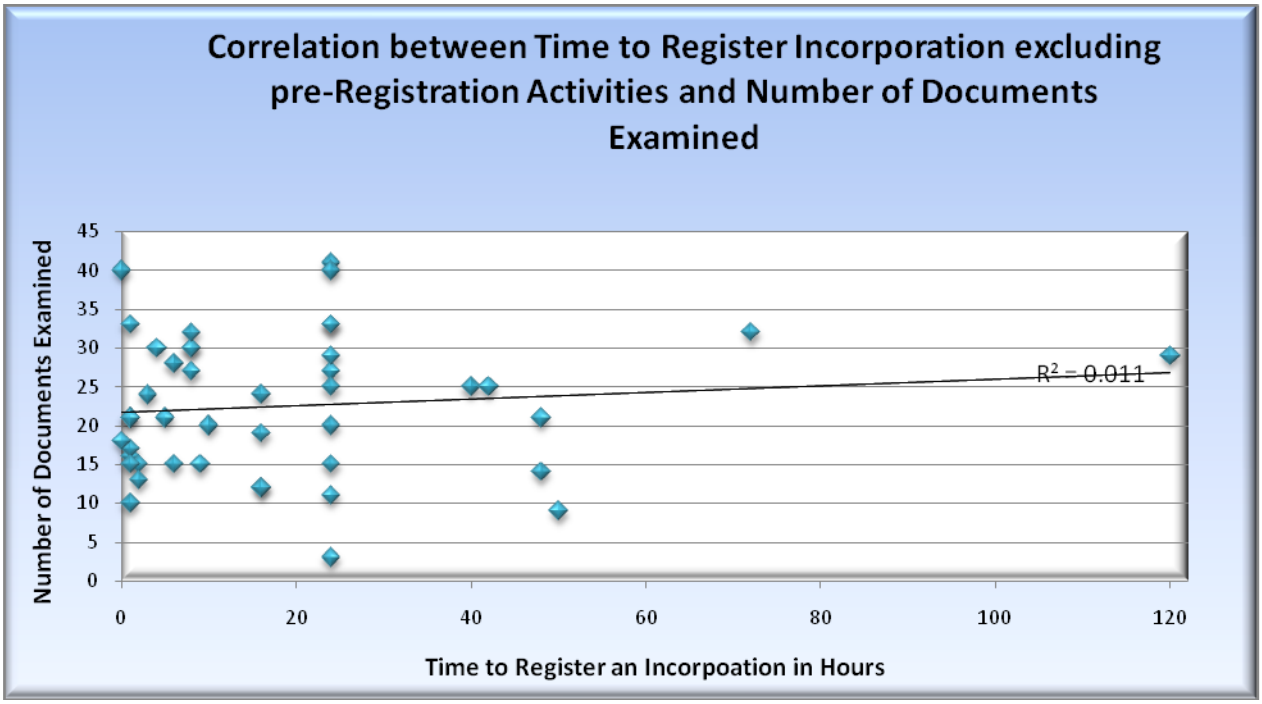


Figure 29: Correlation between Time to Incorporation (no pre-Registration Activities) and Number of Documents Examined

Trends in processing times

Table 4 lists the best performers in the 2010 and the 2011 surveys. The table shows that 95% of those in the top performers' group in 2011 also made the top performers' list in 2011 – even though the times (excluding pre-registration activities) have changed. The results seem to indicate a high level of consistency in the performance of countries.

Best Performers' Trends					
2010 Survey			2011 Survey		
Country	Time to Register Incorporations	Time to Register Changes	Country	Time to Register Incorporations	Time to Register Changes
Luxembourg*	0	0	Belgium*	1	1
Switzerland	0	0	Liechtenstein*	1	1
British Virgin Islands	0	8	Singapore*	1	1
Australia	1	1	Cook Islands*	1	8
Belgium	1	1	India**	1	24
New Zealand	1	1	Jersey*	2	2
Singapore	1	1	Guernsey*	2	8
Netherlands, the	1	4	Malaysia*	3	1
Isle of Man	1	8	Luxembourg*	4	4
Malaysia	2	24	Netherlands, the*	5	5
Mauritius	3	2	Colombia**	8	8
Cook Island	4	0	France*	8	8
Gibraltar	4	4	Georgia**	8	8
Guernsey	6	1	United Kingdom*	9	9
Spain	7	1	Gibraltar*	10	26
France	7	40	FYR of Macedonia**	14	4
United Kingdom	8	8	Pakistan*	16	16
Liechtenstein	8	8	Israel*	24	0
Israel	8	8	Australia*	24	16
Canada	8	112	British Virgin Islands*	24	16
Jersey	9	9	Canada*	24	24
Croatia	10	9	Czech Republic***	24	24
Germany	10	56	Botswana**	32	1
Latvia	16	16	Germany*	32	16
Pakistan	16	16	Serbia*	40	16
Norway	16	16	Switzerland*	40	24
Estonia	16	32	New Zealand*	50	1
*= Recurring Best Performer					
**= New Country in Survey					
***=Not in last year’s Best Performers’ list					

Table 4: Best Performers' Trends 2010 - 2011

Table 5 displays the trends in processing times for changes between 2011 and 2010. The table indicate that over 80% of the countries/organisations have performed at levels equal to or better in 2011 when compared with 2010. The other 20%, however, has performed worse in 2011 than they did in 2010.

Trends in Time to Process changes 2010-2011				
Country	2010	2011	Decrease/ Increase in Hours	Percentage Decrease/ Increase in Hours
Malaysia	24	1	-23	-96%
Liechtenstein	8	1	-7	-88%
Jersey	9	2	-7	-78%
Ireland	48	24	-24	-50%
Czech Republic	40	24	-16	-40%
Spain	40	24	-16	-40%
Finland	96	72	-24	-25%
Azerbaijan	40	40	0	0%
Belgium	1	1	0	0%
Botswana	1	1	0	0%
France	8	8	0	0%
Germany	16	16	0	0%
Hong Kong	48	48	0	0%
Lithuania	24	24	0	0%
New Zealand	1	1	0	0%
Norway	32	32	0	0%
Pakistan	16	16	0	0%
Romania	40	40	0	0%
Serbia	16	16	0	0%
Singapore	1	1	0	0%
Slovenia	40	40	0	0%
United Kingdom	8	9	1	13%
Netherlands, the	4	5	1	25%
Sweden	96	136	40	42%
British Virgin Islands	8	16	8	100%
South Africa	24	48	24	100%

Table 5: Trends in Processing Times for Changes 2010 - 2011

The legal system explains the majority of the differences

Whereas we lack statistically valid samples to compare all clusters, those we were able to analyse establish beyond doubt that the legal system is a strong determinant of processing time. The best performers belong primarily to the grouping of countries reporting no pre-registration activities (Cluster 1), and secondarily to the cluster of countries citing either Notary Public (Cluster 4) or "Other" as part of the pre-registration activities (Cluster 5). Cluster 1 countries have a statistically significant advantage in time to process incorporation over the other two, taking less than 1/3 of the time. This is not surprising as they would have no requirements whatsoever in terms of documentation or other formalities. What is surprising is that Cluster 1 countries take almost three times as much time than do Cluster 4 countries to effect a change in their registers. This could be taken to mean that a clear focus is put on registration of new companies as opposed to processing changes to existing ones. Conversely, while Cluster 4 and Cluster 5 countries take a statistically equal amount of time to actualise a request for incorporation, they are overall the best performers in time to process requests for changes in the registry.

E-services account neither for time to register incorporations or time to register changes. In the 2011 Report, while we did not find a correlation between e-services and the time taken to register a new incorporation or to effect changes to an existing one, we suggested that intuitively there should. The reasoning made sense then that electronic services should indeed reduce the cycle time in these processes. This year's results are consistent with those obtained last year. While we are satisfied that the legal system explains the variance in processing times, we are for now at a loss to explain the lack of correlation between processing times and e-services.

Large variations in the number of documents required for incorporation does not account for the differences in the time taken to register them. In last year's survey, we investigated whether "search complexity" (the number of sources, for example databases or other registers that an authority has to search through), was a potential factor affecting the time to incorporate. The clear lack of any correlation was enough to encourage looking into new avenues in this year's survey: the number of documents examined while processing a request for a new incorporation. While there is great variability between countries and organisations, the number of documents is unrelated to the time taken to process the request whether or not pre-registration activities are taken into account. This too defies simple intuition.

Chapter 3: Use of e-Services by Company Registries

The use of e-services by company registries is a key benchmarking indicator, as despite the lack of statistical correlation found, the ability to provide services electronically is a vital tool for some organisations to drive speed of service delivery up and costs down. It is also necessary to facilitate "one stop shop" services within governments, and information sharing across governments. This is particularly pertinent at the present time with the implementation of the recently adopted Directive on the interconnection of central, commercial and companies registers on the horizon. E-services cover both input and output of information, ranging from ability to register a company electronically, to change company details, to search for information on a company.

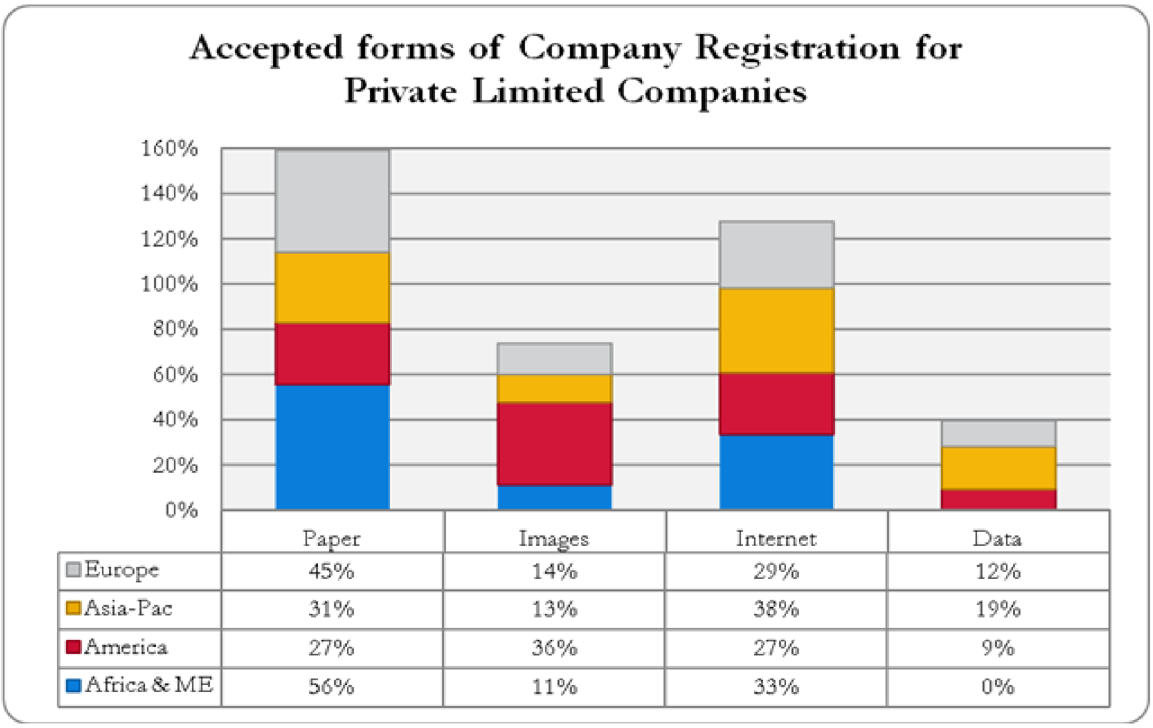
This chapter will analyse the results from the 2011 survey, to highlight regions and organisations that have made improvements in the provision of e-services. It will also look at where e-services are mandatory, and give an indication of where it is possible to complete the entire company registration process electronically, regardless of whether e-services are mandatory. Finally, this chapter will give some specific examples of improvements that registries made during 2011.

Paper is still the most common way of sending documents

It is possible to interpret e-services in different ways, because e-services are delivered in several different ways. In an attempt to highlight this, different ways of accepting company registrations were broken down into categories in this year's survey. The below graph shows different ways in which it is possible to register a private limited company, and the availability of these methods in different regions. Private limited companies are shown as the common case example, but the question "is it possible for you to accept applications for company registrations in the following ways?" was also asked in relation to sole traders, general partnerships and public limited companies. These graphs are available in the annex 3.

Figure 30 shows that paper is still the most commonly available method of company registration throughout all regions. It represents the figures for private limited companies, but the survey results show the same pattern across all of the company types specified in the paragraph above. Interestingly however, paper is not the most commonly available method of registration for a private limited company in the regions of North and South America and Asia-Pacific. Images (PDF) are most widely available in North and South America and internet is the most widely available in Asia-Pacific. Internet is the second most commonly accepted form of applications overall, with Asia-Pacific being the only specific region where it is most widely accepted.

It should be noted that Figure 30 only indicates how commonly available the methods of accepting applications for company registration are, not the level of uptake of these methods. The percentage of electronically submitted company documents is analysed in the next sub-chapter.



	Paper	Images	Internet	Data
Europe	45%	14%	29%	12%
Asia-Pac	31%	13%	38%	19%
America	27%	36%	27%	9%
Africa & ME	56%	11%	33%	0%

Figure 30: Accepted forms of Company Registration for Private Limited Companies

Electronically submitted documents

Figure 31 shows the percentage of documents submitted electronically for company registrations and changes in company details by region.

It is interesting to note that across all regions the percentage of electronically submitted registrations is lower than the percentage of changes in company details that are electronically submitted. This may be because the service for submitting registrations electronically is not as widely available as the service for submitting changes electronically.

Another interesting point to note is that even though past survey results have shown that CRF countries, which are mostly Asia-Pacific, have faster processing times than ECRF countries, which are European, Figure 31 shows that European countries have a higher percentage of electronically submitted documents than the Asia-Pacific countries. This is odd as one would assume that countries with faster processing times would have a higher percentage of electronically submitted documents. The fact that this is not the case is confirmed in the results found in figures 25, 26 and 27 above. This anomaly seems to be at least in part due to different legal and institutional settings among registries, which significantly affect the speed of processing applications.

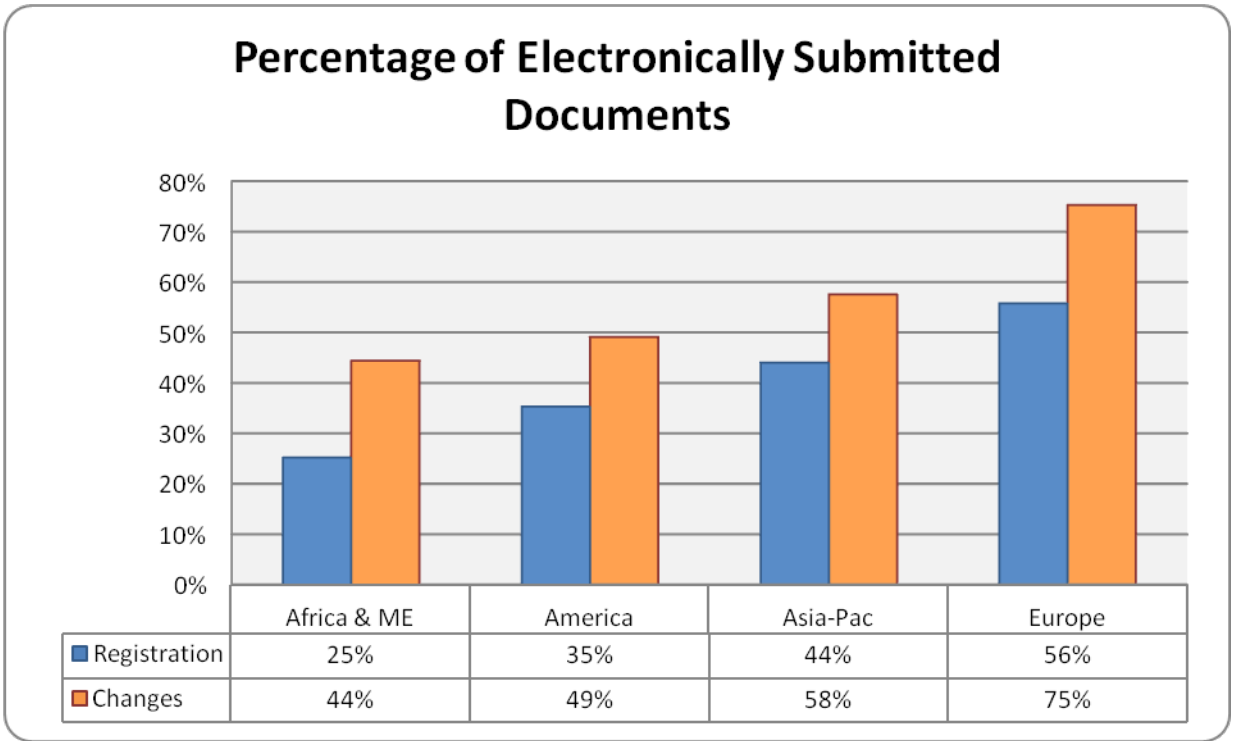


Figure 31: Percentage of Electronically Submitted Documents

Figure 32 shows 2007 as a baseline and provides a comparison between last year's data and this year's, highlighting trends in percentages of electronically submitted documents for individual countries.

