CGj

December 2023

Better Governance.
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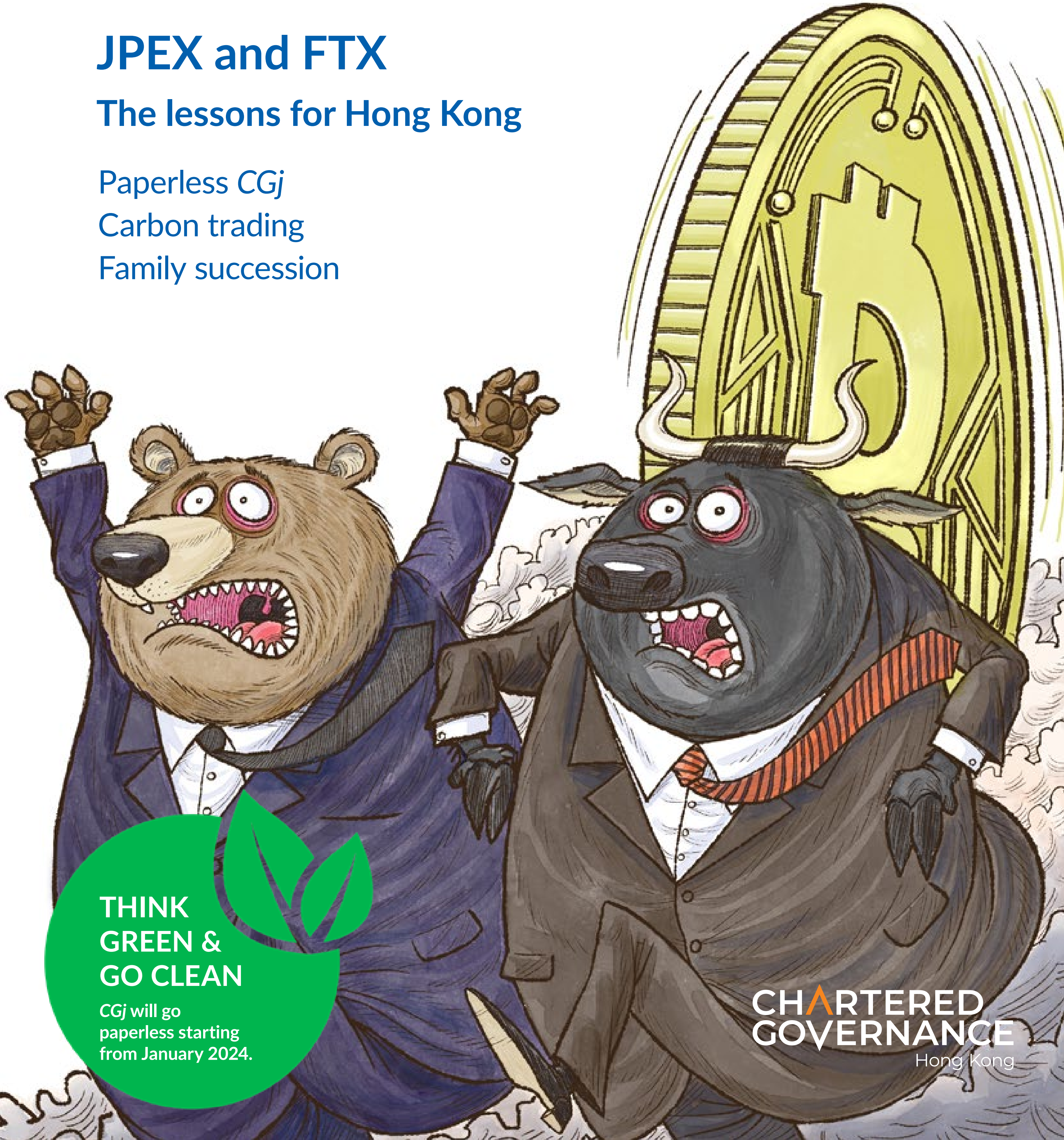
卓越治理 更佳未來

The journal of the Hong Kong Chartered Governance Institute
香港公司治理公會會刊

JPEX and FTX

The lessons for Hong Kong

Paperless *CGj*
Carbon trading
Family succession



THINK GREEN & GO CLEAN

CGj will go paperless starting from January 2024.

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Hong Kong

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75th ANNIVERSARY CELEBRATION

RESILIENCE IN GOVERNANCE

Wednesday 31 January 2024
6.30pm

The Hong Kong Club (1/F)
1 Jackson Road, Central

Guest of Honour:
The Hon. Paul Chan Mo-po, GBM, GBS, MH, JP,
Financial Secretary, HKSAR

Business Smart

Fees: HKD 180
(All proceeds will be donated to the HKCGI Foundation)

Hosted by: Ms Edith Shih
FCG (CS, CGP) HKFCG (CS, CGP)(PE)
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CHARTERED GOVERNANCE Hong Kong

Good governance comes with membership

About The Hong Kong Chartered Governance Institute

The Hong Kong Chartered Governance Institute (HKCGI, the Institute) is an independent professional body dedicated to the promotion of its members' role in the formulation and effective implementation of good governance policies, as well as the development of the profession of the Chartered Secretary and Chartered Governance Professional in Hong Kong and the mainland of China (the Mainland).

The Institute was first established in 1949 as an association of Hong Kong members of The Chartered Governance Institute (CGI). In 1994 the Institute became CGI's Hong Kong Division and, since 2005, has been CGI's Hong Kong/China Division.

The Institute is a founder member of Corporate Secretaries International Association Ltd (CSIA), which was established in March 2010 in Geneva, Switzerland. Relocated to Hong Kong in 2017, where it operates as a company limited by guarantee, CSIA aims to give a global voice to corporate secretaries and governance professionals.

HKCGI has over 6,800 members, more than 300 graduates and around 3,000 students.

Membership and studentship statistics update

As of 31 October 2023, the statistics were as follows:
Students: 2,642 **Graduates**: 497 **Associates**: 6,329 **Fellows:** 857

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Governance – why bother?

At its peak in early 2022, the Bahamas-based cryptocurrency exchange FTX was valued at US$32 billion. By November that year, the exchange was in bankruptcy proceedings and its co-founder Sam Bankman-Fried was facing charges of committing one of the biggest financial frauds in US history. Then, in September this year, this drama was replayed in Hong Kong with the collapse of the JPEX cryptocurrency exchange, currently under investigation for fraud and misleading investors.

The question, inevitably, in many people's minds is whether these two cases demonstrate fundamental flaws in cryptocurrencies and decentralised finance, but our cover story this month does not buy this interpretation. These exchanges did not implode because of what they were trading, it suggests, but because of a reckless disregard for internal controls and effective governance frameworks.

The investigations, still ongoing in the case of JPEX, indicate that neither FTX nor JPEX were big on the idea of checks and balances on senior management. Entities valued at such dizzying sums will usually have acquired a small army of intermediaries – including auditors, independent non-executive directors, company secretaries and general counsel – to ensure that independent judgement is brought to bear on the issues facing the firm and that there is constructive challenge to the decision-makers at the top of its hierarchy. Dispensing with intermediaries, however, is very much in the crypto ethos. At its birth back in 2009, one of the main selling points for Bitcoin was its decentralised, peer-to-peer means of transferring value on a shared public ledger.

This month's cover story does not claim that there is anything fundamentally flawed about this. It does not seek to turn a financial catastrophe for large numbers of stakeholders, including retail investors, employees and creditors, into an advertisement for our profession. Nevertheless, the FTX and JPEX cases can have benefits for our capital markets and our society at large if they raise awareness of why markets need regulators and why companies need good governance.

Building and maintaining effective internal controls might not be as compelling as generating spectacular profits, but what happens when you dispense with those controls has been dramatically on display in the high-profile trial of Mr Bankman-Fried in the US. Governance, it turns out, along with the professional governance gatekeepers who serve with honesty and integrity, are essential if organisations want to avoid repeating the FTX and JPEX scenarios.

Before I go, I would like to highlight that from next month this journal will be going paperless. As our Chief Executive, Ellie Pang FCG HKFCG(PE), points out in this month's In Conversation article, the transition to a digital-only format is a key part of our efforts to modernise and upgrade the Institute's communications with our members, students and the wider community in an increasingly digitalised world.

She emphasises that, while there will be no change to the existing standards of editorial and design, and readers accessing the *CGj* website will still be greeted by the much-loved cartoons of Harry Harrison who has been drawing our *CGj* covers since 2012, the new format will bring with it huge opportunities for improving the reader's experience. This includes the ability to add multimedia elements, such as video interviews and interactive graphics, but, most important of all, readers will have an increased ability to search the *CGj* archive for relevant content. I look forward to seeing how our new-born digital-only *CGj* will evolve in the coming years.

