

Speech

Speech by SFST at Hong Kong Institute of Chartered Secretaries Annual Dinner 2015 (English only)

Wednesday, January 14, 2015

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Hong Kong Institute of Chartered Secretaries Annual Dinner 2015 today (January 14):

Maurice (Ngai), Edith (Shih), Samantha (Suen), distinguished guests, ladies and gentlemen,

Good evening.

I am delighted to join you all today at the Annual Dinner of the Hong Kong Institute of Chartered Secretaries (HKICS). Happy new year everyone.

It was not long ago when we met to celebrate the 20th anniversary of the HKICS. When the Institute was established in 1994, we had only about 380,000 companies on the Register. This number has tripled over the past 20 years to over 1.2 million today.

Such an increase is a vote of confidence in Hong Kong's corporate governance standards. As Hong Kong develops into an international financial centre, company secretaries have helped ensure companies comply with relevant company legislation while upholding high governance standards in corporate decision-making processes. I would like to thank the HKICS and all of you here today for helping to cement our position today as a leading corporate domicile.

Our corporate governance regime is highly regarded by international investors. A listing in Hong Kong has become a popular way for Mainland enterprises to demonstrate to the world the accomplishments they have made in corporate governance. At the same time, our high corporate governance standard has helped attract international investors. It is fair to say that good corporate governance is one of our core competencies as a global financial centre.

We turned the page to a new chapter when the new Companies Ordinance came into operation in March 2014. Through enhancing corporate governance, facilitating business, ensuring better regulation and modernising the law, the new Ordinance consolidates our strength and competitiveness as an international business and financial centre.

Under the new Ordinance, companies' operation is more transparent and accountability of directors is strengthened. Shareholders now have more opportunities to participate in the companies' decision-making process, and their interests are better protected.

We have tried our best to make the migration to the new ordinance as seamless as possible, but there are certainly challenges to everyone along the way. We would like to take this opportunity to thank the HKICS for its active participation throughout the rewrite exercise. We also appreciate the Institute's support during the implementation process, without which the transition could not have been as smooth.

Our efforts have not gone unnoticed. Hong Kong ranked third in the World Bank's Doing Business 2015 Report released last October. The report, which studied the ease with which entrepreneurs could start and run a business across 189 economies, also raised Hong Kong's ranking in protecting minority investors to the second place this year. In particular, the study commended the new Companies Ordinance for requiring directors to disclose conflicts of interest to other board members in detail. We will continue to raise public awareness of the new ordinance's benefits to our business communities.

The next focus would be to modernise the corporate insolvency and winding-up regime. Our goal is to enhance creditors' protection along with regulation and administration of the winding-up process. The key proposals include new provisions on transactions at undervalue, expansion of the existing disqualification regime and the use of electronic communication by liquidators to specific interested parties. We are now preparing the draft legislation and aim to introduce an amendment bill into the Legislative Council within 2015.

At the same time, we are also formulating proposals to introduce a statutory corporate rescue procedure (CRP) along with insolvent trading provisions. Our aim is to give companies in short-term financial difficulty an

opportunity to turn around and revive their business as an alternative to immediate insolvent liquidation. Insolvent trading provisions, on the other hand, enable the liquidator of a wound-up company to seek an order from court for compensation from company directors liable for insolvent trading. With general support from stakeholders, we are currently working out the specific issues for further stakeholders' engagement and plan to finalise the detailed proposals in 2015.

Taking into account stakeholders concerns, we have put in place a "no worse-off" arrangement for employees in the design of CRP and will consider carefully defense provisions for directors in solvent trading. We shall continue to rely on the support and expert advice from HKICS in taking forward our various legislative initiatives.

Finally, the Hong Kong Institute of Chartered Secretaries Prize will also be awarded today. Currently in its sixth year, the Prize gives us an excellent opportunity to recognise HKICS members who have contributed their valuable time and expertise to the development of the profession and the Institute both in Hong Kong and the Mainland. I would like to thank the judging panel for their work. My heartfelt congratulations to the prize winners on their distinguished accomplishments.

Ladies and gentlemen, a sound corporate regulatory framework is the cornerstone of Hong Kong's status as an international financial centre. We look forward to working closely with the HKICS in refining our regime in the future.

Thank you.

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