Three countries have made significant improvements in both electronically received applications for registration and changes in company details, as highlighted in Table 6:

	Registrations 2010	Registrations 2011	Changes 2010	Changes 2011
South Africa	9%	60%	60%	90%
Luxembourg	77%	86%	67%	81%
Estonia	92%	98%	83%	97%

Table 6: Three Countries with Significant Improvements in Electronically received Registrations and Changes

It is also worth noting that in Sweden the percentage of electronically submitted changes doubled from 10% in 2010 to 20% in 2011.

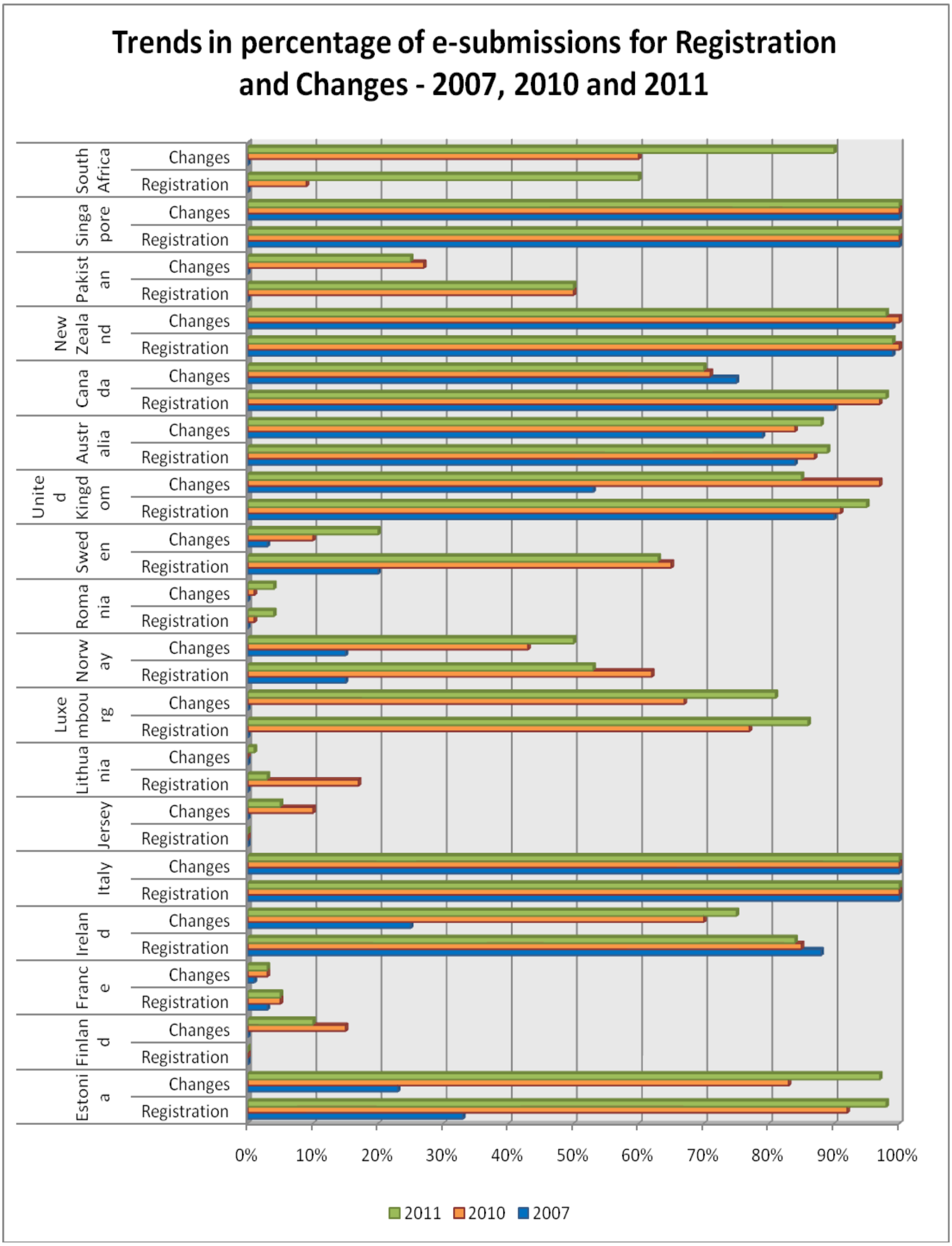
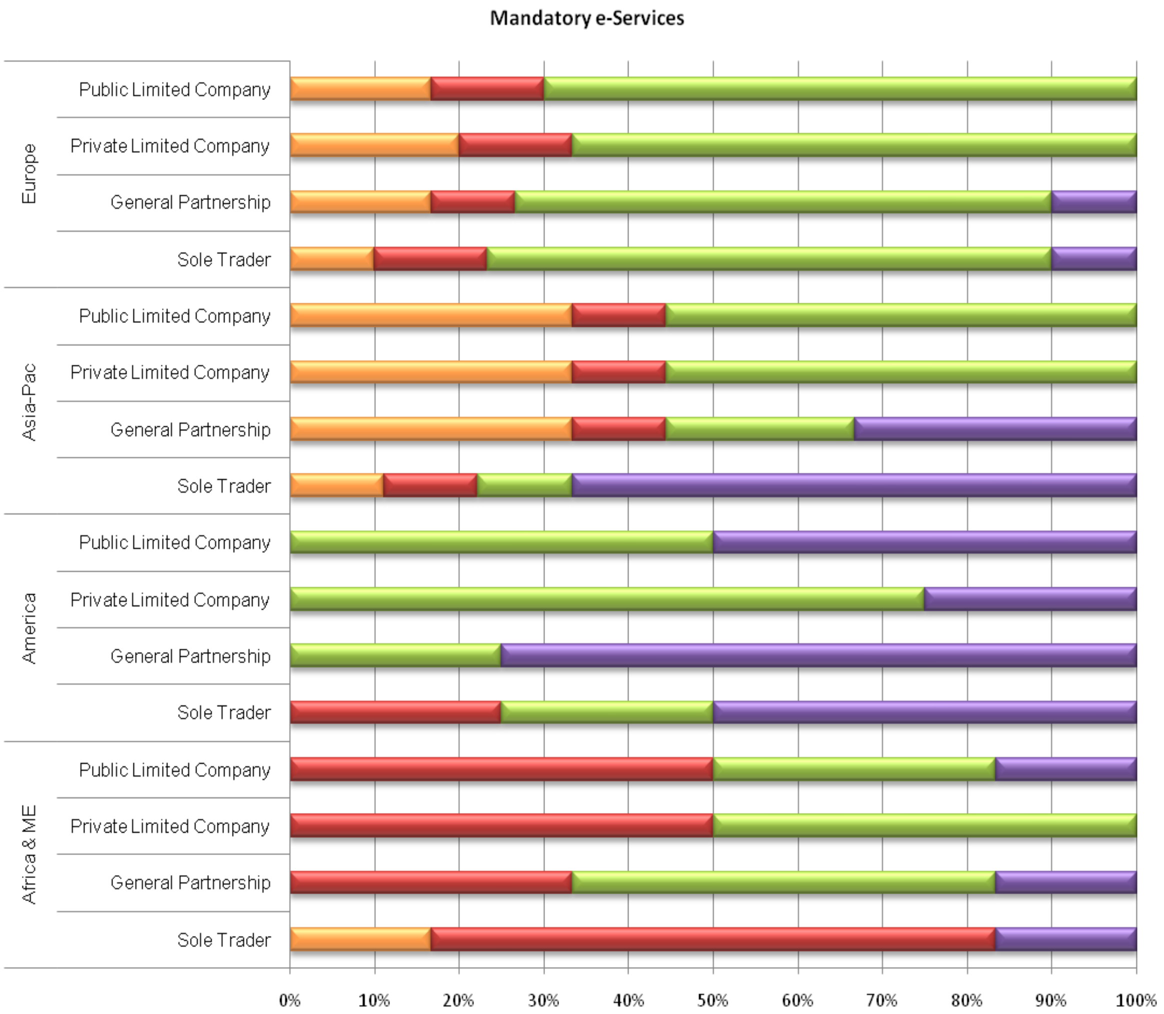


Figure 32: Trends in Percentage of E-submissions for Registration and Changes 2007, 2010 and 2011



	Africa & ME				America				Asia-Pac				Europe			
	Sole Trader	General Partnership	Private Limited Company	Public Limited Company	Sole Trader	General Partnership	Private Limited Company	Public Limited Company	Sole Trader	General Partnership	Private Limited Company	Public Limited Company	Sole Trader	General Partnership	Private Limited Company	Public Limited Company
Yes	17%	0%	0%	0%	0%	0%	0%	0%	11%	33%	33%	33%	10%	17%	20%	17%
No	67%	33%	50%	50%	25%	0%	0%	0%	11%	11%	11%	11%	13%	10%	13%	13%
Planned	0%	50%	50%	33%	25%	25%	75%	50%	11%	22%	56%	56%	67%	63%	67%	70%
Not Planned	17%	17%	0%	17%	50%	75%	25%	50%	67%	33%	0%	0%	10%	10%	0%	0%

Figure 33: Mandatory E-services in Different Parts of the World

E-services not being mandatory doesn't mean that they are not being used

Figure 33 illustrates regions where e-services are mandatory, where they are not, and where mandatory e-services are planned. These results are broken down by company type. It can be seen that the region where mandatory e-services are most prevalent is Asia-Pacific, where 33% of registries have mandated e-filing for private limited companies. This is interesting because registries in this region only have the second highest percentage of electronically submitted documents. Conversely, only 20% of European registries have mandated e-filing, yet they have the highest percentage of electronically submitted documents. Therefore, we can conclude that there is no direct correlation between mandatory e-services and the proportion of documents that are filed electronically.

Relationship between mandatory e-services and complete online registration

Figure 34 shows the areas where capability to register completely online is most prevalent are Europe and America. Complete online registration is measured as the ability of registries to offer completion of information, signature, payment and issue of the incorporation certificate electronically.

As discussed in the previous sub-chapter, the area where mandatory e-services are most prevalent is Asia-Pacific. One might assume that the area where complete online registration is most readily available is in the region where mandatory e-services are most common. Interestingly however, this is not the case.

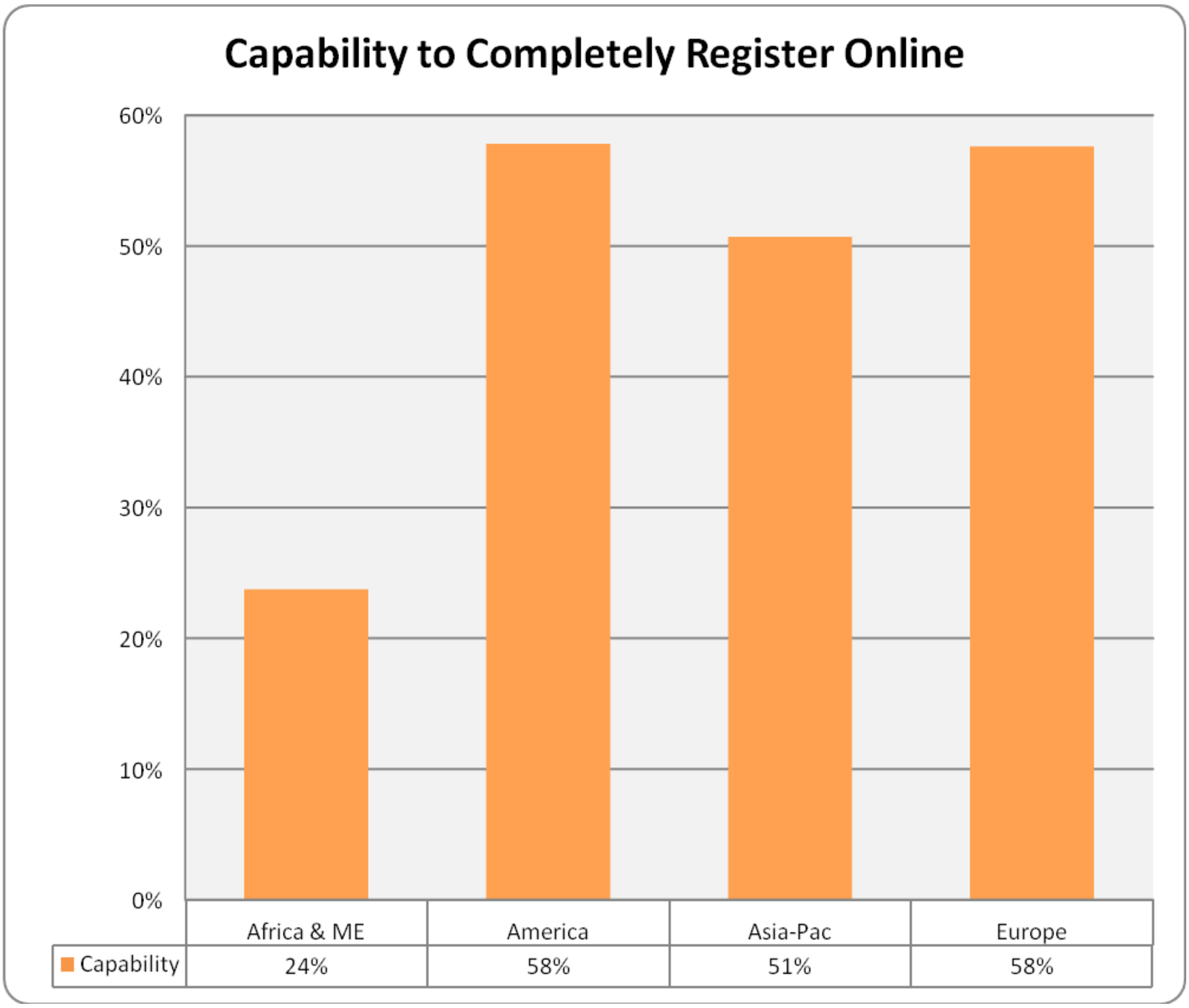


Figure 34: The Capability to Completely Register online in Different Parts of the World

Below is a list of individual countries w here e-services are not mandatory, but where complete online registration is available.

- Croatia, Republic of
- Luxembourg
- Hong Kong

- Spain
- Macedonia, FYR of
- United Kingdom
- India
- Lithuania
- Colombia
- Australia

Improvements in different countries in the provision of e-services

Several countries have either made improvements to existing e-services or introduced new electronic services. Below are some examples that were provided in the 2011 survey.