Ernest Lee FCG HKFCG(PE)

治理 - 为何要关注？

2022 年初，总部位于巴哈马的加密货币交易所 FTX 估值达到顶峰，高达 320 亿美元。但到同年 11 月，该交易所已进入破产程序，其联合创始人山姆-班克曼-弗里德（Sam Bankman-Fried）面临着美国历史上最大的金融诈骗案之一的指控。随后，今年 9 月，这出闹剧在香港重演，JPEX 加密货币交易所倒闭，目前正因欺诈和误导投资者而接受调查。

许多人不可避免地会问，这两个案例是否表明加密货币和去中心化金融存在根本性缺陷，但本月的封面故事（Cover Story)并不认同这种解释。这篇文章认为，这些交易所之所以发生内爆，并不是因为它们的交易内容，而是因为它们肆无忌惮地无视内部控制和有效的治理框架。

对 JPEX 案件的调查仍在进行中，调查表明，无论是 FTX 还是 JPEX，都不太重视对高级管理层的制衡。估值如此惊人的实体通常会聘请一小队中介机构，包括审计师、独立非执行董事、公司秘书和总法律顾问，以确保对公司面临的问题做出独立判断，并对高层决策者提出建设性的挑战。然而，摒弃中介的做法在很大程度上符合加密货币的精神。早在 2009 年比特币诞生之初，其主要卖点之一就是在共享公共分类账上以去中心化、点对点的方式转移价值。

本月的封面故事并没有指出这有什么根本性的缺陷，也并不试图将一场对大量利益相关者（包括散户投资者、雇员和债权人）造成的金融灾难变成我们行业的广告。尽管如此，如果 FTX 和 JPEX 的案例能唤起人们对市场为何需要监管者以及公司为何需要良好治理的认识，那么对我们的资本市场和整个社会都是有益的。

建立和维护有效的内部控制可能不如创造惊人的利润那么引人注目，但在美国备受瞩目的班克曼-弗里德（Bankman-Fried）先生一案的审判中，我们清楚地看到了放弃这些控制的后果。事实证明，如果组织想要避免重蹈 FTX 和 JPEX 的覆辙，那么治理以及诚实守信的专业治理把关人是必不可少的。

最后，我想特别强调，从下个月开始，本刊将实现无纸化。正如公会总裁彭京玲女士 FCG HKFCG(PE) (Ellie Pang) 在本月的 "对话"（In Conversation）一文中指出的那样，在日益数字化的世界中，向纯数字模式过渡是我们努力使公会与会员、学员和更广泛的社区的沟通现代化和升级的关键部分。

她强调说，虽然现有的编辑和设计标准不会改变，读者访问*CGj*网站时仍然会看到自2012年以来一直为我们绘制*CGj*封面的哈里-哈里森（Harry Harrison）的深受喜爱的漫画，但新的模式将为改善读者体验带来巨大的机遇。这包括添加多媒体元素的能力，如视频采访和互动图形，但最重要的是，读者将更方便搜索*CGj*文档中的相关内容。我期待我们的新的纯数字 *CGj* 在未来蓬勃发展。

李俊豪先生 FCG HKFCG(PE)

Crypto crash: the lessons for Hong Kong

CGj looks at the lessons to be learned from the collapse of the FTX and JPEX cryptocurrency exchanges – what went wrong and how can Hong Kong defend itself from these types of scenarios in the future.

Last year, advertisements for the JPEX cryptocurrency exchange were hard to miss in Hong Kong. They started appearing in MTR stations, on buses, trams and in the media, often with high profile influencers and celebrities recommending the high returns and low risks of trading on JPEX.

That message was highly successful and JPEX grew rapidly, but its fall, like that of its larger and more infamous precursor FTX, was as swift as its ascent. FTX, which was valued at an estimated US$32 billion at its zenith, collapsed in the space of five days – its rival exchange Binance started selling its stake on 6 November 2022 and FTX filed for bankruptcy on 11 November.

Similarly, the warning issued by the Securities and Futures Commission (SFC) on 12 September 2023 that JPEX was not licensed and was under investigation for possible fraud prompted a race to the exit by investors. On 14 September, JPEX raised withdrawal fees to the point where it effectively blocked certain withdrawals. Within a week, police had raided the exchange's premises and started to arrest those involved in promoting the exchange.

Both JPEX and FTX have since been high profile news stories. Sam Bankman-Fried (SBF), co-founder of FTX, has now been convicted of fraud in a US court. But what lessons should we learn from the demise of these trading platforms? Is this just another example of the high-risk nature of investing in crypto? Is this just another case of flagrant financial fraud?

The answer to both questions, respondents interviewed by *CGj* suggest, is yes, but there are also deeper lessons for Hong Kong.

Is Hong Kong's VATP regulatory regime fit for purpose?

Once the JPEX case was referred to the police, questions started to be asked about whether the new virtual asset trading platform (VATP) regulatory regime in place since June 2023 is working. Moreover, did the SFC, as the primary regulator of VATPs, fail to move fast enough to protect investors?

'I have sympathy with the regulator,' says Hannah Cassidy, Partner, Head of Financial Services Regulatory, Asia, Herbert Smith Freehills. 'The SFC has done a huge amount since 2016 to acknowledge the rise in virtual asset related activity and has sought to grapple with that using the existing securities legislation.'

Jill Wong FCG HKFCG, Partner, Reed Smith Richards Butler LLP, is similarly

Highlights

- key governance principles and controls were noticeably absent at both JPEX and FTX, in particular there did not appear to be any checks and balances on the power of the decision-makers
- creating an environment where there can be a constructive challenge of management is a key part of the work of governance professionals, but such an environment did not exist in JPEX or FTX
- Hong Kong's virtual asset trading platforms regime is fit for purpose, but it is difficult to enforce if the individuals involved are offshore

> **I think the SFC and the government have recognised that this is an opportunity to enhance their investor communications**

Hannah Cassidy, Partner, Head of Financial Services Regulatory, Asia, Herbert Smith Freehills

minded. In a recent Institute seminar, Corporate Governance: Lessons from FTX, JPEX and the Crypto World, she said that she did not agree with the suggestions that the SFC had been too slow to shut JPEX down.

'Personally, that is not my view,' she said. 'I think that the SFC acted quickly when it realised there was a problem in Hong Kong.'

The SFC started investigating JPEX in March 2022 for suspected false and misleading representations and unlicensed activities. The notion that JPEX was a regulated exchange was one of the main reasons it was able to generate strong demand for its tokens. The SFC placed JPEX on its Alert List in July 2022 and made it clear that the exchange had not applied for a licence under Hong Kong's VATP licensing regime.

Nevertheless, investors in JPEX are estimated to have lost in the region of US$1.5 billion – no small consideration. Does this not in itself point to a failure of Hong Kong's VATP regulatory regime? Ms Cassidy doesn't think so. She points out that the regime 'wasn't a case of just issuing more guidance'. It required the SFC to go back to basics and amend the Anti–Money Laundering and Counter–Terrorist Financing Ordinance (AMLO) to create a brand new regulatory framework. Moreover, Hong Kong already had in place measures to prevent false or misleading advertising of securities-type instruments under the Securities and Futures Ordinance (SFO).

'This regime has teeth,' Ms Cassidy says. 'It empowers the SFC to take disciplinary or even criminal action against wrongdoing, but it is difficult to enforce if the individuals involved are offshore.'

Ms Wong agrees. She points out that the JPEX case is more about the difficulties any regulator would have when dealing with an operation that doesn't have much of a presence on the ground locally.

'The law is extraterritorial and allows local authorities to catch malicious actors from overseas who actively market to the Hong Kong public, but it can be a challenge to enforce the law quickly and effectively. Overall, the SFC and police did a pretty good job,' she says.

She adds that, while the SFC does have agreements and arrangements in place with offshore regulators, seeking their cooperation when pursuing cross-border investigations can slow the process down. Sometimes it is a balance – which case to pursue and how much time and resources to commit?

Investor education

Given the difficulty of regulating VATPs based overseas, effective investor education, particularly about the dangers of trading on an unlicensed exchange, becomes all the more important. Ms Cassidy points out that this is one of the main lessons that the SFC has learned from the JPEX case.

The SFC now publishes lists clarifying the status of VATPs – whether they are licensed or 'deemed licensed', in the process of applying for a licence or being closed down. It has also made a dedicated list of suspicious VATPs easily accessible on its website.

But will Hong Kong's retail investing public be looking at these lists, and, even if they do, what will the names in those lists tell them? The licence

applicant might well have a different name from the organisation behind the application. In this context, Ms Cassidy thinks that what is really needed is better targeted investor education beyond the regulator's website.
But she adds that this is certainly recognised by the SFC. Together with the Investor and Financial Education Council, the regulator intends to launch a public campaign to enhance investor education through mass media, social media and education talks. The campaign will focus on raising public understanding and awareness of the risks associated with virtual assets and potential fraud.

