

## Speech

### **Speech by SFST at the CPA Best Corporate Governance Disclosure Awards 2011 (English only)**

Thursday, November 24, 2011

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the CPA Best Corporate Governance Disclosure Awards 2011 held by Hong Kong Institute of Certified Public Accountants today (November 24):

Ms Chiu, Mr Law, Mr Tsai, ladies and gentlemen,

It is a great pleasure for me to attend this event and celebrate Hong Kong's progress in corporate governance with all of you here today.

My warmest congratulations to this year's award winners. It is a privilege to share this joyous occasion with you.

As accountants, you play a big part in shaping the governance structure of your client companies. Corporate governance is an effective tool in balancing the interest of different groups of stakeholders, who often have conflicting goals even though they may all be beneficial to the company.

You are the gatekeepers of corporate checks and balances and you ensure no decision is reached without adequate information and thoughtful deliberation.

#### Government role in corporate governance

Managing the risks facing companies in Hong Kong is the key to maintaining our financial stability and future development. That's why the Hong Kong Government cares very much about the corporate governance standards in this city.

The Government, working together with financial regulators, strives to maintain a moderate but effective regulatory regime. Rules are prescribed to set the standard of corporate governance. But we do not and should not go overboard as effective corporate governance ultimately needs to come from the heart of the company.

Recent initiatives taken by the Government in promoting corporate governance, among others, include the following -

### Disclosure of price-sensitive information (PSI)

First, let's look at the importance of a statutory PSI disclosure regime. Timely disclosure by listed corporations of important, price-sensitive corporate information has long been recognised as one of the main pillars of market transparency and investor protection in Hong Kong. At present, the requirement for listed corporations to disclose PSI - a contractual obligation between the listed company and the HKEx - is set out in the Listing Rules. At the moment, the Hong Kong Exchanges and Clearing Ltd (HKEx) can only impose disciplinary sanctions such as a public censure or, for very serious breaches, a suspension of trading or cancellation of the company's listing on the HKEx. This lack of "regulatory teeth" has been a concern to the market.

Legislated PSI disclosure is necessary to enhance our market transparency and quality, to bring our regulatory regime for listed corporations more in line with those of overseas jurisdictions, and to sustain Hong Kong's position as a premier capital formation centre.

The PSI disclosure regime is set out in the Securities and Futures (Amendment) Bill 2011, which was introduced into the Legislative Council in June this year.

We will be working together with the Bills Committee aiming for an enactment of the Bill during this legislative session.

### Companies Bill

Another piece of legislation that provides the framework for corporate governance is the Companies Ordinance. We are in the middle of a major revamp of this ordinance. The Companies Bill, which was introduced into LegCo in January this year, aims at enhancing corporate governance, ensuring better regulation, facilitating business and modernising the law.

Some notable measures for enhancing corporate governance in this Bill include strengthening the accountability of directors by clarifying directors' duty of care and improving the disclosure of company information.

We also hope that this Bill will be enacted within this LegCo term. By improving the legal framework for more than 900,000 companies in Hong Kong, the Bill will contribute to strengthening Hong Kong's status as an international business and financial centre.

I commend and encourage the sustained efforts of the Hong Kong Institute of Certified Public Accountants (HKICPA) in promoting corporate governance - the seminars and surveys, best practice guidance and promotional activities such as these Best Corporate Governance Disclosure Awards are all worthwhile activities that serve to raise corporate governance standards.

Last but not least, I would like to commend the continuing efforts of the HKICPA in grooming accounting talents in Hong Kong. The organisation, and the accountancy sector as a whole, have made a valuable contribution to making Hong Kong a truly international financial centre.

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