Hong Kong - The Companies Registry has introduced the one-stop electronic service for company incorporation and business registration since 21 February 2011. Applicants applying for company incorporation are deemed to apply for business registration simultaneously. Electronic Certificates of Incorporation and Business Registration Certificates can be issued in one go, in less than 24 hours. Moreover, a local company can submit application for change of company name electronically and the Certificate of Change of Name can also be issued in less than 24 hours.

Georgia - When applying electronically for a business registry extract, reduced fees are to be paid. E.g. in the case of expedited service it costs €18 instead of €23.

FYR of Macedonia - The Law on a one stop shop system was amended in 2011, which affected the process of registration of companies and procedure of starting a business. Specifically, the law above enabled the establishment of a system for electronic registration of companies.

United Kingdom - A new Web Incorporation Service was implemented. This new service is accessible via www.businesslink.gov.uk and will enable customers to incorporate a simple company online directly with Companies House, for a statutory fee of £18. Initially this will only include a basic company type of 'private limited by shares', adopting model articles in their entirety.

Croatia - New laws have confirmed a 24 hour deadline for company registration and online company name reservation through HITRO.HR web application. This will shorten the procedure, make it more effective and efficient, and most importantly for users, it will be fully transparent as all changes (reserved names) will be seen on the website immediately.

Lithuania - Electronic registration was the major change during last year. The State Enterprise Centre of Registers and the Ministry of Justice of the Republic of Lithuania introduced a new online service of the registration of public institutions and associations.

Italy - Since November 2011, companies must have an official electronic address (certified email address that guarantees security, identification, receipt and non-repudiation); this electronic address is registered in the company profile at the business register and has the same legal value as the company seat address. Public administration has to use this electronic address for communications to the company.

Cook Islands - Implementation of an online registry, supported by the Digital Registers Act 2011.

Lesotho - Changes in legislation have created a one stop shop for company registration.

Mauritius – Online company registration has been introduced.

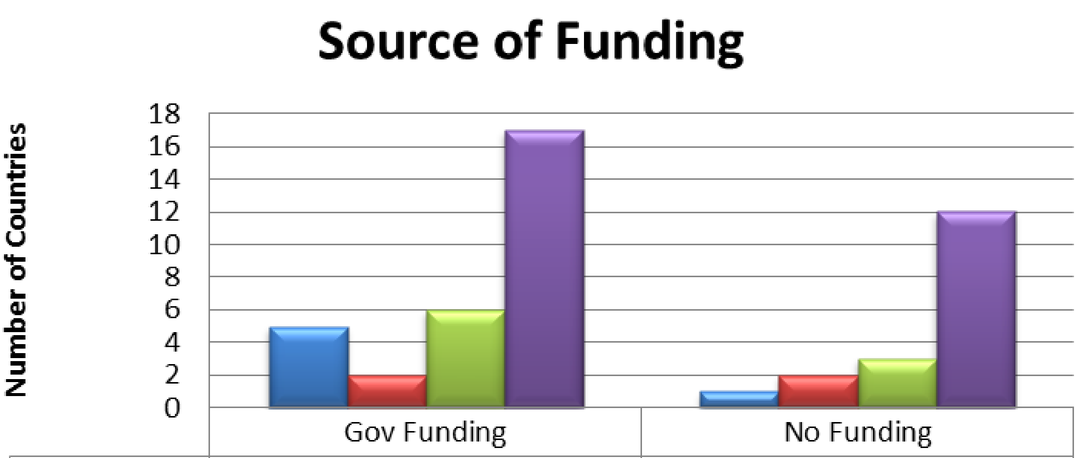
Chapter 4: Cost, Fees and Charges

This fourth chapter relates to costs, fees and charges. The chapter was first included in last year's report since the ECRF-working group recognised that comparing and benchmarking the types of costs, fees and charges that are collected is an important aspect in understanding why registers differ. In last year's report, it was outlined that the ambition was to expand the questionnaire and include questions about number of employees, in order to compare trends regarding productivity and cost efficiency. However, this year these efforts were abandoned since the answers turned out to be unusable.

With last year's responses, a time series over costs, fees and charges was started, however, the same disclaimer as for last year is still relevant today. Some organisations may have had difficulties with answering the questions regarding costs, fees and charges, and there is still a need for more work on how to find better indicators to compare registers.

Government funding is more common than other (private) funding

As was demonstrated in chapter 1, when organisations are asked the question regarding how their business registers are funded, the responses indicate that governmental funding is more common than other types of funding (private funding). Out of the 48 respondents who answered this question, 62.5% answered that their budget was based upon governmental funding. In last year's survey 52% answered that they received governmental funding. Since the respondents are not exactly the same as last year, the changes to this year's statistics do not necessarily mean that the source of funding has changed for any organisation. As depicted in Figure 35, governmental funding is more common in Africa & Middle East than in the other regions, since the percentage of registers receiving it is higher.



	Gov Funding	No Funding
Africa & ME	5	1
America	2	2
Asia-Pac	6	3
Europe	17	12

Figure 35: Source of Funding, Number of Countries per Region

What fees and charges are collected?

A key factor in funding is the types of fees and charges that are collected by the organisation. All of the respondents collect some sort of fees or charges. In last year's study the figure was 91%. The countries that did not collect fees or charges in the study before this one were Azerbaijan, Slovenia and Central Spain. In the responses for this year they all state that they collect fees or charges. Even though all organisations collect fees or charges, 80% of them state that some of their services are free of charge.

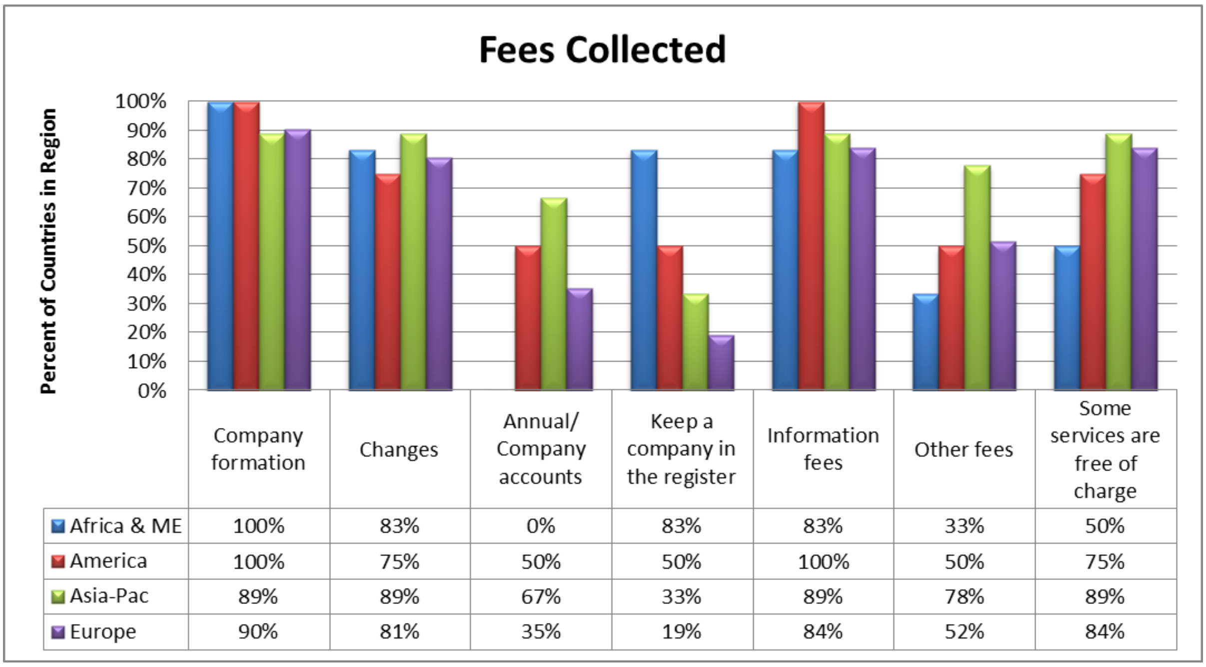


Figure 36: Fees Collected by the Registers

As can be seen by Figure 36, the pattern of fees and charges that are collected is quite similar among regions. The most obvious differences are that Africa & Middle East do not collect fees for annual/company accounts, and it is not as common in Europe to collect fees to keep a company in register as it is in other regions.

Applying the cost-covering principle is common

As was stated in chapter 1, when asked whether they apply the cost-covering principle when setting their prices, 46% of the organisations stated that they always do, 34% that they sometimes do, and 20% that they never do. One might ask whether the cost-covering principle is less important for organisations receiving governmental funding, since they might not be under the same pressure to cover their costs.

		Governmental Funding		Total
	Cost-Covering	Yes	No	
Africa & ME	Yes	1	1	2
	Yes, sometimes	3	0	3
	No	1	0	1
America	Yes	1	1	2

	Yes, sometimes	1	0	1
	No	0	1	1
Asia-Pac	Yes	3	2	5
	Yes, sometimes	2	1	3
	No	1	0	1
Europe	Yes	6	7	13
	Yes, sometimes	6	3	9
	No	5	2	7
Total		30	18	

Table 7: Source of Funding and the Cost-Covering Principle

From Table 7, no clear pattern can be detected. Out of the organisations receiving governmental funding, 77% indicate that they apply the cost-covering principle at least sometimes, and the corresponding number for the organisations who are privately funded is 83%. This does not clearly imply a major difference in attitude towards setting prices. However, when solely comparing within the group of organisations that state that they always apply the cost covering principle a much clearer pattern emerges. Among the 18 organisations who do not receive governmental funding, 83% state that they always apply the cost covering principle. Among the 30 organisations receiving governmental funding, only 37% state that they always apply the cost covering principle. There seems to be a difference in how important the application of the cost-covering principle is when it comes to source of funding, at least among those who always apply it.

The complexity among registers differs

Since the answers to the questions regarding employees that were introduced last year were regarded as unreliable, another measure was introduced in an attempt to find a relationship between cost efficiency and productivity. That measurement was used again this year. It describes the complexity in the different organisations as the number of registered changes, total number of new company registrations and total number of company terminations as a percentage of the total number of registered companies per organisation and year, and is displayed in Figure 37.

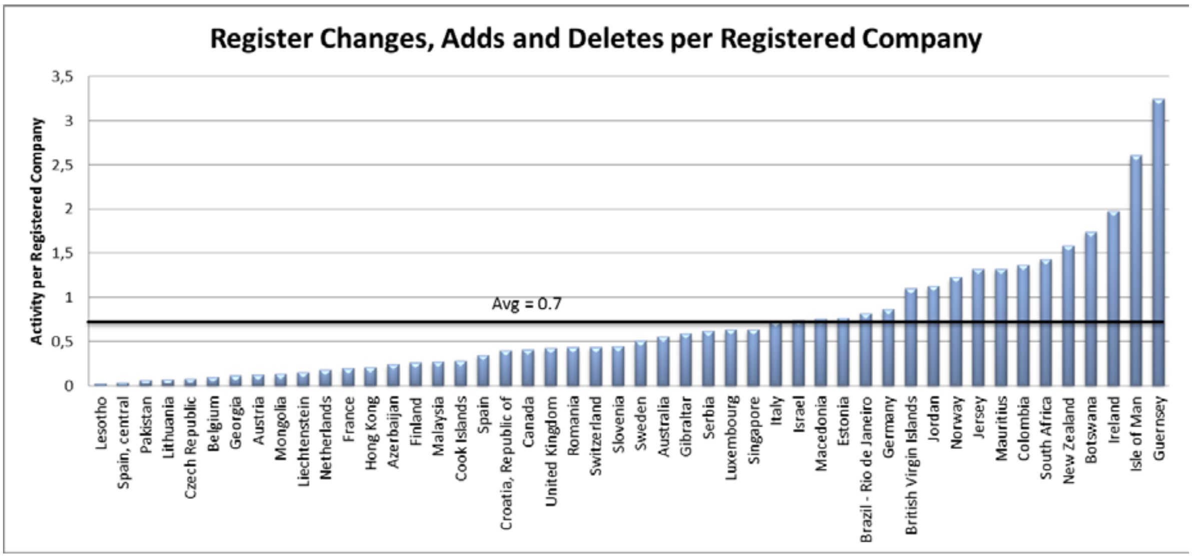


Figure 37: Activity per Registered Company

One hypothesis is that organisations in some regions have responsibility for registration of more activities than in other regions where incorporation may be the only activity registered. Therefore, Figure 38 below depicts the activity per registered company across regions. The results show that even though this in some way confirms the hypothesis; the expectation was that Europe would be the region with the highest number of activities. Instead, Africa & Middle East have the highest average activities per registered company, about twice as many as both Europe and America.

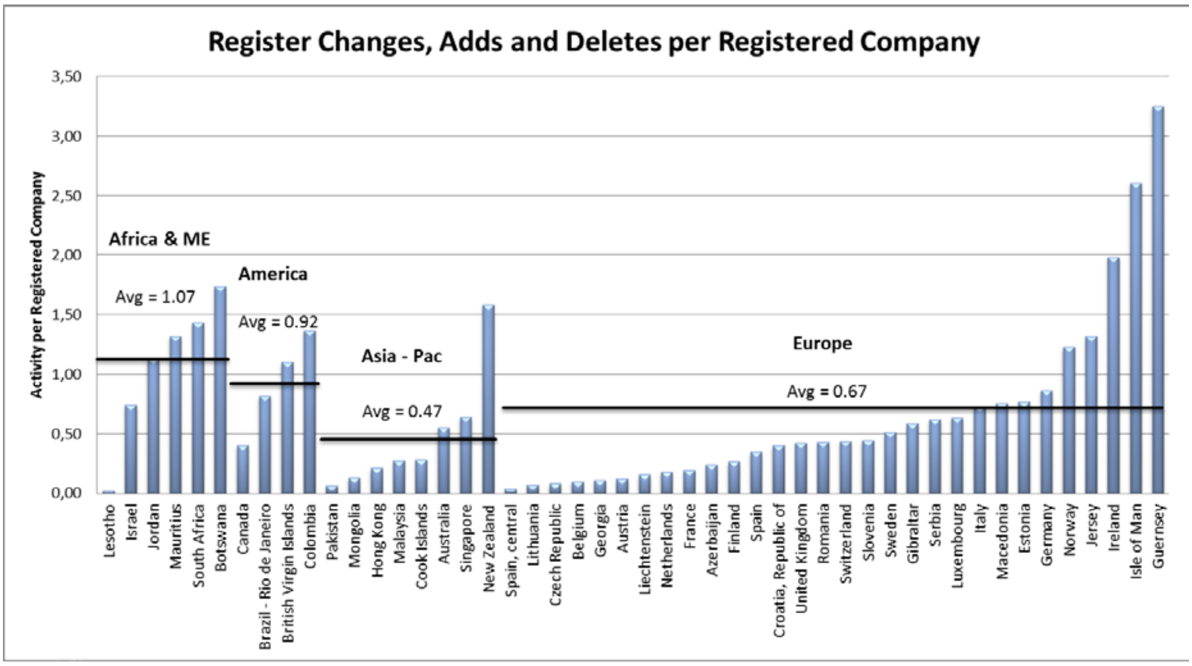


Figure 38: Activity per Registered Company across Regions

Last year the number of submissions was compared with data on e-submissions, since it was expected that organisations with a high number of registrations, deletions or a high number of changes, would recognise the opportunity for savings that the introduction of e-services might offer. If the same comparisons are made for this year's data, it is again found that there is no correlation between having many submissions per year and a high percentage of e-services. In fact, when the correlation between the number of submissions and the percentage of e-submissions is studied at regional level, it is evident that in Asia-Pacific, where the correlation is highest (0.58), the pattern is reversed meaning that the more submissions, the lower the percentage of e-submissions is. One should however remember that the number of respondents is low for all regions but Europe. In the other three regions there is no obvious correlation at all.