'I think the SFC and the government have recognised that this is an opportunity to enhance their investor communications. What the SFC needs to do, and what it has committed to do, is to provide more investor-facing education. So whether that's through TV commercials, media articles or podcasts, they need to engage with investors in a way that is going to be meaningful to them,' Ms Cassidy says.

Key considerations for the future

In recent years, Hong Kong has been keen to promote itself as a virtual

Case studies in bad governance?

The warning signs, in retrospect, were clearly visible in both the JPEX and FTX cases since key governance principles and controls were noticeably absent at both of the exchanges. Of particular relevance to readers of this journal was the absence of checks and balances on the power of the decision-makers. Creating an environment where there can be a constructive challenge of management is a key part of the work of governance professionals, but such an environment did not exist in JPEX or FTX.

Ms Wong points out that all of the senior players in FTX and Alameda Research were close friends. While this in itself may not have been a problem, she adds, the fact that power and control was concentrated in the hands of SBF and his coterie of friends meant that no one else was in a position to effectively challenge their decisions and actions.

Checks and balances on executive management are usually provided by the independent non-executive directors (INEDs) on the board. They are supposed to bring independent judgement to bear on the issues on the board's agenda. They also take the lead where there are conflicts of interest and they sit on governance committees such as the audit committee, the remuneration committee and the nomination committee.

'In the FTX case, board oversight was effectively non-existent,' Ms Wong points out.

Reports show that when some brave individuals did come forward to highlight problems, they were pushed aside, she adds. A lawyer within the FTX group was sacked after expressing concerns about the lack of governance and risk management controls at Alameda Research. Moreover, when the president of FTX US spoke out about the lack of appropriate delegation of authority or formal management structure, his bonus was drastically reduced and he was instructed to apologise for raising such concerns.

Transparency was another key governance principle flouted by JPEX and FTX. Ms Cassidy points out that we still don't know a huge amount about who was behind JPEX and what sort of governance structure they had in place. This in itself is a red flag, she says, and it is also the type of issue that would have had to have been addressed should JPEX have applied for a licence.

'We don't know if they had the traditional board and executive management structure that most organisations have,' Ms Cassidy says. 'If they had intended to get a licence, the first questions they would have been asked by compliance specialists would be – how is the entity structured? Who is making decisions? Are there checks and balances on the decision-makers? Do you have a risk committee? Do you have a compliance person?'

> “in the FTX case, board oversight was effectively non-existent”
>
> **Jill Wong FCG HKFCG, Partner, Reed Smith Richards Butler LLP**

assets hub – will that change in the wake of JPEX? Ms Cassidy thinks not. ‘JPEX has been a high-profile enforcement matter, but I think ultimately it’s probably a positive step for Hong Kong and for the SFC because it shows that Hong Kong needs a comprehensive licensing regime for crypto platforms,’ she says.

While the aspiration to be a virtual assets hub is unlikely to change, there is likely to be more focus on maintaining high standards of investor protection in Hong Kong. Ms Cassidy highlights two core components of VATP regulatory regimes that are critical to ensuring investor protection.

1. Custody arrangements

The governance failings of both JPEX and FTX are classic demonstrations of the need to keep client assets segregated from the exchange, and from any intermediaries trading on behalf of those clients. It emerged in the trial of SBF that customer funds on FTX were used to plug losses at Alameda Research, the hedge fund set up by SBF.

‘If you use customer funds that are entrusted to you for specific purposes for your own personal purposes, then that’s just plain old-fashioned fraud and dishonesty,’ says Ms Wong.

In addition to this segregation of customer assets, a good regulatory regime will also ensure that the beneficial title of those assets remains with the investors. This should mean that if the exchange or other intermediaries go insolvent, the clients still have access to their assets.

‘Hong Kong’s regime is very clear around the types of custody arrangements that are permissible,’ Ms Cassidy says. ‘Effectively, you can only custody the virtual assets with a 100% owned subsidiary.’

In other words, if Company A is the applicant for a licence, it can’t self custody its client’s assets. Those assets needs to be parked with Company B, which needs to be a company within the same group. The SFC wants Company A to have an element of control, but there also needs to be a degree of separation so that, if Company A goes down, client assets don’t go down with it because they are separately held by Company B.

Segregation of client assets and custody arrangements are an important part of the securities licensing regime, Ms Cassidy points out, and the SFC has imported a lot of similar concepts into Hong Kong’s VATP regime.

2. Onboarding and suitability

Making sure that investors are aware of the risks they are taking on is not only the responsibility of regulators and a good VATP regime will also want to ensure that licence applicants have effective onboarding and suitability processes. This is not necessarily a question of limiting trading services to professional investors. It’s more a matter of having onboarding processes in place to ensure that anyone intending to trade on the platform understands the risks involved and has the funds and a risk profile suitable for such trading.

Where do we go from here?

Ms Cassidy points out that the JPEX case demonstrates that jurisdictions, no matter how robust their legislation and regulatory regimes, cannot guarantee that investors will not get burned. ‘I suspect that JPEX won’t be the last bad actor out there,’ she says.

On a more positive note, it also demonstrates that the new licensing regime in place in Hong Kong is there for a reason. Will licences be harder to come by in the wake of JPEX? Ms Cassidy expects to see, from February 2024, which is the deadline for applications to be submitted under the transitional arrangements, an increasing number of entities whose applications have been rejected because they were not able to meet the stringent standards that the SFC expects. Nevertheless, this is good for the companies who do attain the necessary standards to get a licence, she points out, as they are then clearly set apart from the bad actors. CGj

The seminar mentioned in this article – Corporate Governance: Lessons from FTX, JPEX and the Crypto World – was held in October 2023. More information about the Institute’s ECPD seminars is available on the Institute’s website: www.hkcgi.org.hk.

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Going paperless – meet the future *CGj*

CGj talks to Ellie Pang FCG HKFCG(PE), Institute Chief Executive, about the journal's transition to a paperless format starting next month and about the Institute's plans for the journal's website going forward.

Can we start by discussing the reasons the Institute has opted to transition to a paperless journal?
'The primary reason is of course to reduce the use of paper as part of the Institute's continued effort to adopt sustainable practices in its operations. A second and no less important reason is to modernise and upgrade our communications with members, students and the wider community in this increasingly digitalised world. This is also the approach taken by a number of other professional bodies.'

CGj has been available online for a number of years – can you share with us the number of readers who have transitioned from the paper to the digital version?
'Over the years, more and more members and students have opted to receive the digital version of the journal. The number as it currently stands is 6,851.'

Why do readers prefer the digital journal?
'Before the internet, the journal was the main channel of communication between the Institute and its members. Readers received nearly all of their information about the Institute, including updates about training and membership events, and promotions and job opportunities, from the journal. Over the years, *CGj* has been the pride and joy of the Institute, with the brilliant writer Kieran Colvert being the much-loved and respected editor of the journal.

After the transition to digital, the journal will continue to serve as an important medium for members to learn about legal and regulatory updates, as well as frontier topics in governance, risk and compliance. What is changing is the means of delivery. From speaking to members and others, I understand that people's reading habits have changed. The vast amount of information available on the internet and the limited time available for reading has meant that our readers are looking for quick and easy access to relevant topics of interest.

The digital version will also be much more searchable. Few readers will have the space to keep an archive of hard copies going back many years and, even where the hard copies are available, searching for content is difficult outside the digital context. A few key words will be all that it takes to find relevant content.'

What is your estimate of the environmental gains of going paperless?
'In the past few years we have been encouraging *CGj* subscribers to go green and opt for digital copies instead of hard copies. However, we are currently still printing 4,000 copies of the journal per month and that requires a lot of paper. Moreover, given the changes to reading habits discussed above, I am not sure that all of those copies get read.'

> **“in addition to saving paper and being more environmental, we hope to be able to modernise and upgrade the way we communicate with our readers”**

Do you have a message for the readers who haven't yet opted for the digital journal?
'All the current features of the journal will remain intact. We will continue to have Harry Harrison's cartoons on the cover and the high editorial standards will remain unchanged. The new means of delivery will, however, enable us to introduce more exciting and interesting new content, such as featured video interviews of governance professionals and others.'

Highlights

- the revamped *CGj* website will offer readers real-time updates about the Institute's latest research, articles and information, helping them to stay current in their professional knowledge
- relevant information will be searchable and available from anywhere with an internet connection, making it more convenient for members to stay connected and informed
- the transition to paperless will also enable the journal to improve the reader's experience with additional multimedia elements, such as videos and interactive graphics

When will the new CGj website be launched?
'We will launch the revamped *CGj* website in January 2024.'

Looking further ahead, what are the Institute's plans for CGj in the future?
'In addition to saving paper and being more environmental, we hope to be able to modernise and upgrade the way we communicate with our readers. Hopefully the content will be more interesting to read, and more in tune with the way people read and search for information.'

