



Prudential
Seizing
the
Opportunity

Compliance

Steve Bickell
Prudential Corporation Asia
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Compliance issues continue to make headlines

- Compliance is a critical area of importance to Prudential Corporation Asia

AIG Insurance Sales Are Targeted by U.S.

Regulators Think Policies Were Designed to Help Companies Smooth Results

By TREV FRANCES AND LYNN CONWAY

U.S. federal prosecutors have told American International Group Inc. that it is the target of a federal grand jury

in Indiana told it that "the investigation concerns 'nontraditional insurance' or 'income smoothing' products marketed by AIG that were directed at creating agreements with businesses that would appear to be insurance and accounted for as insurance, but did not involve any actual risk transfer."

Specifically, the complaint says grand jury is investigating its sale of insurance policy to Indiana cellular telephone, KnightRidgely Inc. That union was the subject of civil suit

Flying Freight

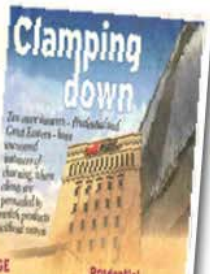
Top U.S. export a sports 19200 to cargo traffic in 10 months of metric tons

Steel	1.85
Coal	1.59
Agriculture	1.31
Industrial	1.22
Automotive	0.51

Churning gets a few Prudential agents the chop

AIG of U.S. says an audit revealed that commission. From June, all investors must sign letters saying they are aware of risks involved in underlying portfolio

The second, however, says that the audit did not find any evidence of churning. Prudential says it is reviewing the matter and will report back to the SEC. The audit also found that Prudential had not adequately disclosed the risks of its investment strategy to investors. Prudential says it is reviewing the matter and will report back to the SEC. The audit also found that Prudential had not adequately disclosed the risks of its investment strategy to investors.



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Citigroup delivers public apology for its illegal activities in Japan

by David Absher in Tokyo
Citigroup apologized publicly yesterday for the way bank handled the sale of its Japanese subsidiary because of evidence following the closure of its assets in Japan last month, critics say. Citigroup, which is exploring strategic options of Japan and Singapore, said it will work for Carrefour there. Citigroup and Morgan Stanley both declined to comment on report. Page 18

CARREFOUR TURNS TO MORGAN STANLEY

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APPEALS TO JAPANESE COURTS

An FRA investigation showed Citigroup failed to appeal to the Japanese courts for public disclosure. The audit also found that Prudential had not adequately disclosed the risks of its investment strategy to investors.

provision for a big insurance market like Marsh. As a financial intermediary, Marsh passes insurance payments from policyholders to insurance companies, and sends claim checks back from insurers to their clients. The business model is aging, however, says the former president in Marsh Global Broking's casualty division, Edward McHenry, a brokerage executive and Samantha Gillman, another employee who is Mr. Gillman's daughter. The suspended employees

Insurance Probe Expands Its Focus

By TREV FRANCES AND VANESSA FUHRMANN
The probe of conflict-ridden fees in the insurance industry, which increasingly is focused on employee-benefits plans, now stretches from a little-known broker in San Diego to one of the world's biggest life insurers in Amsterdam. Demands for information from the

maintained that the so-called contingent fees give brokers incentive to place insurance and other benefits packages in the hands of insurers paying the biggest commissions, not providing the best prices and terms. Mr. Spitzer said the fee arrangements led Marsh to rig bids to ensure that business went to its preferred insurers. The Marsh case focused on brokers

at least some cases in that agency's investigation of brokers' practices. The state has said it will file within the next two weeks suits targeting companies that sold various forms of insurance. It is unclear if the state will join in the United Policyholders lawsuit. The lawsuit accuses Universal Life Resources of failing its fiduciary duty to act in the best interest of its employer client

AIA PREMIUMS CRISIS

Unhappy policyholders may resort to group action

Legal experts say collective bargaining may be the best way to go; at least two AIA policyholders are keen to meet up with others in the same boat

By LORENA FAN
INSURANCE giant AIA says group action by disgruntled life insurance policyholders unhappy about paying premiums for longer than they had originally agreed. At least two AIA policyholders have issued a wish to meet others

They were promised to writing by their agent at the time that they would enjoy the insurance coverage since they had paid monthly premiums for their initial year of 12 years. In their case, there was no disclosure and they were also promised that some of money deducted on which they chose to surrender their policies.