No common price setting among registers

In order to deepen the discussion regarding funding of organisations and the pricing of services, the average incorporation price is compared to the source of funding in Figure 39.

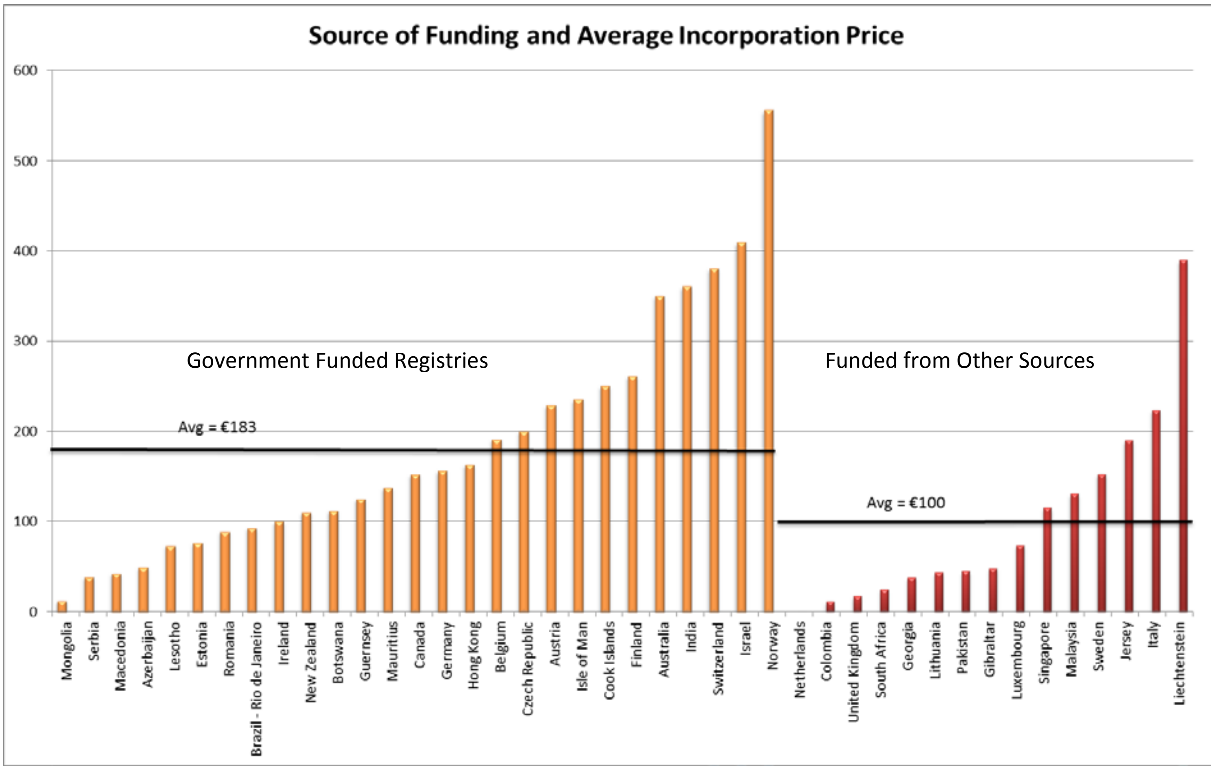


Figure 39: Comparing Source of Funding and Average Incorporation Price

As can be seen by Figure 39, there are differences between organisations and the prices they charge for incorporation. Incorporation prices range from €0 to €555. The average incorporation price is lower for the organisations that do not receive governmental funding than for those that do. The average incorporation price is €183 for the latter and €100 for the former organisations. The difference between the two groups is smaller this year (€83) than it was in last year's survey (€112), but it is still noteworthy.

In order to study if there are any differences in average incorporation price between the different regions, the result from Figure 39 is sorted into regions in Figure 40 below (the source of funding is illustrated by the same colours as above). As can be seen in the figure, the non-governmentally funded organisations in Africa & Middle East and in America have incorporation prices that are well below those of the other two regions, which bring the average down. Also, the governmentally funded organisations in Asia-Pacific have incorporation prices that are well above the average of the other regions. If governmentally funded organisations in Asia-Pacific and non-governmentally funded organisations in Africa & Middle East and in America are left out, the differences in incorporation prices between organisations with different sources of funding is only €40. If on the other hand Norway, which has an extremely high incorporation price in comparison and therefore could be regarded as an outlier, is left out of the analysis, the difference between incorporation prices is €69.

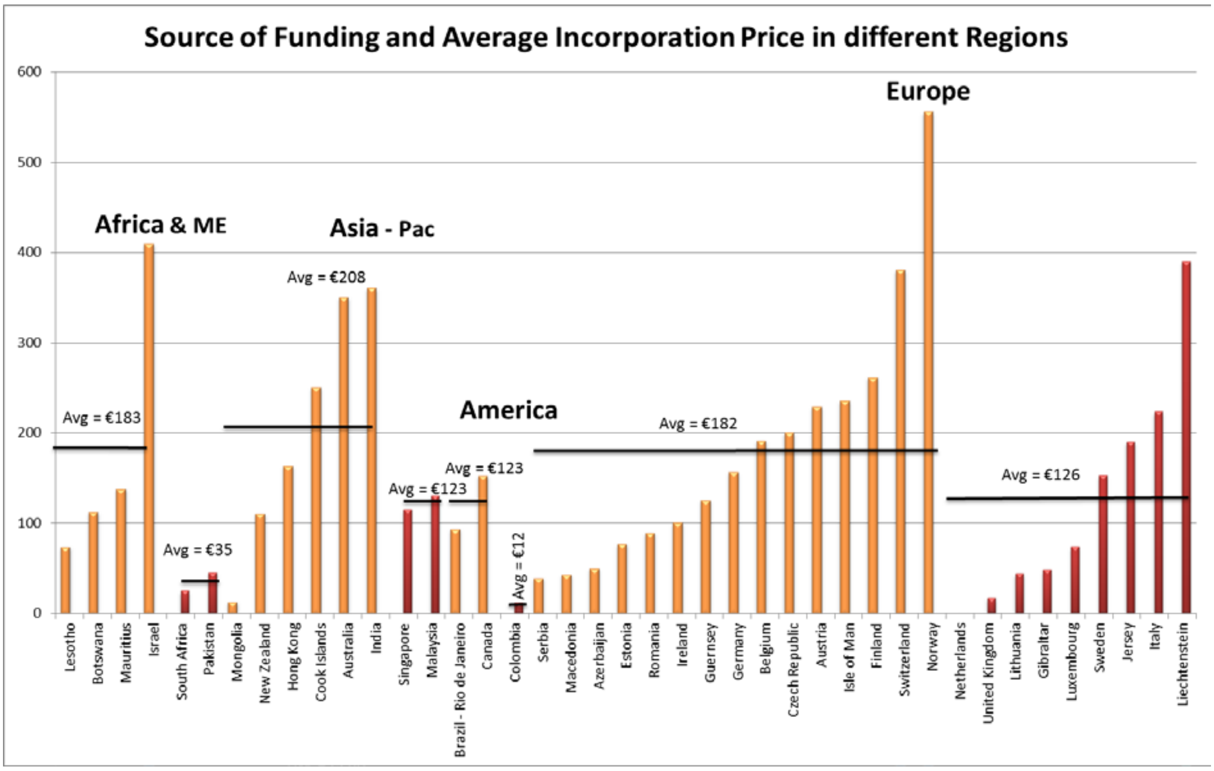


Figure 40: Comparing Source of Funding and Average Incorporation Price over Regions

A possible explanation for the differences in average incorporation price between organisations with different types of funding is that the organisations that do not receive governmental funding are more aware of prices, since they are dependent upon income from fees and charges. The previous discussion on applying the cost-covering principle gave some support for this hypothesis. Even though it is not possible to ascertain from the data, the most probable explanation seems to be that the resources collected by governmentally funded organisations are used for other purposes within the public sector.

One explanation for the general differences in average incorporation price could be that the difference reflects the general economic development of the countries. In Figure 41 below, incorporation price is mapped against GDP per capita for 2011 for those countries where that information could be found. There is no strong correlation between the two variables, as R^2 is only about 0.12, therefore the explanation has to be found elsewhere.

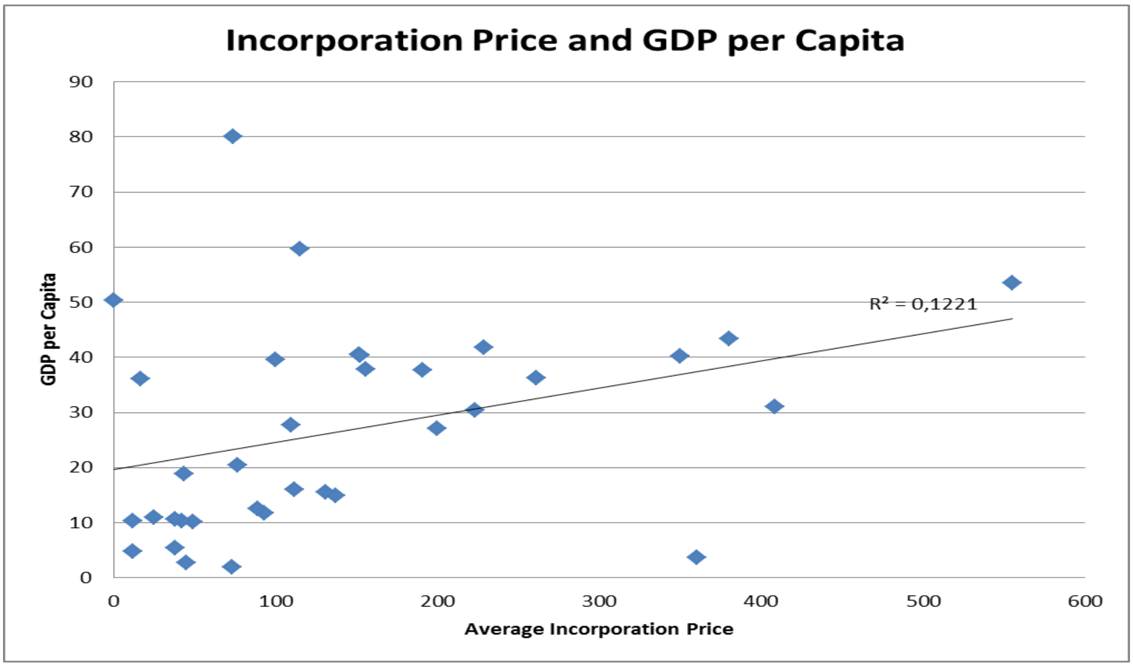


Figure 41: Average Incorporation Price and GDP per Capita

The use of e-services does not affect the pricing of incorporating new companies

In Figure 42 the percentage of documents submitted electronically is compared to the average incorporation price for those countries who have reported both variables. The assumption underlying the figure is that there should be a correlation between these two, since a widespread use of e-services should result in productivity gains and thereby lower prices for incorporation.

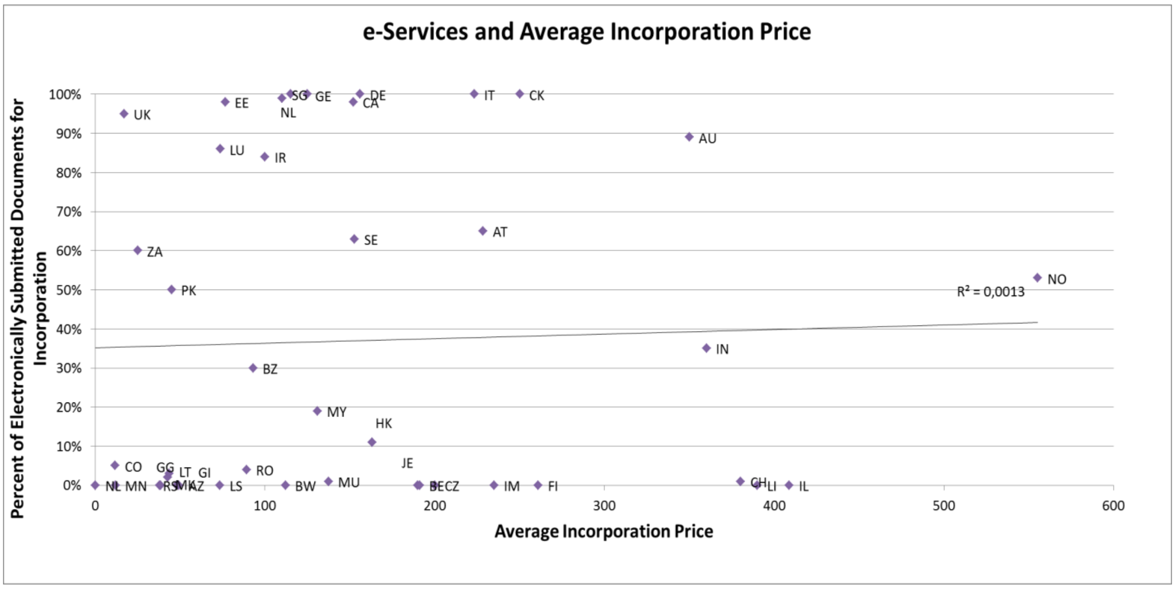


Figure 42: e-Services and Average Incorporation Price

As in last year's survey, there is no correlation between the two variables. Countries with a high use of e-services are found both among the ones with high incorporation price, as well as among those with low incorporation price and vice versa. One explanation could be the lack of a uniform definition of e-services. There could be a huge difference in the amount of work that has to be done after an electronic submission has been received, depending upon the format of it and the compliance with the systems of registration. There is also the possibility that if the development and introduction of e-services was costly and recent, it may well be that prices will go down over time.

As a final attempt to try to explain why there are such huge differences in average incorporation price among the registers, the incorporation price was compared with several different aspects of submissions. One hypothesis that was tested was that the average incorporation price would be correlated with the number of pre-registration steps. When tested, this hypothesis was rejected, since no such correlation was found. Another hypothesis that was tested was the correlation between the average incorporation price and the number of submissions for incorporations. Again, no correlation was found. One idea for next year’s survey is to separate the questions for incorporation prices between e-submission and other submissions, in order to investigate if there are any explanations hidden there.

Chapter 5: Business Dynamics

This is the second year that a chapter about business dynamics is included in the ECRF/CRF report. The reason for including a chapter on this theme is exactly the same as last year, a wish to do more analysis regarding the international business climate based on the information collected by business registries in different parts of the world.

The chapter is structured in a similar way to last year. Based on terminations and incorporations, the business dynamics in the world are analysed and compared. New to this year is that checks have been made in the survey to rule out administrative procedures introduced by the registry outside the normal business process, that might have affected the number of incorporations or terminations (for example, striking off of unreported inactive companies from the registry). The reason is to ensure that the business dynamics analysed are not skewed by administrative procedures and instead represent actual changes.

In the chapter the reason behind companies' terminations is analysed. Also, the company turn-over, measured as the net effect of incorporations minus terminations for each country, as well as the different regions, is analysed. At the end, a comparison between the different European countries is done, based on the number of cross-border gains and losses. The net effect of this illustrates the business climate in different regions.

Terminations and new registrations 2011

In Figure 43 the business dynamics in different countries/registries is measured. In the figure, the total number of new registrations (incorporations) and terminations (deletions), as a percentage of total number of registered companies, is compared. Based on this calculation, four different patterns can be discerned from the graph.