What will be the main benefits of transitioning to a live and interactive CGj website for members of the Institute?
'The revamped *CGj* website will offer readers real-time updates about the Institute's latest research, articles and information, helping them to stay current in their professional knowledge. Moreover, this information will be available from anywhere with an internet connection, making it more convenient for members to stay connected and informed.

Another major benefit is the fact that the website can incorporate multimedia elements, such as videos and interactive graphics, to enhance the learning experience. As mentioned above, it will also make the information more easily searchable, allowing members to find specific articles or topics quickly.'

What will be the main benefits of this transition for the Institute itself – in particular, will it help attract younger members?
'Certainly, adapting to changing trends and technologies will make the Institute

The art of visual storytelling: Harry Harrison talks about his work for *CGj*

As mentioned in the main article, this journal's evolution from printed format to interactive website will not be jettisoning one of the critical innovations that have defined its look and feel over the last decade – Harry Harrison's cover illustrations.

CGj has a remit to inform, update and inspire readers with a lively and intellectually stimulating editorial and design, and no part of the journal does this with more humour and style than its covers. Harry has been illustrating *CGj*'s covers since 2012 and his drawings have come to be an important part of how the journal communicates with readers. For these reasons, his cover illustrations will continue to be the journal's 'front door' – encapsulating each edition's cover theme, but also setting the mood and resonating with users on levels that words cannot reach.

You are well known for your work with the South China Morning Post – is it different working outside the news context? In particular, how do you come up with your ideas for the CGj covers and is it a challenge to illustrate abstract concepts like good governance and ethics?
'To come up with ideas for the cover, I read the main article to understand the headline concepts and try to find something that sums up the overall topic. That's what the illustration side of my job entails, whether it be for magazines, articles or books. Regardless of the topic, this is about translating the words into pictures.

Where possible, I try to include something topical and that links to the other side of the work I do for the newspaper. Although the two disciplines are very different, my experience trying to sum up day-to-day political and social issues comes in very handy for approaching the more abstract concepts featured in *CGj*.'

Could we talk about the cast of characters in your cartoons? The line-up in your CGj covers frequently includes directors, regulators and, before the relaunch of the journal in February 2022, the Institute's former icon – the Secretary Bird (sagittarius serpentarius), more familiarly known as 'Saggy'.
'Before the Institute's change of name and logo, Saggy was a nice character to use – providing an instantly recognisable icon but also having a bit of fun with the corporate image of *CSj*, as the journal was known. It was, however, quite limiting in terms of my options for illustrating the cover topics, not least because it was hard to fit diverse elements into the previous cover layout.

The new design is a much more open page with lots of nice white space, more appealing to younger generations, but more broadly the transition is also about modernising the Institute. It will help us to build:

- enhanced relevance – helping us stay relevant in our field and address current challenges
- improved efficiency – streamlining our operations with up-to-date systems and processes
- broader reach – embracing new tools and platforms that can help the Institute reach a wider audience
- increased innovation – encouraging innovation among our members and staff, and
- long-term sustainability – ensuring the Institute's sustainability is essential for the future and is aligned with the Institute's theme of "resilience in governance".'

Since you became the Institute's Chief Executive in 2020, you have played a major role in helping the Institute to evolve into its current form. Do you see the changes we have discussed above as part of that same journey?

'Totally. We renamed the Institute in July 2021 and, a few months later, rebranded the Institute with a new logo and slogan. In that year we also launched a much-improved website as part of our wider IT system upgrade. I think our members expect us to keep up with major trends by modernising the Institute's operations and continuing to demonstrate care for the environment and the community around us.' CGj

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and that gives me more flexibility to draw what I want without being limited to including a large Secretary Bird. Thus I'm able to incorporate any characters I've developed over the years to represent my interpretation of the various characters in the world of business. Of course, my years of newspaper cartooning have led me to always enjoy drawing the miscreants, rather than the people who are doing things the right way, although they can be included to show up the misdoings of the others if necessary.'

What is your method for drawing the CGj covers and has that changed over the course of the 11 years that you have been working with CGj?

'For Saggy, I would start out with a pencil drawing to get the idea approved, and then use that as a template in Photoshop. For the final drawing, I would use colour fills and airbrush techniques – there would be no actual line work in those. When the design changed, although I would start with the same initial pencil rough for approval, I would use pen and ink with watercolour on watercolour paper for the final drawing.

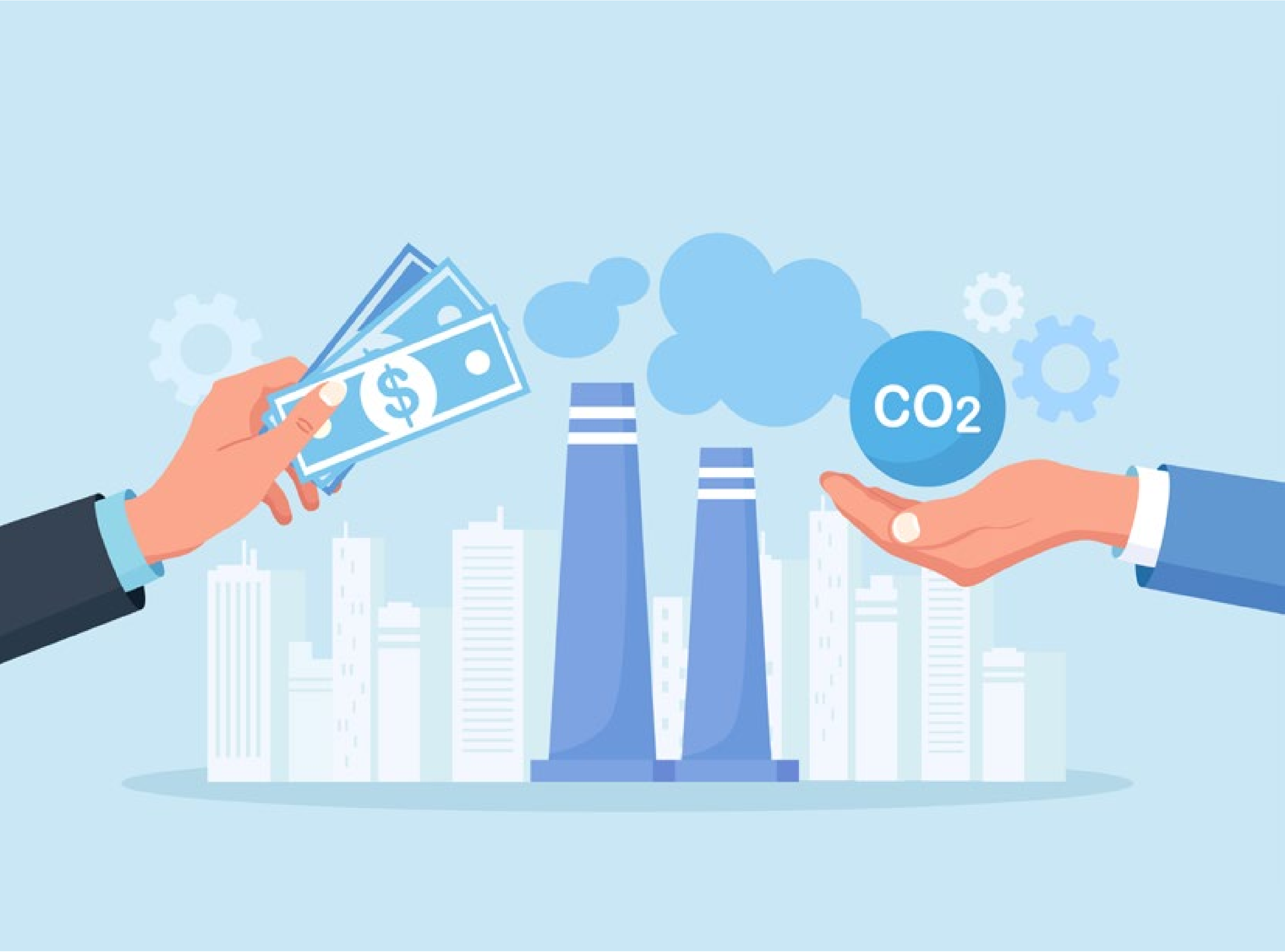
To work traditionally on paper, I need a scanner, a computer, often a printer for printing out layouts, a lightbox for inking up the layout onto watercolour paper, plus a variety of dip pens, inks and watercolours. I'm freelance so I can't take indefinite time off work – no work means no pay – so if I need to travel, getting access to all that equipment would be a challenge. During Covid the possibility of getting stranded somewhere in a lockdown, or in quarantine on my return to Hong Kong, made this even more of an issue.

