

Speech

Speech by Permanent Secretary for Financial Services and the Treasury (Financial Services) at OECD Asian Roundtable on Corporate Governance 2008 (English only)

Tuesday, May 13, 2008

The following is a speech by the Permanent Secretary for Financial Services and the Treasury (Financial Services), Mr Kevin Ho, at the OECD Asian Roundtable on Corporate Governance 2008 today (May 13) (English only):

Distinguished guests, ladies and gentlemen,

I am pleased to welcome you all to the 2008 OECD Asian Roundtable on Corporate Governance. On behalf of the Hong Kong Special Administrative Region Government, I would like to extend a warm welcome to the delegates who have travelled from around Asia to Hong Kong to join this important roundtable meeting. Also a special welcome to Dr Marcello Bianchi, Mr Mats Isaksson and other representatives from the OECD.

As this year marks the 10th anniversary since the first Asian Roundtable meeting was held in Seoul, Korea, in 1999, it is a timely moment to reflect on the work of the Asian Roundtable. The roundtable was established in 1999 against the backdrop of the Asian financial crisis, when our awareness of the importance of corporate governance was heightened by the fact that corporate governance, or rather the lack of it, was one of the factors leading to the Asian economic downturn in the late 1990s. I would like to recognise the dedication and vision of the OECD and the Asian Roundtable throughout the past decade. The regional forum has indeed fulfilled its objectives in facilitating Asian economies to get together to exchange views and promote policy dialogue on corporate governance for raising corporate governance standards across Asia.

I must also thank the OECD for producing the White Paper on Corporate Governance in Asia, the comparative studies in corporate governance frameworks in different Asian economies and for updating the OECD Principles on Corporate Governance. They not only provide valuable insights

into the developments of different economies but also set the benchmark towards which individual economies can work to improve their internal regulatory frameworks.

It is Hong Kong's honour to be hosting the 10th Asian Roundtable this year, after hosting the second one back in 2000. In 2000, we shared with delegates our plans to embark upon a Corporate Governance Review, a fundamental review exercise undertaken by the Standing Committee on Company Law Reform and involving experts from within and outside the Government. I am pleased to report that with the committed efforts of our financial regulators, a Corporate Governance Plan was unveiled in 2003 to upgrade the listing regime, implementing many of the recommendations of the Corporate Governance Review; among them, introducing statutory derivative action to provide shareholders' remedies, requiring listed companies to have a minimum of three independent non-executive directors, and launching the Code on Corporate Governance Practices for listed companies to comply with or explain, to name a few.

I think it is fair to say that Hong Kong has come a long way in terms of promoting corporate governance in the past years. However, we are aware that we still have a lot of work ahead. In this regard, we have started a major exercise in 2006 to rewrite the Companies Ordinance, with the objective of upgrading the statutory framework so as to ensure that it provides the best possible infrastructure for Hong Kong as an international financial centre in the 21st century. Among other things, the rewrite exercise will review and further strengthen Hong Kong's existing corporate governance framework. The rewrite exercise is progressing with full steam.

With all these corporate governance initiatives in place or in the pipeline, I would like to stress, and I am sure you would agree, that the commitment of the Government alone is not enough. I am pleased to say that it was with the full support of the financial regulators, professional bodies and other non-government organisations (NGOs) that we have been able to implement proposals to raise the corporate governance standards in Hong Kong. I am pleased that four of our close partners - the Securities and Futures Commission, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Hong Kong Institute of Directors - have joined in co-hosting this year's Asian Roundtable meeting. I believe that

this meaningful meeting will not only provide insights for policy makers from the participating Asian economies, but will also be a platform for NGOs to exchange views on how they can play an increasing role in promoting corporate governance in the region.

The meeting held in Singapore last year started a discussion on "related party transactions". This has fittingly become the theme of this meeting. As many Asian companies have evolved from small and family businesses, and many have high ownership concentration, it is particularly important for us to look at the disclosure requirements, role and fiduciary duties of boards and shareholders in "related party transactions", as highlighted in the different sessions of this year's meeting.

Ladies and gentlemen, the roundtable meeting brings together leading experts from over 10 economies as well as from the private sector and NGOs to speak on various aspects of corporate governance. Indeed we are honoured to have so many distinguished guests from around the world gathering in Hong Kong to share their insights and exchange views on a subject that is so important to the growth and development of our economies.

Ten years ago, we were facing the challenges of economic downturn brought by the Asian financial crisis. We resolved then that we would improve corporate governance to help us overcome the challenges through establishing the Asian Roundtable on Corporate Governance. Now the world is facing another wave of challenges brought by the sub-prime problem. I believe that better corporate governance is still a key to rising to these challenges. This meeting will provide us with a unique opportunity to move forward.

May I wish you all fruitful and stimulating discussions at the various sessions in this two-day meeting. For delegates from overseas, may I also wish you a most enjoyable stay in Hong Kong.

Thank you.