In the upper right corner, the most dynamic regions can be identified. These countries are symbolised by a high degree of new company formations and a high degree of terminations. This implies that new companies replace old and unsuccessful ones, contribute to the flow of innovation and change that make the economy "vital" and prosperous. In this corner we find for the year 2011 the following countries: Serbia (RS), Singapore (SG), United Kingdom (UK), Cook Islands (CK), Canada (CK) and South Africa (ZA). Of the countries mentioned Serbia, United Kingdom and Singapore belonged to this category in 2010 as well. These countries have, for two consecutive years, performed well when it comes to business dynamics. Of the remaining countries, it is the Cook Islands especially that have improved. In 2010 the Cook Islands had one of the lowest quotas of business dynamics, and in 2011 one of the highest.

In the upper left corner we also find dynamic countries, where the percentage of new registrations is high, while at the same time the percentage of terminations is low. These types of countries are often characterised as fast growing countries; in some cases in the extreme, which can result in financial problems. In this corner we find countries/organisations such as France (FR), Hong Kong (HK), Azerbaijan (AZ), Mongolia (MN), Slovenia (SI) and Estonia (EE). We don't claim that this is the case for the countries identified in this corner of the graph, but sometimes, high numbers of firm creations without the necessary closing down of unsuccessful firms, can lead to situations of high inflation and high growth that in some cases are counteracted by periods of slow growth.[13] Of the countries present in this box Estonia and Hong Kong where also present in 2011.

In the bottom left corner we find stable economies. They are characterised by a small percentage of terminations and new companies (incorporations). The termination of companies is constantly replaced by the creation of new companies, and a steady progress of the economy is in most cases achieved. As can be seen from the graph, most countries cluster in this box.

In the bottom right corner we find countries that would be termed as having slower business dynamics, as they have more terminations than formations of new companies. Liechtenstein (LI), Isle of Man (IM), The Netherlands (NL) and Ireland (IR) all belong to this category. Liechtenstein and Isle of Man are the only countries in the above list that were also in this category in 2010.[14]

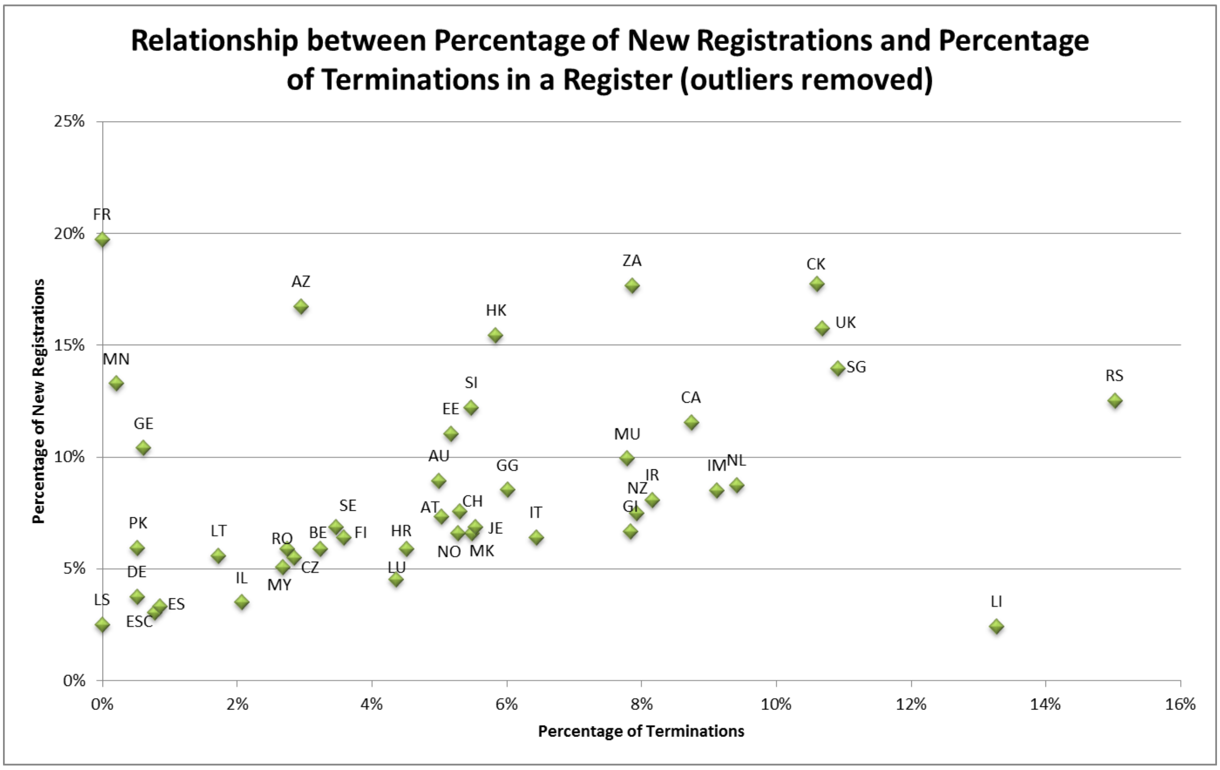


Figure 43: Percentage of Deletions vs. Percentage of New Registrations

Even though we have done calculations to try to counteract any changes that were introduced by the registry itself, we have to interpret the results from the above chart with caution. We have measured the registration of companies, in order to end up with a completely true picture of the business dynamics; we would have to distinguish between genuine entrepreneurship activities and registration activities caused by, for instance, changes in legislation.

As we did last year, we have tried to make comparisons between GDP growth and the quota for business dynamics. The result is exactly the same, meaning that for most countries there is no correlation between business dynamics and GDP growth. Out of the six countries/organisations in

[13] For an overview of the effects of entrepreneurship and innovations on economic growth see PohKam Wong, Yean Ping Ho and ErkkoAutio (2005); Entrepreneurship, Innovation and Economic growth: evidence from GEM Data. Small Business Economics (2005) 24: 335-350.

[14] In 2011 the business register toghether with the tax office in the Netherlands located and struck off “dead companies” from the registry, increasing the number of terminated companies for that year.

the upper right corner, it is only Singapore (5.3%) that is above the world average real GDP growth of 3.7% during 2011.

America is by far the most dynamic region

Figure 44 shows the percentage of new registrations and terminations by region. The graph is calculated in the same way as Figure 43 in the previous chapter, with the difference that it is compiled based on the regions defined in this year's report. In all regions, the number of new registrations is higher than terminations. That indicates a positive inflow of companies to all regions. The number of terminations is very similar in all regions, with the exception that the percentage of terminations is higher in America. 9% compared to 4% for Africa & Middle East, Asia-Pacific and Europe respectively.

The biggest difference among the regions can be observed when we compare the number of new firm formations. By far the most dynamic region is America. Six countries/organisations forming this region have a ratio of new firms as a percentage of total number of firms of 12%. That means on average that out of 100 firms that exist in the region about 12 are new. This is a higher level than the other regions, where the same number for Africa & Middle East, Asia-Pacific and Europe is 9%, 8% and 7% respectively. If the regions were to be ranked according to business dynamics, America would be the most dynamic, followed by Africa & Middle East, Asia-Pacific and Europe.

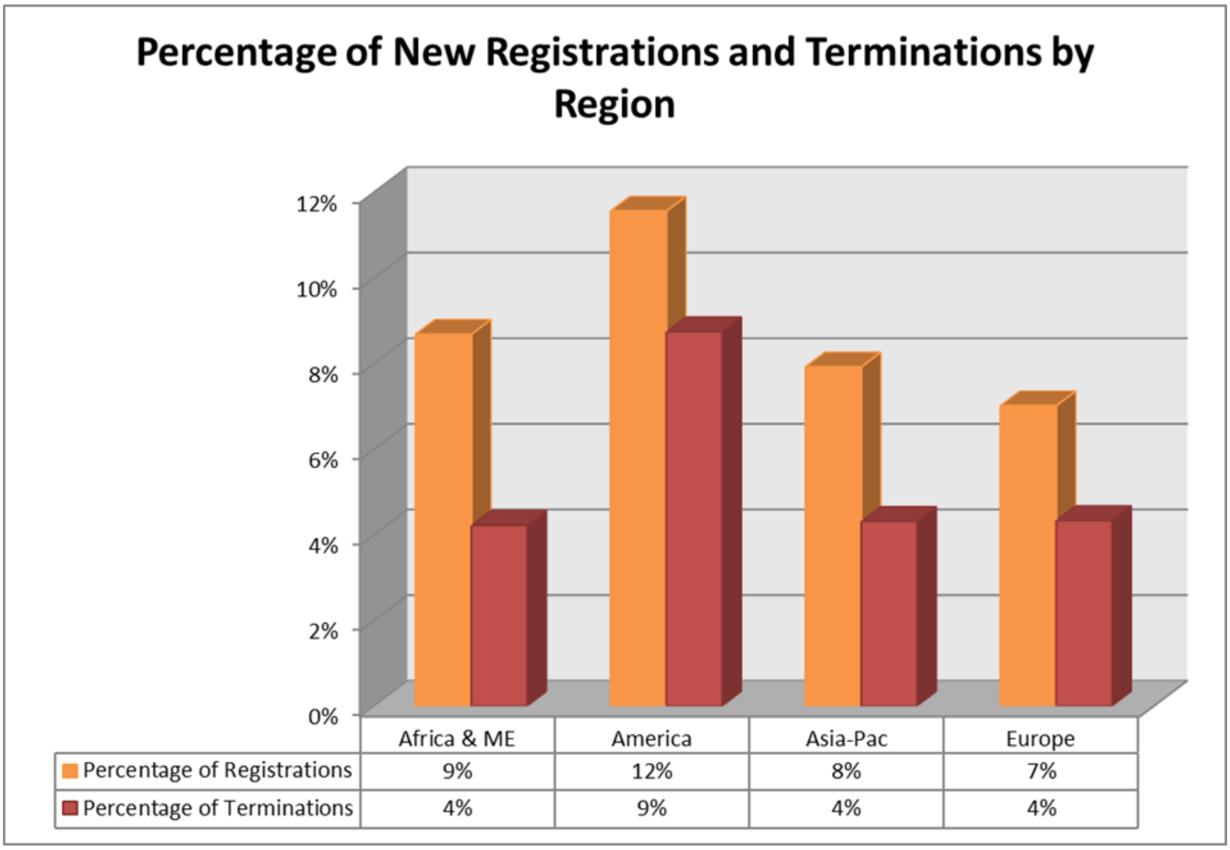
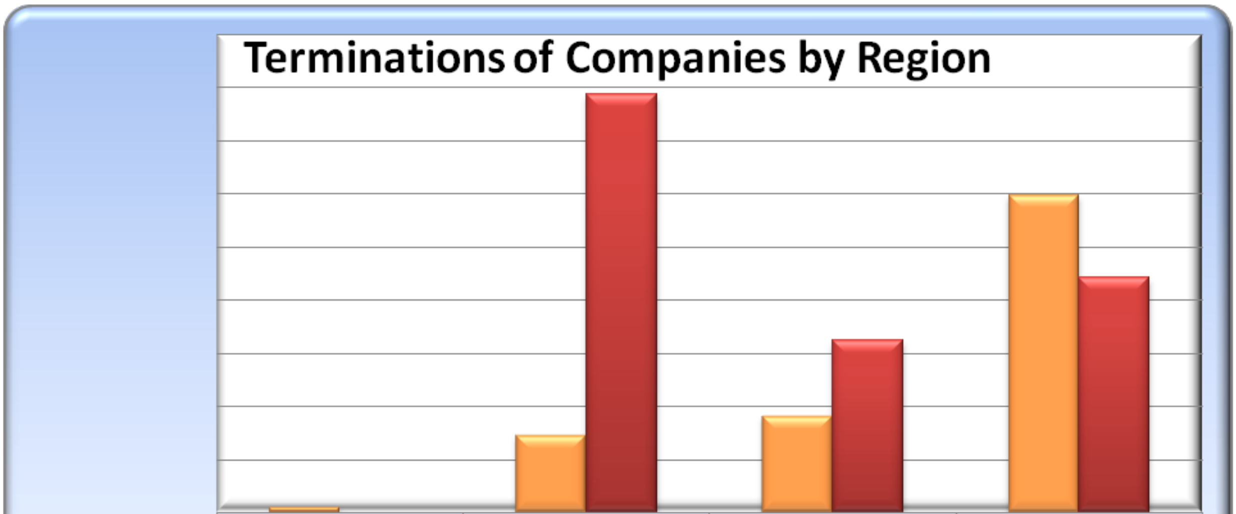


Figure 44: Percentage of New Registrations and Terminations by Region

Compulsory terminations are more common than voluntary

In the 2011 survey a new question was introduced, asking the respondents to report from the registry, the number of business terminations and how they were terminated. A distinction was made between voluntary terminations (initiated by the company themselves) and mandatory/compulsory terminations (initiated by the registry). The indicator can be used to describe in what way companies are terminated in different regions. The result put forward in Figure 45 has to be viewed with caution, since not all countries reported numbers. Only 1 out of 6 countries/organisations from Africa & Middle East and only 12 out of 30 European countries/organisations reported numbers.



	Africa & ME	America	Asia-Pac	Europe
Voluntary	5393	72828	90922	299491
Compulsory		393923	162365	221294

Figure 45: Reasons for Terminating Companies in Different Regions

Overall, the most common way of terminating a company is through compulsory procedures. About 62% of all terminations are compulsory. This means that the company is forced by law to be terminated.

Looking at the different regions, compulsory terminations are more common in America, where 84% of all terminations belong to that category. It is only in Africa & Middle East where no compulsory terminations where carried out, but here we have to bear in mind that only 1 out of 6 countries/organisations answered the question. In Europe and Asia-Pacific, 42% and 64% respectively are based on compulsory terminations.

There is a positive inflow of companies in all regions

Another way of benchmarking the net effect of business creation is to calculate the turnover for a single year for each country/organisation. In this case it is done by summing up the net effect of newly incorporated companies minus terminated, divided by the total number of companies in each country. Expressed as a percentage of total number of companies, it provides an indicator of the net company turnover for each organisation/country. As seen in Figure 46, different patterns exist.

In general, most countries experienced a positive net effect in 2011, with more companies created than terminated. In some cases, such as France (+20%), Azerbaijan (+14%) and Mongolia (+13%), there was a major increase in the percentage of companies created. Compared to 2010, the level for most countries is much higher in 2011, indicating a greater inflow of companies than outflow in the form of terminations. This is not easily explained in retrospect considering the global financial problems that struck the world in 2011.

Only five countries show a negative inflow of companies during 2011, meaning more companies where terminated than created. Liechtenstein, with a net effect of minus 11% for 2011, is clearly the country/organisation with the biggest decrease of companies during 2011. Interesting to notice is that Liechtenstein also had a major decrease of companies in its registry in 2010 (-14%). This development in Liechtenstein can be attributed to the changes in tax legislation due to its membership in the European Economic Area (EEA Agreement), the revision of its foundation law as well to the general financial crisis in Europe. The four other countries/organisations with a negative development are Serbia (-3%), Gibraltar (-1%), Isle of Man (-1%), and the Netherlands (-1%).