To remedy this and make myself more flexible, I bought a tablet and stylus. Using an illustration app, I am able to do drawings from pencil rough stage through to the finished illustration using one piece of equipment. This came in very handy when I was stuck in quarantine and had to continue my regular work on a daily basis. One of the jobs I had to do was the *CGj* cover, and I enjoyed doing it on the iPad so much that I have continued doing so to this day.

Stylistically, the drawing is the same as what I was previously doing on watercolour paper, but without needing all the equipment and a lot more flexibility to "undo" bits I don't like – you can't do that on watercolour paper. The app I am using also provides you with a nice little time-lapse video of the entire illustration in progress. All in all, perfect for this new digital nomad age.'

Asia's carbon markets – fiery dragons or toothless tigers?

Alexandra Tracy, President, Hoi Ping Ventures, asks whether Asia's burgeoning carbon markets are providing meaningful contributions to reducing carbon emissions in the region and looks at how they could do better.



In July 2021, Mainland China made history with the launch of its long-awaited national Emissions Trading Scheme (ETS), becoming the world's largest carbon market and covering nearly 15% of global emissions. Analysts predicted that the ETS could help the Mainland reduce carbon emissions by 30%–60% by 2060, the date by which the country has pledged to reach carbon neutrality.

Later in the same year, Climate Impact X (CIX), one of Asia's first voluntary carbon marketplaces, conducted its initial auction of nature-based carbon credits in Singapore. Global voluntary carbon markets could reach up to US$40 billion in value by 2030, according to the Boston Consulting Group and Shell, with Asia making up as much as US$10 billion, mostly in forestry and nature-based credits.

Following the Paris Agreement of 2015, which laid out international carbon emissions goals, there has been increasing pressure on governments and businesses in Asia to reduce their carbon footprints. Are the burgeoning carbon markets in the region providing a meaningful way forward to achieving this, and how could they do better?

Compliance markets have been slow to develop

Compliance markets, or regulatory markets, in Asia are governed by 'cap and trade' regulations set by national authorities. Each company operating under a cap and trade programme is issued a certain number of carbon credits each year, giving them permission to generate carbon emissions up to a limit – the cap. The idea of the programme is that the regulator will slowly decrease the cap over time, pushing businesses into decarbonising their operations in order to stay beneath the cap, or buying credits from low-emitting companies to offset their own continuing emissions. In these markets, businesses are participating because they are mandated by governments to do so.

Asia's largest economies have been experimenting with cap and trade programmes in some form for a number of years, but the pace of development has been measured, at best.

The Tokyo Metropolitan Government launched Japan's first mandatory ETS in 2010, which was a city-wide scheme that covered large buildings, factories, heat suppliers and other facilities consuming large quantities of fossil fuels. This programme has been generally viewed as a success, but has yet to evolve into a compliance market covering the whole country, which is the world's fifth-biggest carbon emitter. The government has recently announced the introduction of a carbon pricing scheme in stages, followed by the establishment of a national ETS, initially on a voluntary basis, followed by full operation some years later.

Similarly, South Korea has operated a domestic ETS since 2015, covering industries such as power and aviation, which was, at its inception, the second-largest carbon market after the European Union ETS (EU ETS). However, for some years, trading has been relatively limited, with buyer concerns about oversupply of free credits and price fluctuations. Korean Allowance Units in the ETS saw their prices drop about 20% in the first four months of 2023, according to data from the Korea Exchange.

The Mainland's market is also seeing a slower build out than was originally forecast. Carbon price and trading volume were both well below target in the first year of operation. The ETS now covers around 2,200 power companies, but was initially expected to expand to include the cement and aluminium sectors in 2022, and to cover all eight of the Mainland's biggest carbon emitting

Highlights

- Asia's largest economies have been experimenting with mandatory carbon emissions trading schemes for a number of years, but the pace of development has been measured, at best
- voluntary carbon markets can potentially fill the gap, but these have been plagued by a lack of transparency, high transaction costs and a lack of trust in the quality of carbon offsets
- the future of voluntary carbon markets may lie in greater convergence with mandatory carbon markets and greater regional consolidation

sectors – power generation, oil refining, chemicals, steel, building materials, non-ferrous metals, paper and aviation – by 2025. Expansion has been delayed while regulators review guidelines and systems for emissions accounting and verification.

Can voluntary markets fill the gap?

Additional compliance markets are under development in the region (for example, in Indonesia, where the government recently launched the first phase of mandatory carbon trading for coal-fired power plants), but analysts say that regulated carbon markets have proven costly and time consuming to set up, while the lack of a broader United Nations (UN) framework for regulated exchanges impedes progress on international cooperation.

Voluntary carbon markets (VCMs) are going some way towards filling the gap. Here, businesses and individuals can buy credits (of their own accord) to offset their carbon emissions, while carbon reduction and environmental projects can raise capital by generating and selling credits. For companies in 'hard to abate' industry sectors, such as oil and gas, heavy manufacturing, aviation, shipping or transportation, this creates an opportunity to invest in projects that avoid or remove emissions, thereby indirectly offsetting emissions from their own operations. In many cases, these may be companies operating where cap and trade programmes do not yet exist.

Projects in the forestry and nature-based sectors, in particular, have enormous potential to act as suppliers of carbon credits through VCMs in Asia. Malaysia and Indonesia have 55% and 53% forest cover respectively, followed by Vietnam at 47%. Such high forest coverage creates significant opportunity for the generation of carbon credits, as forestry-related activities (forest management, afforestation and conservation) are currently the world's largest source of carbon credits. In addition, Southeast Asia has the highest mangrove coverage in the world and considerable potential for marine-related carbon projects.

Growth pains in the VCMs

In addition to Singapore's CIX, additional VCMs have begun operating recently elsewhere in Southeast Asia. FTIX, Thailand's new carbon trading platform launched by the Federation of Thai Industries, has been offering trading services for carbon credits, renewable energy and renewable energy certificates since the beginning of the year, while Malaysia's Bursa Carbon Exchange (BCX) completed its first round of carbon credit auctions in March 2023. In Hong Kong, a trading platform for voluntary carbon credits, Core Climate, was launched by Hong Kong Exchanges and Clearing Ltd (HKEX) in late 2022.

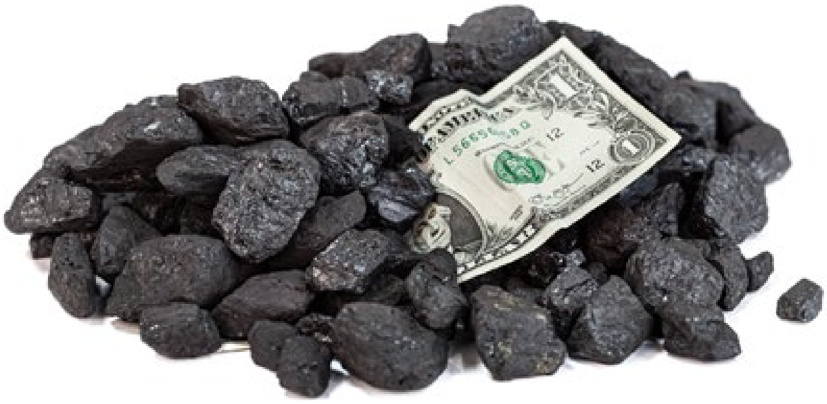
Despite the recent flurry of announcements, VCMs in Asia still face significant challenges in attracting investors at scale. Carbon credits offered by these exchanges, which are generated by activities as diverse as renewable energy, distribution of cook stoves, forestry projects and avoided deforestation, sustainable farming or preserving landscapes and coastlines, are not standardised. Collecting data from these projects can be difficult, the methodology for verifying the credits is not consistent and the benefits are often not well defined.

Much has already been written elsewhere about the problems that are still plaguing these nascent markets. Lack of clear definitions around standards and the resulting poor quality of some offsets, lack of transparency and high transaction costs undermine investor trust in VCMs and cause them to be cautious about participating. Greater uncertainty was created earlier this year by severe media scrutiny of the world's largest certifier of carbon credits, the non-profit Verra, which faced claims of having vastly overestimated the climate impact of forest projects it had validated. Moreover, potential investor appetite was further undermined in May, when Delta Air Lines became the target of a proposed class action suit in the US, alleging that it had been buying carbon offsets that are largely worthless.

Why are trading volumes low?

A lack of confidence in VCMs, which keeps investors mostly on the sidelines, means that these markets will continue to lack the liquidity necessary for efficient trading and price discovery. A few months after its launch, BCX in Malaysia, for example, has seen very disappointing levels of participation. Ten buyers participated initially, when trading began in September, exchanging 16,500 carbon credit units in the first two days, but volumes subsequently fell substantially, with some days seeing no trading at all.

