

Speech

Speech by SFST at Hong Kong Institute of Directors Annual Dinner and Presentation Ceremony of Directors of the Year Awards (English only)

Tuesday, December 9, 2014

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Hong Kong Institute of Directors Annual Dinner and Presentation Ceremony of Directors of the Year Awards today (December 9):

Henry (Lai), Carlye (Tsui), ladies and gentlemen,

Good evening.

It is a great pleasure to be here on this very special evening. The annual dinner is a highlight of the Hong Kong Institute of Directors' year. So, too, is the presentation ceremony for the prestigious Directors of the Year Awards.

The world, as you well know, is not short of company and board directors - the great, the good and the rest. The best ones, however, have a knack of bringing their experience, their vision, to the company in such a way that it questions rather than demands, complements rather than diminishes, the company, its people and the culture they've successfully built.

It's important that we recognise these leaders and innovators. And for that, my thanks to the Hong Kong Institute of Directors and its Directors of the Year Awards. At a time when corporate governance is more essential than ever, these awards allow us to recognise, and champion, company boards and directors who uphold the highest standards in corporate governance.

The Directors of the Year Awards were founded at a time when Hong Kong was poised to overhaul our corporate governance regime. We have come a long way since. The Corporate Governance Review, reported in two phases, in 2001 and 2003, were subsumed in the Companies (Amendment) Ordinances of 2003 and 2004 and, ultimately, in the New Companies Ordinance, passed in July 2012. And that, of course, came into operation in March.

This was followed by enactment of the Securities and Futures Ordinance

2003, and revisions of the Code on Corporate Governance Practices in 2005, 2012 and 2013. The Financial Reporting Council, created to enhance oversight of listed entities, began operations in 2007.

I do not intend to put you to sleep with the nitty-gritty of corporate regulations - something you already know very well as board members. My point is that our hard work all these years has not gone unnoticed.

In September, Hong Kong scored the highest in Asia in the Corporate Governance Watch report, published by the Asia Corporate Governance Association. No less than 944 companies from Asia and Australia were covered in the report, and Hong Kong topped the charts in disclosure of price-sensitive information, compensation of senior officials and the legal framework governing insider trading and market manipulation.

In the World Bank's "Doing Business" report 2015, published in October, Hong Kong was ranked No. 3 in the world, the same as last year. In its 12th edition, the study examined the ease with which local entrepreneurs could start and run a business across 189 economies. Most notably, our ranking in protecting minority investors went from third to second this year.

The report also hailed measures introduced under the new Companies Ordinance to strengthen minority investor protection, especially the requirement that directors provide other board members with more detailed disclosure of conflicts of interest.

It's always a delight to be recognised. More important, however, the reports tell me that good corporate governance has become Hong Kong's core competency as an international financial centre.

Promoting good corporate governance has long been a government priority. As an international financial centre and responsible member of the global community, Hong Kong supports the international agenda to enhance tax transparency and combat cross-border tax evasion.

We've been actively pursuing comprehensive avoidance of double-taxation agreements and tax information exchange agreements (TIEAs) with other jurisdictions. As of this month, 31 CDTAs have been concluded, and

we are in discussion with Germany, Russia, India, Saudi Arabia, Finland and Latvia. Since the enabling legislation for signing TIEAs came into place last July, seven such agreements have been concluded with our partners.

We've also been actively involved in the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes. In September, we indicated our support for implementing the Standard for Automatic Exchange of Financial Account Information in Tax Matters. We plan to begin the first information exchanges with appropriate partners by the end of 2018, as long as domestic legislation is in place by 2017.

We will continue to engage relevant local stakeholders and address policy and legal issues before we seek the Legislative Council's approval. In this, we look forward to your input and support. Our intent, of course, is to meet international obligations and, in so doing, protect Hong Kong's status as a global financial centre.

And now, with the new Companies Ordinance in operation, we are moving on to modernise our corporate insolvency regime. We're also formulating a statutory corporate rescue procedure and insolvent trading provisions - in response to clear demands both from the community and the legislature.

And there's more, including reforming the regulatory regime for listed entity auditors, in line with international standards. The reform will enhance the regulator's independence from the audit profession. A three-month public consultation on the proposals was completed in September; we are now carefully studying their comments and will follow up, as necessary, in the coming months.

Ladies and gentlemen, as policy makers, our goal is to provide a competitive and level playing field. For good reason. We want to ensure that corporate managers are free to do what they're good at doing, while ensuring that investors are adequately protected.

This year's Awards' theme - "Effective Leadership: Key to Corporate Success", could not be more timely. In a tightening, rapidly changing regulatory environment, strong leadership remains the key role of effective

corporate boards. Never lose sight of that.

My congratulations to the Hong Kong Institute of Directors for another successful year, and another great year-end celebration. I wish you all the best of business, and directing, in the coming year.

Thank you.

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