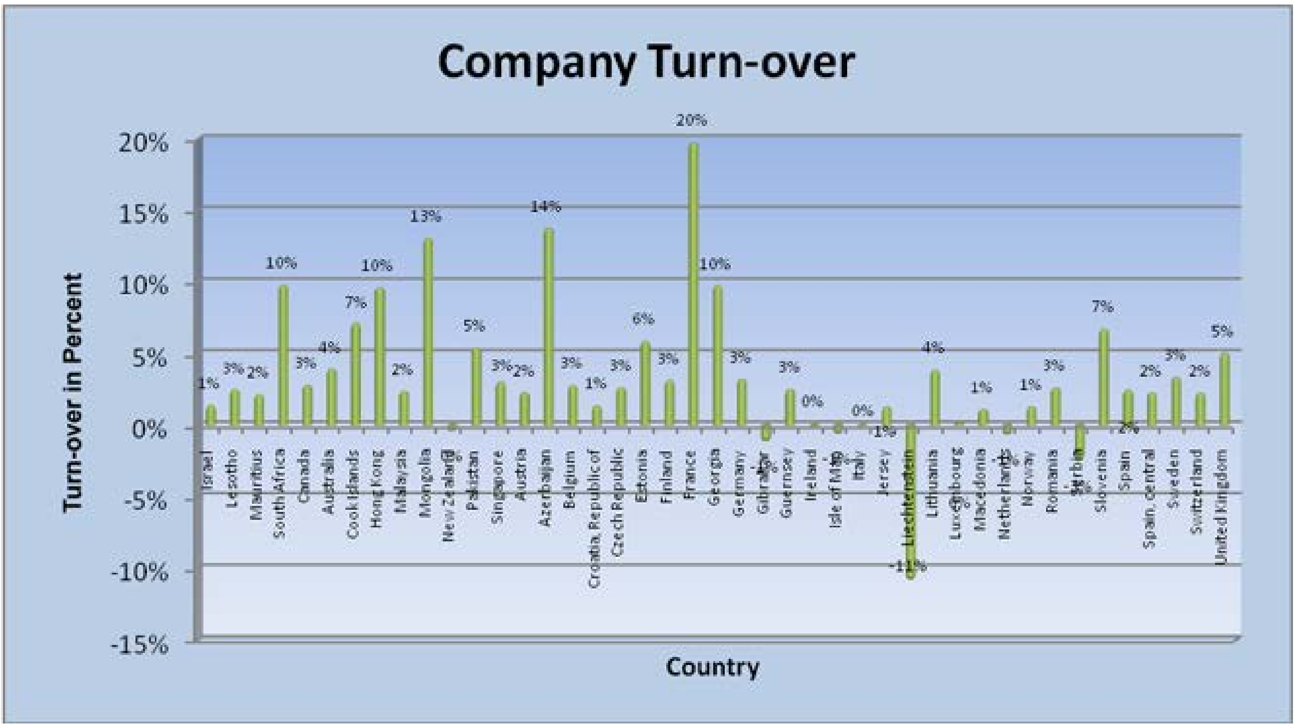


Figure 46: Company Turn-over for Different Countries

If we do the same calculation but for the different regions used in the 2012 report, a very even pattern can be observed (see Figure 47). All regions show a positive inflow of companies, with Africa & Middle East leading with a net positive effect of 4.5%, and then followed by Asia-Pacific (3.4%), America (2.8%) and Europe (2.7%). Interesting to observe is that Europe, despite the economic turmoil the region is struck by, still has a positive inflow of new companies to the region.

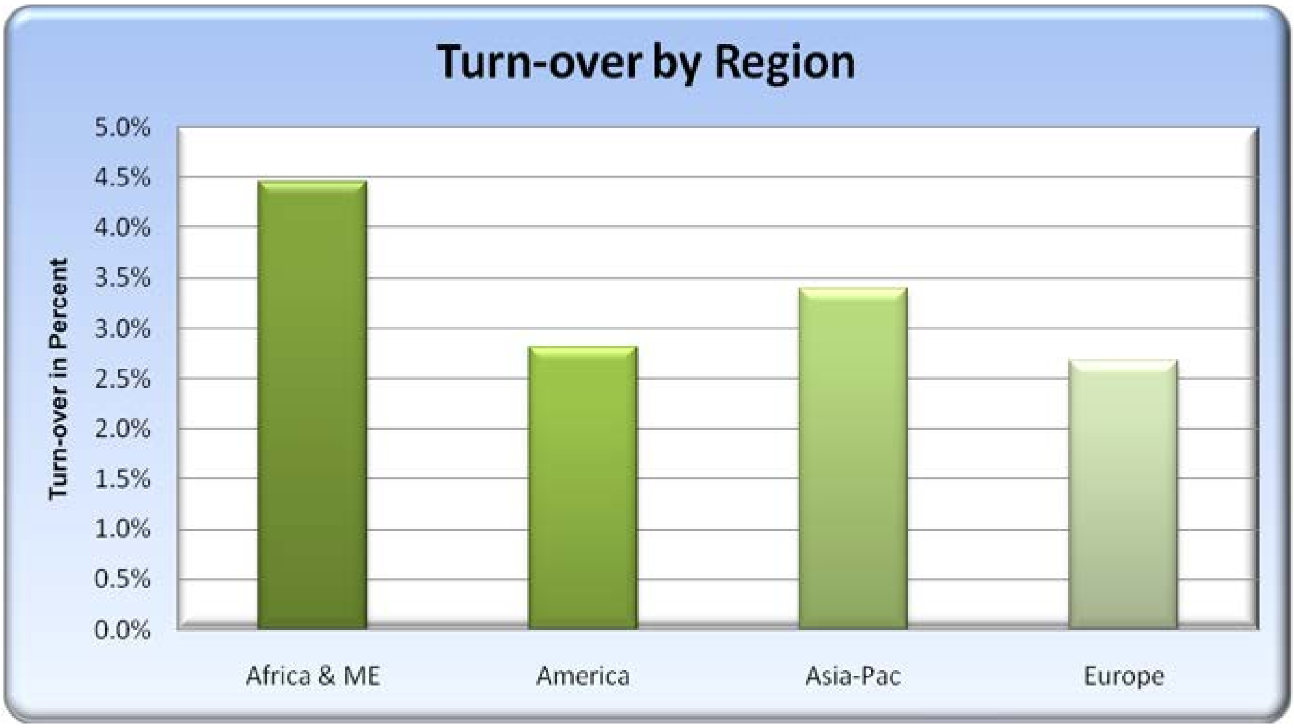


Figure 47: Turn-over by Region

Private limited companies are still the most commonly registered company type[15]

Figure 48 shows the different types of firms that have been created. In all, 3.7 million companies were created during 2011 in the countries/organisations participating in the survey. The most common company type is private limited – 48% of all companies created were private limited companies. The second most common company type is sole trader (39%), followed by general partnership (6%), other (6%) and public limited company (1%). In 2011, the proportion of private limited companies among the newly formed companies is a little bit lower compared to 2010 (54%). This is mainly explained by the fact that the later survey has a slightly different population than the previous one.

[15] See also chapter 1 and Figure 10 for more information on types of companies that are registered in different regions.

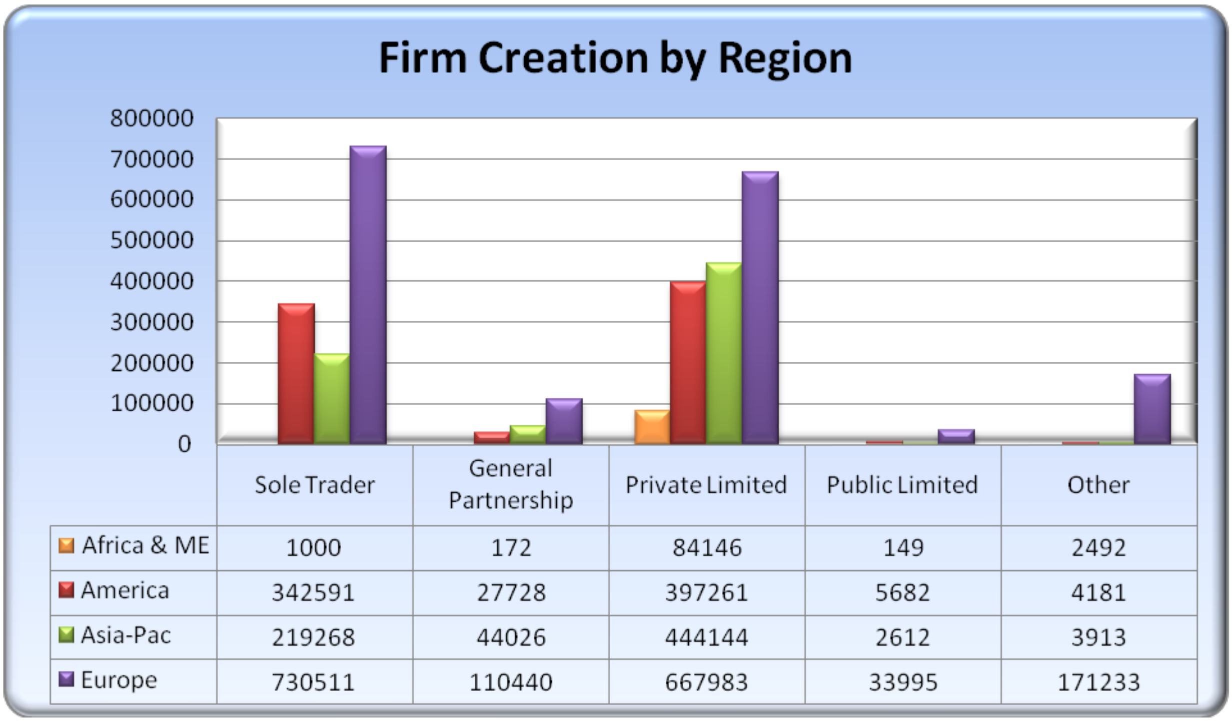


Figure 48: Types of Firms Created in Different Regions

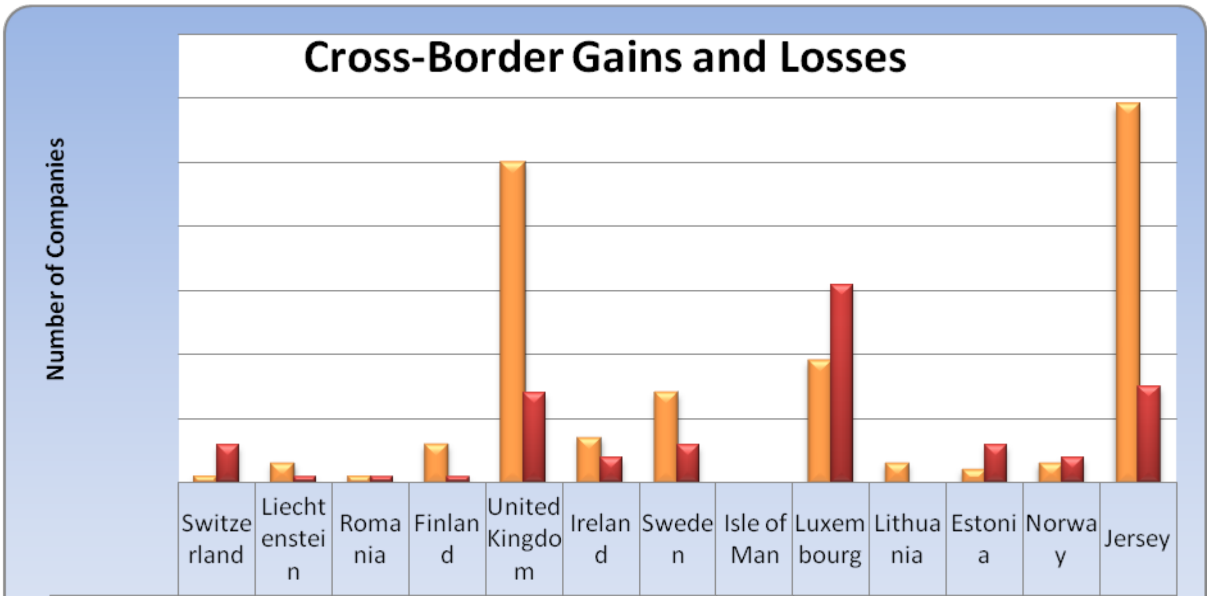
There are some regional differences. It is more common for countries/organisations from Africa & Middle East to register private limited companies. 96% of all new companies registered in this region are private limited companies, compared to 62%, 51% and 39% for Asia-Pacific, America and Europe respectively. Sole traders account for 44% of all companies created in America, compared to 43%, 30% and 1% for Europe, Asia-Pacific and Africa & Middle East.

Cross-border mergers

The last part of this chapter is about cross-border mergers. The survey sent to the respondents asked them to specify the gains and losses caused by cross border mergers during 2011. Out of all 50 countries participating, 14 reported numbers. Of these, all were European, showing that, without exception, registries from Europe are those that primarily register this type of information.

The number of mergers in 2011 was much higher than in 2010. In all, 257 mergers were performed, of which 89 were gains and 168 were losses, compared to 173 mergers in 2010 (see Figure 49). This indicates that a large number of mergers resulted in headquarters leaving Europe, as a consequence of merger activities between European and non-European companies. From the data it is not possible to see to which regions the headquarters where relocated.

The indicator is interesting to analyse, since there is a debate in economic literature about the long-term effect of foreign owned companies. Many agree upon the fact that the vulnerability of local and regional production sites is increased when they are located a great distance from headquarter activities. What is debated is the extent of this effect, and whether the moving out of headquarters can be counter balanced by governmental programs for increased research and development. Some researchers argue that it is an indicator that can be used to determine the business climate in different regions concerning aspects such as taxes and bureaucratic burdens.



	Switzerland	Liechtenstein	Romania	Finland	United Kingdom	Ireland	Sweden	Isle of Man	Luxembourg	Lithuania	Estonia	Norway	Jersey
Leaving	1	3	1	6	50	7	14	0	19	3	2	3	59
Entering	6	1	1	1	14	4	6	0	31	0	6	4	15

Figure 49: Cross-border Gains and Losses

In Figure 49, it is possible to see the countries/organisations that have gained or lost in mergers. In all, seven countries - Liechtenstein, Finland, United Kingdom, Ireland, Sweden, Lithuania and Jersey, have reported that they have lost more companies than they have gained in mergers. For Jersey and United Kingdom, the losses have constituted a significant number of companies, minus 44 and 36 respectively. The reason for this is not possible to discern from the survey, but it shows that the effect of relocating companies in a single year can equate to significant numbers for different countries.

Out of the countries indicated in Figure 49, four show a positive effect as a consequence of company mergers: Switzerland, Luxembourg, Estonia and Norway. Of these, Luxembourg, with the gaining of 12 companies as a consequence of mergers, is clearly the most successful one.

In Figure 50, the net effect of mergers is calculated for 2010 and 2011 for the countries/organisations that reported numbers. As can be seen, the pattern is highly volatile. Losing companies one year doesn't necessarily mean that the country will lose companies as a consequence of mergers the next year. Conversely, it seems that each country shifts position between years, meaning that if you lose companies one year, you will gain companies the next year. Among the countries analysed, it is only Liechtenstein and Ireland that have lost companies as a consequence of mergers in two consecutive years. In order to understand long term trends more data has to be compiled, which will, hopefully, be the case if the ECRF/CRF survey is carried out for a few more years.