> “ for the smaller carbon markets ... the future may lie in cross-border and regional collaboration ”



Some experts estimate that it will take at least four to five years for Southeast Asia's VCMs to develop sufficient liquidity to support active markets. The more mature CIX in Singapore and Core Climate in Hong Kong, which have both been making progress in signing up buyers to their platforms, report that most trade remains bilateral, rather than via standardised contracts, which play a key role in providing liquidity to the entire market. Due to continuing concerns about quality, investors often prefer to make over-the-counter purchases of credits from individual projects or portfolios of projects that have undergone due diligence by a third party, in addition to the required registry verification process.

Following the debacle around Verra, and another scandal involving South Pole, the world's leading seller of carbon offsets, there have been considerable efforts this year to improve transparency and create greater investor confidence in the quality of carbon credits on the VCMs. The Integrity Council for the Voluntary Carbon Market (ICVCM) recently released a global benchmark for high-integrity carbon credits, the Core Carbon Principles, developed through consultations with carbon crediting and scientific experts. Many analysts believe that the launch of the benchmark will go a long way towards defining more consistent standards, with other service providers, such as certifier Gold Standard, already announcing that they will update their own rules to align with it.

But not everyone is convinced. The Net Zero Asset Owner Alliance (NZAOA), a group backed by the UN with a collective US$11 trillion of assets under management, has said it will ban its members from using carbon offsets in emissions reduction plans until 2030. Following investor criticisms of businesses that buy carbon credits rather than reducing their own carbon footprints, NZAOA emphasised that it wants its members to focus on encouraging real-world decarbonisation of the operations and supply chains of their portfolio companies.

Will the future lie in greater convergence between markets?

As prices have languished on many VCMs this year, with considerable price gaps between standardised contracts and over-the-counter credits, some analysts have questioned whether there is a viable future for VCMs and if the solution might lie in allowing them to be partially absorbed into compliance markets. Already, the distinction between voluntary and compliance markets is increasingly blurred, and their activities are becoming more interlinked.

For example, the Singapore government has introduced a mechanism that will allow companies in Singapore to use international carbon credits, traded on VCMs, to fulfil part of their mandatory carbon tax liability. Starting from next year, companies can offset up to 5% of their taxable carbon emissions using carbon credits. Singapore's carbon tax was introduced in 2019 at S$5 per tonne and is expected to rise to S$25 in 2024.

The Mainland's voluntary carbon market, the China Certified Emission

> **"voluntary carbon markets in Asia still face significant challenges in attracting investors at scale"**

Reduction (CCER) scheme, which was halted in 2017 due to concerns about quality and transparency, is expected to be relaunched in the near future. The CCER's regulatory framework has been significantly improved, with stringent guidelines for eligible projects and more streamlined trading and settling of CCER credits. Previously, trading was fragmented across several venues, but once the CCER reopens, China Beijing Green Exchange will be the only platform available, which is expected to improve efficiency and increase liquidity.

The relaunch of the CCER has the potential to reinvigorate carbon trading activity in the country, as companies in the ETS will be able to use CCER carbon credits, generated by renewable energy, forestry, methane capture and energy efficiency projects, to offset 5% of their annual emission obligation – which could be as much as 200 million tonnes annually. This will expand the sector coverage of the Mainland's existing carbon market and increase overall volumes.

The role of regional consolidation

For the smaller carbon markets that will never individually achieve the scale and liquidity of the EU ETS or the Mainland's ETS, the future may lie in cross-border and regional collaboration.

HKEX has been explicit about its ambitions to leverage Core Climate to play a greater role in China's Greater Bay Area, building on HKEX's experience with the various Connect cross-border trading schemes. Already, Core Climate allows participants to purchase carbon credits in Hong Kong dollars or renminbi, allowing for greater flexibility and potentially reaching a wider range of investors.

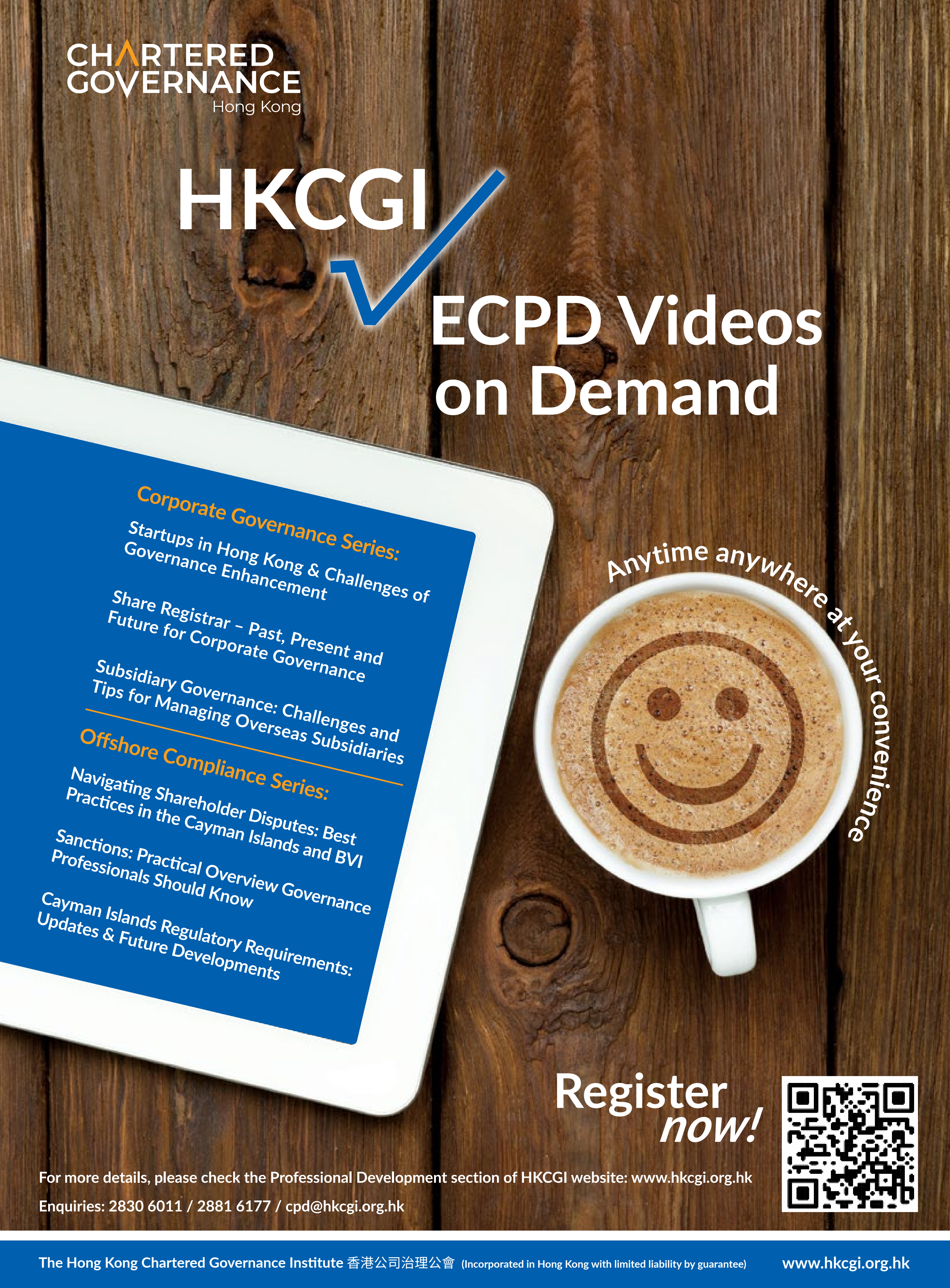
In 2022, HKEX signed an agreement with Guangzhou's China Emissions Exchange to explore the development of a voluntary carbon emissions reduction programme in the Greater Bay Area, and to help boost the internationalisation of China's carbon market. This was followed earlier this year by a Memorandum of Understanding with China Emissions Exchange Shenzhen to look at opportunities in cross-border carbon market connectivity and climate finance.

For some market watchers in Southeast Asia, the natural way forward would be towards a unified Association of Southeast Asian Nations (ASEAN) carbon market. Almost a quarter of the world's potential for natural climate solutions is thought to be located in ASEAN, and the creation of a robust regional trading platform could make a material contribution to helping countries to achieve their emissions reduction commitments.

It is unlikely, however, that an ASEAN platform will be established in the near future, given the divergences between different member state economies, the challenges of monitoring, reporting and verification of emissions reduction, and the level of development of individual VCMs in the region. What does seem to be emerging is bilateral agreements between countries which allow carbon credits to be traded internationally and to be counted as part of national emissions reduction commitments under the Paris Agreement rules. For example, Singapore is close to finalising implementation agreements with Ghana and Vietnam, under which Singaporean companies can use international carbon credits generated in those countries to offset their taxable emissions. Singapore is in talks with a number of other Asian countries on similar arrangements.