Prudential's approach



Compliance with local regulations

Adopt Group standards

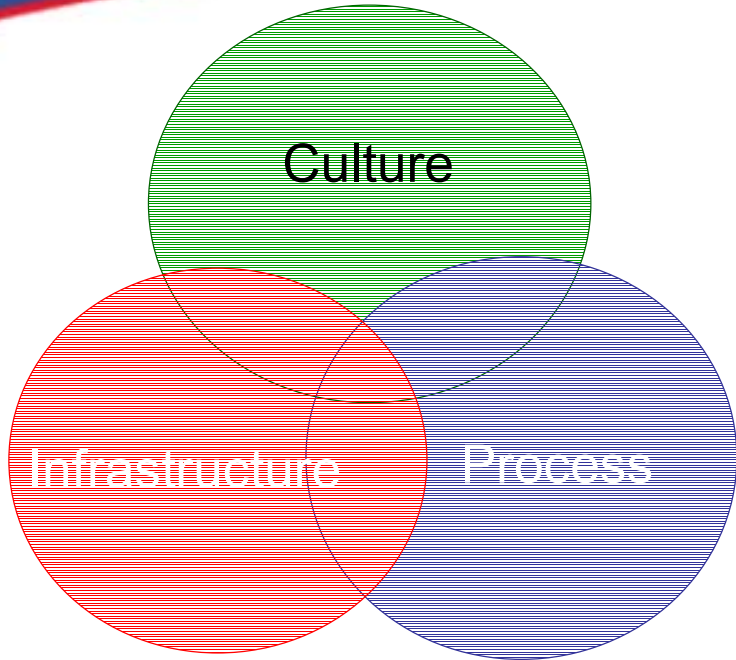
Strong operational based compliance functions

Embed a compliance culture

Leverage Group and regional expertise

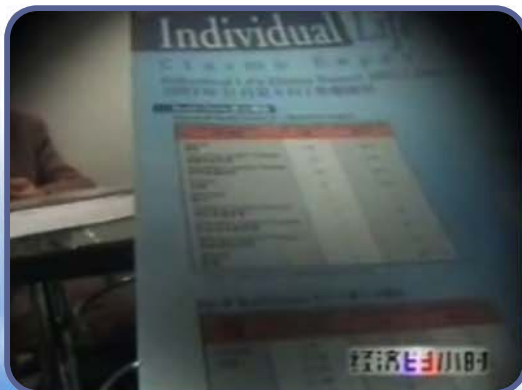


Raising profile of compliance



- **Management compensation scheme**
- **Leadership development**
- **Foster strong relationships with regulators**
- **Align compliance resources to growth**
- **Risk-based compliance plans**
- **Prudential Corporation Asia and Group oversight**
- **Systems-based controls**
- **Integrated with risk management and internal audit**

Addressing local compliance issues



- Ensuring sales to citizens of Mainland China meet regulatory requirements
- Important to reassure the Chinese regulators



Addressing local compliance issues

Hong Kong agents selling in Mainland China

Prevention

- Clear communication
- Agency contract stresses illegality of selling in China
- Emphasised in training to agents and leaders

Detection

- Monitor sales reports for any unusual activity
- Require evidence that the sales were physically in Hong Kong

Reaction

- Swift and high profile disciplinary action
- Liaison with regulators

Using Group experience

Leveraging Group expertise

- Second staff from UK to Asia
- Close working relationship with Group

Sharing best practice and standards

- Singapore sales compliance training
- Uniform corporate governance framework

Creating synergies

- Anti-money laundering training
- Shared mandatory standards



PRUDENTIAL CORPORATION ASIA
Corporate Governance Manual

Official Version 1
22 January 2004

PRUDENTIAL CORPORATION ASIA
CẨM NANG QUẢN TRỊ DOANH NGHIỆP

PHIÊN BẢN CHÍNH THỨC THỨ NHẤT
NGÀY 22 THÁNG 1 NĂM 2004

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Summary



- **Compliance will continue to have a high profile**
 - **Prudential Corporation Asia leverages its international expertise to drive best practices through the operations**
 - **Keep prevention and detection procedures upgraded for regulatory developments**
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