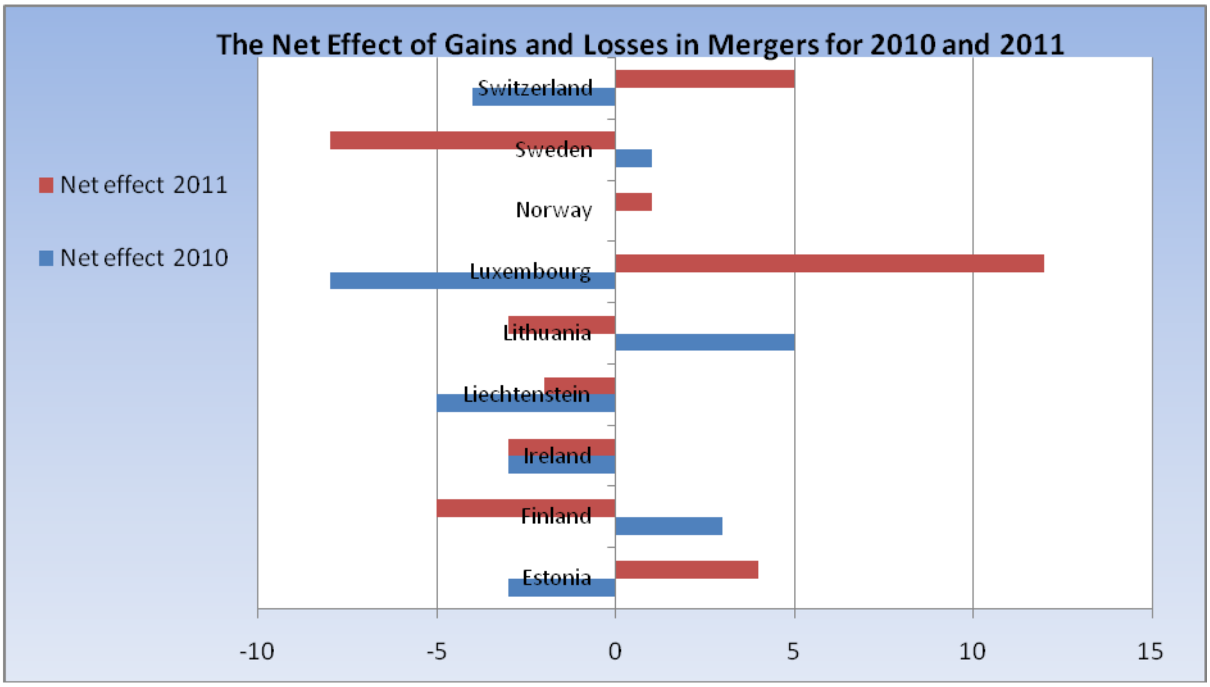


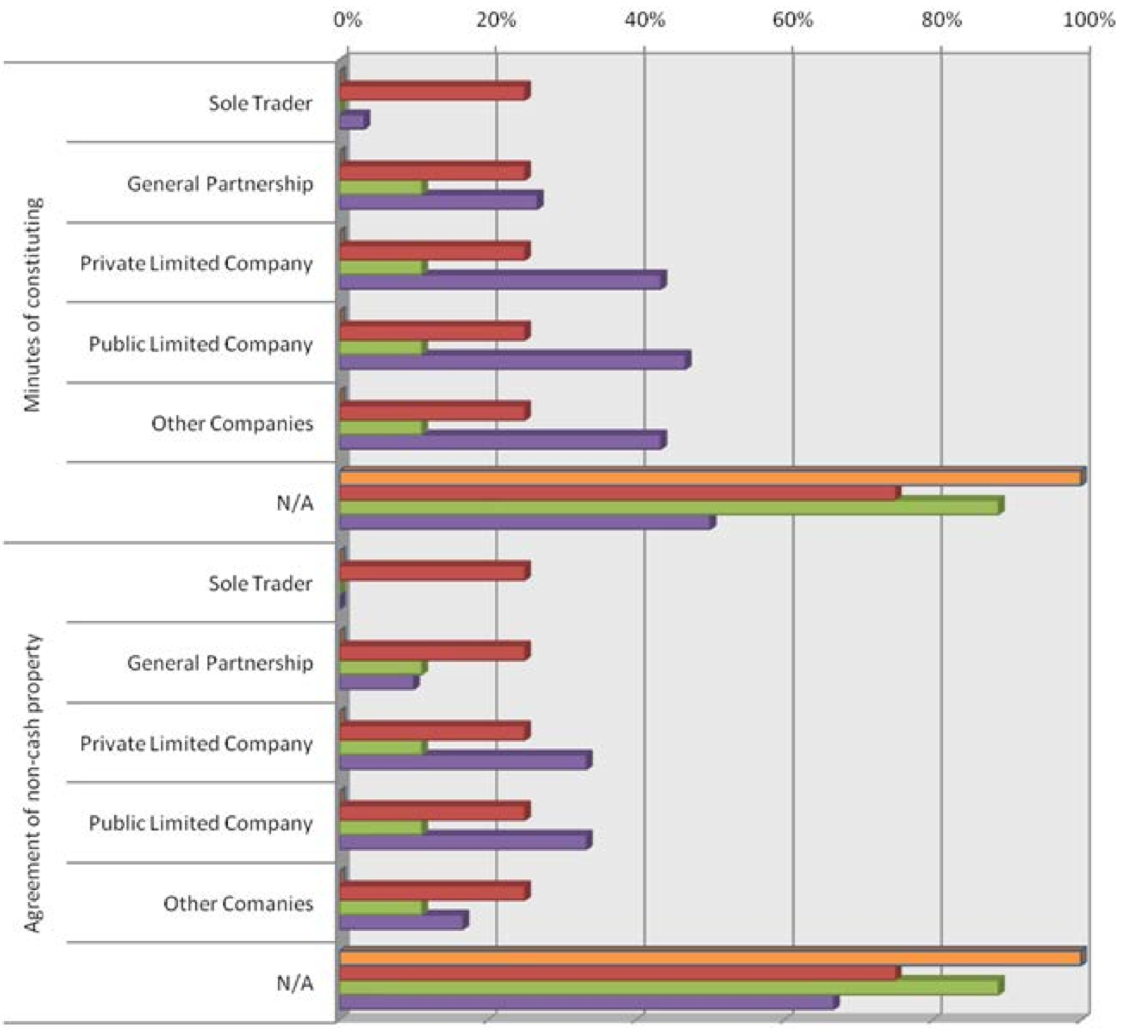
Figure 50: The Net Effect of Gains and Losses Caused by Mergers in 2010 and 2011

Appendix (Tables and Charts)

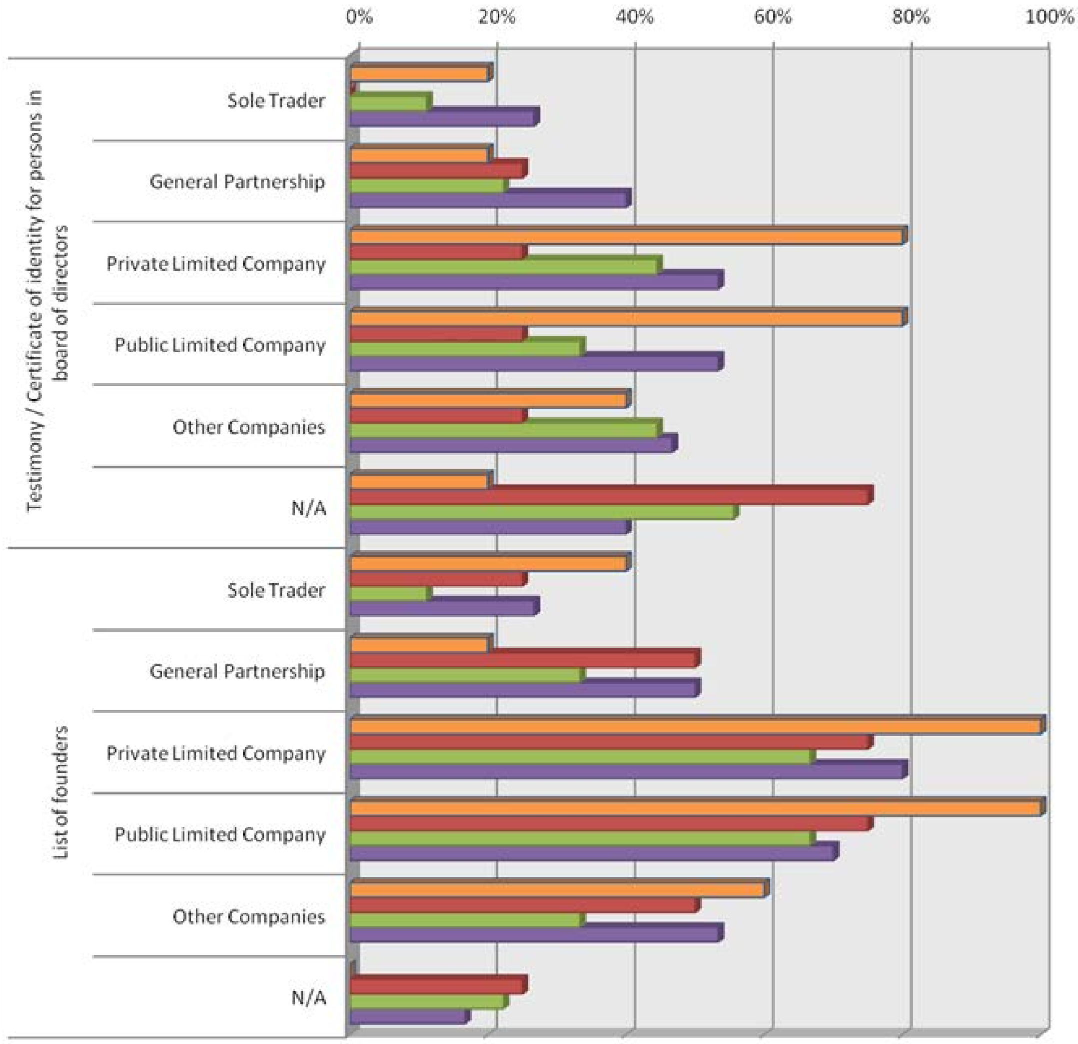
Appendix 1: Two-letter Country Abbreviation

Two-letter Country Abbreviation			
Abbrev	**Country**	**Abbrev**	**Country**
AU	Australia	MK	FYR of Macedonia
AT	Austria	MY	Malaysia
AZ	Azerbaijan	MU	Mauritius
BE	Belgium	MN	Mongolia
BE1	Belgium	NL	Netherlands, the
BW	Botswana	NZ	New Zealand
BZ	Brazil - Rio de Janeiro	NO	Norway
VG	British Virgin Islands	PK	Pakistan
CA	Canada	RO	Romania
CO	Colombia	RS	Serbia
CK	Cook Islands	SG	Singapore
HR	Croatia, Republic of	SI	Slovenia
CZ	Czech Republic	ZA	South Africa
EE	Estonia	ES	Spain
FI	Finland	ESC	Spain, central
FR	France	SE	Sweden
GG	Georgia	CH	Switzerland
DE	Germany	UK	United Kingdom
GI	Gibraltar		
GE	Guernsey		
HK	Hong Kong		
IN	India		
IR	Ireland		
IM	Isle of Man		
IL	Israel		
IT	Italy		
JE	Jersey		
JO	Jordan		
LS	Lesotho		
LI	Liechtenstein		
LT	Lithuania		
LU	Luxembourg		

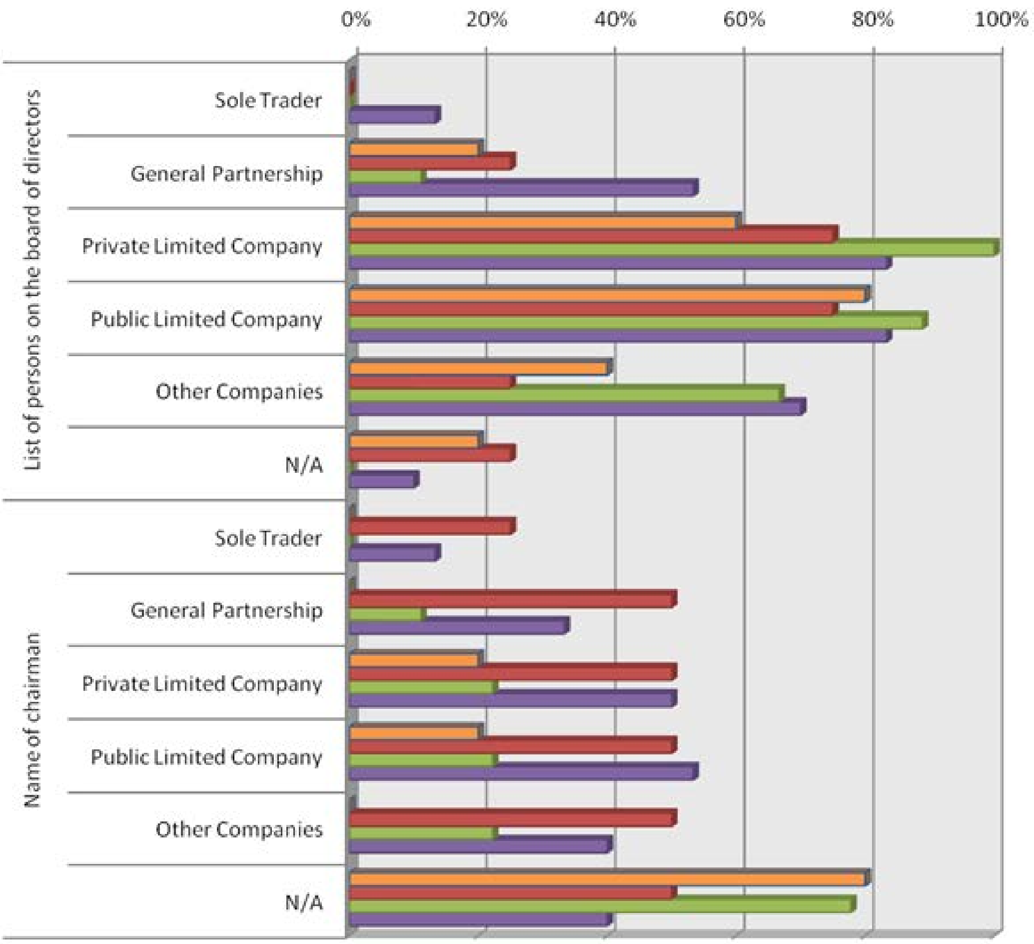
Appendix 2: Information required to incorporate a new company



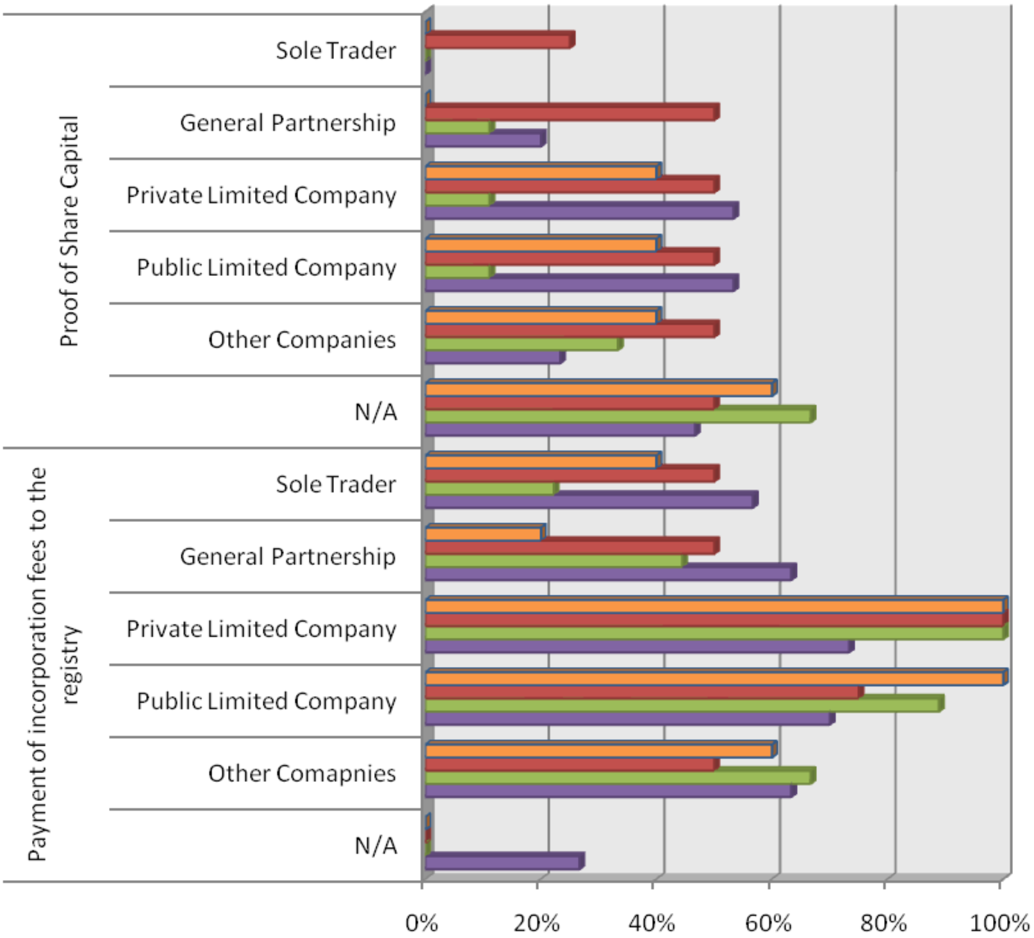
	Agreement of non-cash property						Minutes of constituting					
	N/A	Other Comanies	Public Limited Company	Private Limited Company	General Partnership	Sole Trader	N/A	Other Companies	Public Limited Company	Private Limited Company	General Partnership	Sole Trader
Africa & ME	100%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%
America	75%	25%	25%	25%	25%	25%	75%	25%	25%	25%	25%	25%
Asia-Pac	89%	11%	11%	11%	11%	0%	89%	11%	11%	11%	11%	0%
Europe	67%	17%	33%	33%	10%	0%	50%	43%	47%	43%	27%	3%