Alexandra Tracy, President
Hoi Ping Ventures

Hoi Ping Ventures provides research and consulting on green finance and sustainable investment in Asian emerging markets. The author is also Head of Research at Carbonless Asia, an investment and innovation business focused on supporting opportunities for decarbonisation in Asia. She is currently Private Sector Observer to the World Bank's Climate Investment Funds, having for several years served as Active Private Sector Observer to the United Nations Green Climate Fund. She is also a director of RIMM Sustainability Pte Ltd in Singapore and of BlueOnion Group in Hong Kong, both leaders in the ESG data space in the region.



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Family offices – the opportunities for governance professionals

CGj highlights the key takeaways from a recent Institute seminar looking at the roles that governance professionals can play in supporting local and global family offices as they set up or expand in the Hong Kong market.

The HKSAR Government has launched a number of initiatives to attract more family offices to set up in Hong Kong. It is likely, therefore, that the opportunities for governance professionals to get involved in supporting family offices will rise in the years ahead. In this context, the Institute has been stepping up its guidance and training in this area of practice. The Institute is keen to broaden understanding, not only of family offices, but more broadly of wealth management and succession planning and the crucial importance of good governance to all of these.

Since its creation in 2022, the Institute's Wealth Management Interest Group has published two guidance notes covering Hong Kong's new foreign-sourced income exemption (FSIE) regime and its new tax concession regime for single family offices. In the same vein, the Institute recently held a seminar – Family Office: Governance Aspects, Thoughts and Opportunities – offering valuable insights for governance professionals interested in getting more involved in this type of work.

Promoting family offices in Hong Kong

The seminar first addressed what the government is doing to attract more family offices to set up in Hong Kong. The Guest of Honour, Joseph Chan JP, Under Secretary for Financial Services and the Treasury, the HKSAR Government, focused his presentation on the government's new tax exemption, effective for the year of assessment 2022/2023 and onwards, applying to investment holding vehicles owned by single family offices, as well as a recently launched dedicated family office service provider network.

Mr Chan stated, however, that these initiatives are part of the government's broader strategy to further develop Hong Kong as a family office hub. He cited a number of other initiatives under this strategy – for example, the government held a Wealth for Good in Hong Kong summit in March this year. It has also allocated HK$100 million to InvestHK over the next three years to attract more family offices to Hong Kong.

There can be little doubt about the government's determination to nurture and support family offices based in Hong Kong, but the competition to attract wealthy families to set up offices is intense globally. Nevertheless, speakers at the seminar also emphasised that Hong Kong has significant advantages when it comes to attracting family offices and developing as a wealth management hub. These include the high number of wealthy individuals based in the city, a thriving stock market, and, of particular relevance to readers of this journal, abundant and highly qualified professional talent.

> “the family office effectively and efficiently communicates the value and vision to all family members in a systematic and structured manner”

What expertise and skills are needed?

Speakers at the seminar, together with the panellists, shared their insights into what practitioners can expect in terms of the skills needed and the nature of the work involved in setting up and supporting family offices. They emphasised that this area of practice is not just about tax. While tax considerations clearly play a central role, governance issues and an understanding of the personal

Highlights

- governance professionals have highly relevant expertise to help family-owned enterprises establish and maintain good governance controls, and to remain compliant with legislative and regulatory requirements
- every family is different and practitioners will not be able to progress very far in wealth management and succession planning for family-owned enterprises without developing a good sense of the personal aspects involved
- family office work can be as much about impact investing, social finance and philanthropic activities as it is about financial and tax considerations

> "a successful family office not only helps preserve and grow wealth for future generations, it also gives a formalised structure to maintain the values and ethics of the family"

aspirations of the wealth owners concerned are just as relevant.

Peter Lee, Partner, Family Advisory, Private Enterprise Practice, KPMG China, pointed out in his presentation that governance professionals have highly relevant expertise to help family offices and family-owned enterprises to establish and maintain good governance controls, and to remain compliant with legislative and regulatory requirements. Governance expertise is also essential, more broadly, in transitioning wealth from first-generation wealth owners to successive generations.

The skills and experience needed by practitioners involved in this type of work, however, go beyond these considerations. Every family is different and practitioners will not be able to progress very far in wealth management and succession planning for family-owned enterprises without developing a good sense of the personal aspects involved.

Willa Chan ACG HKACG, The Founding Principal, Willa Legal, pointed out that a successful family office not only helps preserve and grow wealth for future generations, it also gives a formalised structure to maintain the values and ethics of the family. 'The family office effectively and efficiently communicates the value and vision to all family members in a systematic and structured manner,' she said. 'This is what we refer to as the family constitution. Although it is not legally binding most of the time, the constitution outlines the family values, vision and rules, especially for decision-making and conflict resolution, and provides a governance framework for making decisions on family-related matters.'

She added that governance professionals can play a crucial role in assisting with the drafting and design of such constitutions, ensuring that the family principles align with legal requirements and best practice.

Other speakers added that knowledge of, and experience in, environmental, social and governance (ESG) matters are also increasingly relevant in family office and wealth management work. Members of the younger generation inheriting the family business generally have more awareness of the importance of ESG considerations and are often keen to ensure that good ESG practices are incorporated into the family ethic.

Broadening horizons

Another key seminar takeaway for governance professionals was that wealth management work is more diverse than practitioners may assume. Mohan Datwani FCG HKFCG(PE), Institute Deputy Chief Executive, and Panel Chair for both sessions of the seminar, mentioned that his own experience of working in this area was not only focused on technical issues – it was also about helping to preserve the family legacy.

Credits

The Institute would like to thank everyone involved in the seminar reviewed in this article. From the Institute, Ernest Lee FCG HKFCG(PE), Institute President, and Technical Partner, Deloitte China, gave the welcoming address, and Mohan Datwani FCG HKFCG(PE), Institute Deputy Chief Executive, was the Panel Chair for both sessions.

The speakers and panellists (in order of appearance) are listed below.

Guest of Honour

Joseph H L Chan JP, Under Secretary for Financial Services and the Treasury, the HKSAR Government

Session One

Edmond Chiu FCG HKFCG(PE), Council member and Co-chair of the Wealth Management Interest Group under the Institute's Technical Consultation Panel, and Head of Corporate & Fund Services, Vistra Corporate Services (HK) Ltd

Peter Lee, Partner, Family Advisory, Private Enterprise Practice, KPMG China

Anthony Lau, Hong Kong Leader and Hong Kong Financial Services Industry Tax Leader, Deloitte Private, and Partner, Tax and Business Advisory Services, Deloitte China

Leon Mao, Head of Advisory – Managing Director, North Asia, Vistra

Karmen Yeung, Leader of People & Enterprise/National Head of Private Enterprise/Head of Private Enterprise, Hong Kong, KPMG China (panellist)

Dr Au King-lun MH, Executive Director, Financial Services Development Council (panellist)

Winnie Shek, Partner, Business Tax Advisory, Deloitte Advisory (Hong Kong) Ltd (panellist)

Session Two

Jenny Choi FCG HKFCG(PE), Co-chair of the Wealth Management Interest Group under the Institute's Technical Consultation Panel, and Partner, HK Entity Compliance & Governance Leader, EY

Wilson Cheng, Partner, Tax Leader, Hong Kong and Macau, EY

Willa Chan ACG HKACG, The Founding Principal, Willa Legal

Wise Lam, Partner, Tax Services – Private Client Services, PwC Hong Kong

Edmond Chiu FCG HKFCG(PE), Council member and Co-chair of the Wealth Management Interest Group under the Institute's Technical Consultation Panel, and Head of Corporate & Fund Services, Vistra Corporate Services (HK) Ltd (panellist)

Hazel Fok ACG HKACG(PE), member of the Institute's Professional Services Panel and a trust or company service provider practitioner (panellist)

Chee Weng Lee FCG HKFCG, Global Head of Tax, Tricor Services Ltd (panellist)

Wealth owners are often as concerned with passing on their legacy and vision as their wealth. In particular, they are at a stage of life where they want to give back to society. Having focused for many decades on establishing a profitable business, they now want to focus on setting up their own charities. So family office work can be as much about impact investing, social finance and philanthropic activities as it is about financial and tax considerations.

'The charity purpose is one of the most important non-tax considerations for many families nowadays,' said Wise Lam, Partner, Tax Services – Private Client Services, PwC Hong Kong. She added that some large families may even have designated family members, or a dedicated team in their family office, to be solely responsible for philanthropic activities. CGj

The seminar reviewed in this article – Family Office: Governance Aspects, Thoughts and Opportunities – was held on 22 September 2023. More information on the Institute's ECPD seminars is available on its website: www.hkcgi.org.hk.

Anti–sexual harassment – new guidance

The latest guidance note published by the Institute's Ethics, Bribery and Corruption (EB&C) Interest Group is essential reading for organisations and governance professionals seeking to improve their anti–sexual harassment frameworks.