	List of founders						Testimony / Certificate of identity for persons in board of directors					
	N/A	Other Companies	Public Limited Company	Private Limited Company	General Partnership	Sole Trader	N/A	Other Companies	Public Limited Company	Private Limited Company	General Partnership	Sole Trader
Africa & ME	0%	60%	100%	100%	20%	40%	20%	40%	80%	80%	20%	20%
America	25%	50%	75%	75%	50%	25%	75%	25%	25%	25%	25%	0%
Asia-Pac	22%	33%	67%	67%	33%	11%	56%	44%	33%	44%	22%	11%
Europe	17%	53%	70%	80%	50%	27%	40%	47%	53%	53%	40%	27%



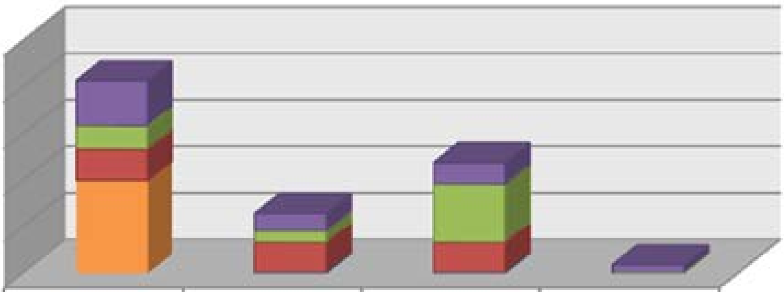
	Name of chairman						List of persons on the board of directors					
	N/A	Other Companies	Public Limited Company	Private Limited Company	General Partnership	Sole Trader	N/A	Other Companies	Public Limited Company	Private Limited Company	General Partnership	Sole Trader
Africa & ME	80%	0%	20%	20%	0%	0%	20%	40%	80%	60%	20%	0%
America	50%	50%	50%	50%	50%	25%	25%	25%	75%	75%	25%	0%
Asia-Pac	78%	22%	22%	22%	11%	0%	0%	67%	89%	100%	11%	0%
Europe	40%	40%	53%	50%	33%	13%	10%	70%	83%	83%	53%	13%



	Payment of incorporation fees to the registry						Proof of Share Capital					
	N/A	Other Comapnies	Public Limited Company	Private Limited Company	General Partnership	Sole Trader	N/A	Other Companies	Public Limited Company	Private Limited Company	General Partnership	Sole Trader
Africa & ME	0%	60%	100%	100%	20%	40%	60%	40%	40%	40%	0%	0%
America	0%	50%	75%	100%	50%	50%	50%	50%	50%	50%	50%	25%
Asia-Pac	0%	67%	89%	100%	44%	22%	67%	33%	11%	11%	11%	0%
Europe	27%	63%	70%	73%	63%	57%	47%	23%	53%	53%	20%	0%

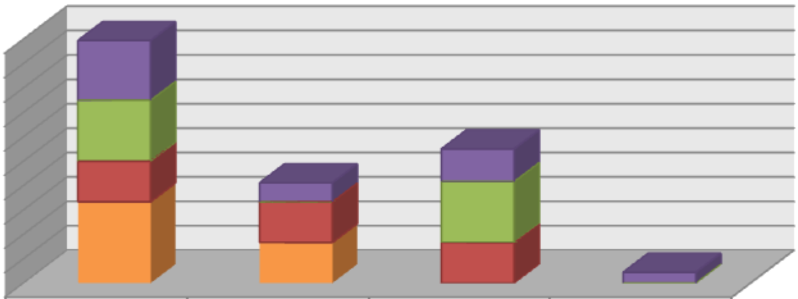
Appendix 3: Is it possible for you to accept applications for company registration in the following ways?

Accepted forms of Company Registration for General Partnerships



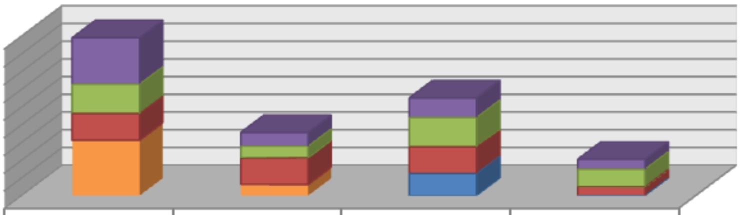
	Paper	Images	Internet	Data
Europe	49%	19%	23%	9%
Asia-Pac	25%	13%	63%	0%
America	33%	33%	33%	0%
Africa & ME	100%	0%	0%	0%

Accepted forms of Company Registration for Sole Traders



	Paper	Images	Internet	Data
Europe	49%	16%	27%	9%
Asia-Pac	50%	0%	50%	0%
America	33%	33%	33%	0%
Africa & ME	67%	33%	0%	0%

Accepted forms of Company Registration for Public Limited Companies



	Paper	Images	Internet	Data
Europe	52%	15%	22%	11%
Asia-Pac	33%	13%	33%	20%
America	30%	30%	30%	10%
Africa & ME	63%	13%	25%	0%

Appendix 4: Describe any major changes during the last year that have affected your registry and/or the registration activities

Countries who reported major changes, and changes reported	
Country	**Description of major changes during the year that affect the registry and/or the registration activities**
Australia	ASIC introduced a new financial management system to enable us to make changes to our registry business and offer new payment services in the future, such as online credit card payments.
Azerbaijan	The Law on "State registration and state registry of legal entities" was amended by the Law dated from December 30, 2011. According to this amendment the state registration of LLC's with local investments is carrying out in electronic form also.
Belgium	Governmental issues: no new government after elections until December 2011. The federal government could only decide on current affairs, this meant that the legislative proposals that would adapt the current law concerning the CBE did not get approved.
Botswana	The changes relate to the declaration by directors or members of a company while in the past only company secretaries signed the declaration for registration. We have also introduced new forms to reduce the number of forms submitted at registration from six to two.
Brazil - Rio de Janeiro	Creation of a new type of company, the individual enterprise with limited liability (eireli), as per federal law nr.12,441
Colombia	A formalization law was enacted during 2011. This law reduces companies' creation costs, and simplifies their liquidation process. A simplification decree was also enforced in January 2012. This rule and centralizes different registers (e.g. tourism registry), and assigns their administration to chambers of commerce. Bogotá Chamber of Commerce developed four new virtual registry services (certificates, revision and appeal of inscriptions, acts of appointment, and companies' creation); these services will start in 2012.
Cook Islands	Implementation of an online registry, supported by the Digital Registers Act 2011.
Croatia, Republic of	New laws: Court registry law (Official gazette 90/11) and Instruction on Court registry procedures (Official gazette 22/12) have confirmed 24 hours deadline for company registration and online company name reservation through HITRO.HR web application. This will shorten the procedure, make it more effective and efficient and most importantly for users it will be fully transparent as all changes (reserved names) will be seen on the website immediately.
Estonia	On the 1st of January 2011 the official currency of the Eurozone, the Euro, became the sole legal tender in Estonia. As companies began to convert capitals into Euros, the registration departments received many more applications than in previous years, which in turn meant a slowdown in the speed of proceedings. The registration departments received a large amount of these applications in the end of the year 2011 and these applications could not be solved in time, so the average speed of proceedings decreased. Please take this information into account at the questions no 42, 43, 44, 45.
Georgia	Opening of a bank account is affected together with registration of a new company. Thus separate visit to a bank is not needed. This service is free of charge. In case of applying electronically for a business registry extract, reduced fees are to be paid. E.g. in case of expedited service it costs 18 Euro instead of 23 Euro. Registration of completion of liquidation process became free of charge. Also registration of decisions made during the insolvency proceedings is free.
Germany	In 2011 there have been no major changes affecting the German business registry. This is due

	to the fact that a substantial modernization is planned for 2012 and the following years. In order to be able to modernize the electronic business register a procurement process for a new service provider still is pending.
Hong Kong	The Companies Registry has introduced the one-stop electronic service for company incorporation and business registration since 21 February 2011. Applicants applying for company incorporation are deemed to apply for business registration simultaneously. Electronic Certificates of Incorporation and Business Registration Certificates can be issued in one go in less than 24 hours. Moreover, a local company can submit application for change of company name electronically and the Certificate of Change of Name can also be issued in less than 24 hours.
India	We have not made major changes last year. For information about the services available please check http://www.cuttingredtape.mj.pt/uk/companies/default.asp
Ireland	A Companies Bill has been drafted but it will be another year, at least, before implementation. An act to deal with Multi-Unit Developments was introduced in 2011. Affects the restoration of Owner Management Companies (block of apartments) to allow for administrative restoration to the register, amongst other changes. New version of Annual Return form introduced, which includes a unique number for the company's auditor. This is to prevent unregistered auditors signing annual accounts. Very recently, the registration of new companies became available online.
Isle of Man	Introduction of Foundations Act 2011, Companies (Prohibition of Bearer Shares) Act 2011, Limited Partnership (Legal Personality) Act 2011, The Incorporated Cell Companies Act 2010, Companies Act 1931 (Dispensation for Private Companies) AGM Regulations 2010,
Israel	The 10th Amendment of the Companies Law formed the concept of "a violating law company" regarding the companies that failed to file annual reports or failed to pay the annual fee. Law now includes a number of sanctions on companies that violated the law, and among other sanctions, the controlling shareholder in this company is not allowed to register a company new.
Italy	Since November 2011, companies must have an official electronic address (certified email address that guarantees security, identification, receipt and non-repudiation); this electronic address is registered in the company profile at the business register and has the same legal value as the company seat address. Public administration has to use this electronic address for communications to the company. More than 2 million of companies have updated their company profiles providing the Business Register with the legal email address during the months of October and November 2011.
Jersey	Change in legislation: The introduction of Separate Limited Partnerships and Incorporated Limited partnerships. Introduction of new merger provisions which allow cross-border mergers.
Lesotho	Changes in legislation; changes in registry's process and organisation; create one stop shop; automation
Liechtenstein	Small modifications in legislation. New legislation for investment funds. The UCITS law entered on 01. August 2011.
Lithuania	Electronic registration was the major change during the last year. The State Enterprise Centre of Registers and the Ministry of Justice of the Republic of Lithuania introduced a new online service of the registration of public institutions and associations.
Luxembourg	RCSL has launched a new filing system for compulsory electronic filing of Annual accounts starting 01/01/2012.
FYR of Macedonia	The Amendments of Law on one stop shop system and keeping the trade register and register of other legal entities and Amendments of Law of Trade companies which were promulgated

	in 2011 affected on the process of registration of companies and procedure of starting a business. Namely, the laws above enabled establishment of system for e-registration (e-filing).
Malaysia	The Limited Liability Partnership Act 2011 was passed in Parliament at the end of 2011. It is expected to be implemented in the third quarter of 2012.
Mauritius	Online registration may be affected.
Mongolia	Proved the legislation about the use of the digital signature. In the framework of the project which implementing from the KOICA renewed and updated the program of legal entity registration.
Norway	Changes in the rules regarding the requirement for auditor for limited companies have increased the number of notifications of change.
Singapore	We have introduced a new service to allow new business registrants to apply for a corporate bank account immediately after successful registration with ACRA. This new value added service was launched on 24 Feb 2011.
South Africa	New Companies Act, Act 71 of 2008 implemented on 01 May 2011
Spain, central	Royal Decree nº 13 of 3rd December, 2010. It regulates, among other aspects, time required for granting the names of companies in the process of incorporation. Registrars of the Central Mercantile Registry have 24 hours to verify the suitability according the Laws.
Sweden	Parliament decided in 2010 to amend the legislation to encourage entrepreneurship. The share capital was reduced from 100 000 SEK to 50 000 and the requirement for auditors to start a limited company was removed. As a result of this, the number of cases increased during the latter part of 2010 and this continued in 2011. Some constitutional amendments had an impact on entrepreneurship in Sweden during 2011: - Companies Registration Office became the registration authority for insurance associations - Simplified registration of a branch - Parliament decided that the Swedish Companies Registration Office would take over some of the district courts cases - From 2011, you may contact the Companies Registration Office to revoke a company name.
Switzerland	Swiss law contains a complete legislation on e-filing in the commercial registry since January, 1rst 2012. The full e-registration will be operational on January, 1rst 2013. The ordinance on the commercial registry was also modified in several issues with the aim to facilitate the registration process and acts.
United Kingdom	The new Web Incorporation Service was implemented. This new service will be accessible via www.businesslink.gov.uk and will enable customers to incorporate a simple company online directly with Companies House, for a statutory fee of £18. Initially this will only include a basic company type of ‘private limited by shares’, adopting model articles in their entirety.

Appendix 5: List of questions not used in the report

Do you accept documents in languages other than your national language(s)?

Answer	*Number of countries*
Yes, all documents can be submitted in a foreign language	4
Yes, some documents can be submitted in a foreign language	20
No, but we are planning to do so	2
No, we accept no documents in a foreign language	24
Total	50

Is it possible to use/do you require an electronic signature on information that is transmitted electronically by the customer to the Register?

Company type	*Yes, possible*	*Yes, mandatory electronic signature*	*Yes, mandatory advanced electronic signature*	*Not yet, but planned*	*No*
Sole trader	5	5	7	11	6
General Partnership	5	6	8	8	9
Private limited company	11	7	11	10	9
Public limited company	7	6	11	12	10

How do users verify their identity when delivering information electronically to the Register (select all that apply)?

Answer	*Number of countries*
No verification required	1
User ID and pass word	21
Electronic certificate	25

What payment methods do you accept (choose one or more alternatives)?

Payment method	*Yes*	*No*
Bank draft/checks	26	21
Cash	30	17
Deposit accounts	14	33
Invoice	11	36
Major credit/debit cards	31	16
Money orders	13	34
Online payment	30	17
Postal/money orders	15	32
Direct debit	14	33

What online payment method do you accept (choose one or more alternatives)?

Payment method	*Yes*	*No*
Major credit/debit cards	28	5
Financial cybermediary	9	24
Electronic checks	8	25
Electronic bill	3	30

Is your organisation in charge of receiving annual reports?

Yes, organisation receives annual reports	*No, organisation does not receive annual reports*
36	14

Which company types are required by law to file annual accounts?

Company type	*Yes, required to file annual accounts*	*No, not required*
Sole trader	5	5
General Partnership	5	6
Private limited company	11	7
Public limited company	7	6

What is the percentage of companies that file their annual report on time (annual average)?

Percentage ranges	*Number of organisations*
Figures not avalible	6
1 to 9%	2
10 to 49%	0
50 to 69%	10
70 to 79%	4
80 to 89%	8
90 to 95%	4
96 to 100%	2
Total	

Do you take action for late or inadequate filing (e.g. strike from register)?

Yes, organisation takes action	*No, organisation does not takeaction*
26	10