The MeToo movement, which went viral globally in 2017, has helped to raise awareness about sexual harassment and the obligations of organisations to protect employees from the threat of such harassment. Nevertheless, a number of myths surrounding what constitutes sexual harassment and who can be held liable for it still abound.

A recent paper, published by the Equal Opportunities Commission in Hong Kong, makes it clear that employers' have responsibilities for creating and maintaining a work environment free from the threat of sexual harassment. The paper – Learn the Law, Know your Rights, Understanding Sexual Harassment – explains that, under the Sex Discrimination Ordinance (SDO), employers can be held liable for any unlawful act of sexual harassment committed by their employees in the course of employment.

In this context, the Institute's EB&C Interest Group published a guidance note in October this year providing a useful primer in how organisations can improve their anti–sexual harassment frameworks. The new guidance note (the 12th in the EB&C series) – Sexual Harassment & EOC Code of Practice on Employment – reinforces the point that victims can not only claim damages against harassers, but also their employers.

It emphasises that this issue should not be neglected by companies and the governance professionals advising them. Aside from any penalties the court might impose on employers in cases of unlawful acts of sexual harassment committed in the workplace, organisations are also likely to suffer significant reputational harm and lower staff morale.

Three key elements of anti-sexual harassment frameworks

1. Do you have an anti-sexual harassment policy?

The guidance note, in keeping with the remit followed by all of the Institute's Interest Groups, focuses on the practical steps organisations can take to improve their performance in this area. It notes that the SDO provides for a defence for employers where they can prove that they have taken 'reasonably practicable steps' to prevent employees from committing sexual harassment.

The first step for many organisations seeking to strengthen their defences against sexual harassment and other forms of workplace-based intimidation will be to formulate a comprehensive anti-sexual harassment policy. This should state that sexual harassment is unlawful and will not be tolerated.

'There should be zero tolerance for sexual harassment in the workplace,' the guidance states.

The policy should also make it clear that victims have the right to file a complaint and should commit to appropriate investigations and escalations of sexual harassment accusations.

Having a policy in place is a good first step, but unless the policy is properly communicated to all workplace participants, it will not have the desired effect. The EB&C guidance note emphasises the need to promote the policy through different channels. Ensuring that all staff are aware of the policy will help potential sexual harassment victims feel that they can safely come forward. This is key since victims are often reluctant to lodge complaints with their employer. Another recent paper published by the EOC (Preventing Sexual Harassment in the Workplace – Formulating Corporate Policy on Anti-Sexual Harassment) points this out.

'Some victims think that it would not help much even though complaints were made. In addition, some employees are in fear of being regarded as troublemakers or exposing themselves to ridicule or being victimised. Hence, even though

“ there should be zero tolerance for sexual harassment in the workplace ”

a company has not received any sexual harassment complaints from employees, it does not necessarily mean that there is no occurrence of sexual harassment incidents,' the paper states.

The guidance note also emphasises the need to review the policy on a regular basis. The guidance note recommends that management considers the following questions when assessing the effectiveness of their anti-sexual harassment frameworks.

- Has the anti-sexual harassment policy been reviewed or amended since its development and promulgation?
- When was the last review of the company's anti-sexual harassment policy conducted?

Highlights

- employers can be held liable for any unlawful act of sexual harassment committed by their employees in the course of employment
- in addition to any penalties the court might impose on employers in such cases, organisations are also likely to suffer significant reputational harm and lower staff morale
- governance professionals can use the materials published by the EOC to ensure that their anti-sexual harassment frameworks are fit for purpose

- Do all employees and new employees know about the corporate policy on anti–sexual harassment?
- When was the last training conducted for employees on gender equality and prevention of sexual harassment?
- When was the last training conducted for the designated employees for handling sexual harassment complaints?
- As a policymaker, when did you receive your last training on preventing sexual harassment?

Credits

The Institute's Ethics, Bribery and Corruption Interest Group members are Dr Brain Lo FCG HKFCG (Chairman), Jeremy Birch, Mary Lau, Michael Chan, Ralph Sellar and William Tam ACG HKACG. April Chan FCG HKFCG, Institute Past President, is Chairman of the Institute's Technical Consultation Panel with oversight of the Institute's Interest Groups. Mohan Datwani FCG HKFCG(PE), Institute Deputy Chief Executive, serves as Secretary to the Institute's Interest Groups and was the author of this guidance note. If you have any comments and/or suggestions relating to the Institute's thought leadership, please contact Mr Datwani via email: mohan.datwani@hkcgi.org.hk.

- Has there been any complaint relating to sexual harassment? If so, was the complaint handling procedure followed?

2. Do you have effective complaint handling channels and procedures?
Having internal complaint channels and procedures is key to the effectiveness of anti–sexual harassment frameworks. Since this aspect has been covered extensively in earlier Institute guidance notes, the EB&C guidance note does not go into too much detail on this point. It does, however, refer governance professionals to the EOC published materials on this topic. These recommend, for example, that contact information for officers in charge of handling complaints should be included in the anti–sexual harassment policy and there should be clear assurances of confidentiality for anyone coming forward with complaints.

3. Do you have in place appropriate staff training?
Another key component of an effective anti–sexual harassment framework is to ensure that staff have access to relevant training. This should involve holding training and refresher courses for all employees on what constitutes sexual harassment and how to come forward with any complaints. Additionally, officers responsible for receiving and handling complaints should have sufficient training to be able to carry out these functions.

'Employees have a part to play in eradicating sexual harassment from the workplace. Employees subjected to harassment should let the harasser know that the behaviour is unacceptable and, if required, report it to management or an employee representative,' the guidance note states.

Sexual harassment cases

The guidance note also discusses three legal cases that are useful in terms of demonstrating the view taken by courts in Hong Kong on sexual harassment cases.

1. In L v Burton, the harasser was the general manager of a marketing company where the victim was allowed to interview and accept a job offer. The harasser repeatedly made sexual advances towards the victim both before and after she started work, and she was inappropriately touched twice. Every time, the victim turned down the harasser's advances. When the harasser finally fired the victim when his behaviour towards her deteriorated, he violently grabbed her wrist and bruised it. The victim filed a claim under the SDO against the harasser and was awarded close to HK$200,000 in damages, of which HK$100,000 was for injury to feeling.

2. In an internal disciplinary hearing in Ratcliffe v Civil Service Secretary, a police officer was found to have sexually harassed a female colleague. He then sought a judicial review of the decision. The internal police standards were substantially the same as those under the SDO. In the judicial review, the Court explained that telling dirty stories to someone who does not want to hear them can amount to sexual harassment. On the other hand,

overhearing such stories without the teller's knowledge would not be sexual harassment unless the victim was the subject matter of the stories.

3. In Yuen Sha Sha v Tse Chi Pan, the victim and the harasser were university students who shared a dorm and had been close friends for a long time. After learning that the harasser had secretly installed a camcorder inside her room for an extended period and had videotaped her, including while she was changing clothes, the plaintiff filed a lawsuit against the harasser under the SDO. It was decided that the videotaping by the harasser qualified as 'unwelcome conduct of a sexual nature'. Damages for injury to feelings, and exemplary and aggravated damages were awarded.

The guidance note reviewed in this article is available in the Thought Leadership section of the Institute's website: www.hkcgi.org.hk.

Guidance Notes 2023 Roundup

January
Ethics, Bribery and Corruption Guidance Notes (10th and 11th issues) – Anti-corruption Policies and Ethics Training Disclosure in Environmental, Social and Governance Report (Parts 1 & 2)

Competition Law Guidance Notes (10th and 11th issues) – Significant competition law cases and need for competition law compliance (Parts 1 & 2)

February
Technology Guidance Note (8th and 9th issues) – 2022 wrap up and what to expect in 2023 (Parts 1 & 2)

March
Mergers and Acquisitions Guidance Note (9th issue) – Takeovers Executive practice change on appointment of receiver or liquidator over a controlling stake

Public Governance Guidance Note (10th issue) – The need for transparency and accountability of financial disclosures

April
Company Law Guidance Notes (9th and 10th issues) – The Hong Kong Companies Ordinance and virtual meeting technologies for general meetings (Parts 1 & 2)

Wealth Management Guidance Note (2nd issue) – Hong Kong's tax concession regime for single family offices to enhance competitiveness

July
Technology Guidance Note (10th issue) – An Overview to Facilitate Boards to Manage Cyber Risks

Company Law Guidance Note (11th issue) – Re-domiciliation Regime for Hong Kong

Securities Law and Regulation Guidance Notes (7th and 8th issues) – Introduction to Hong Kong SPAC Listings (Parts 1 & 2)

August
Technology Guidance Note (11th issue) – An Overview of Managing The Risks and Opportunities & Responsible Deployment of AI Tools

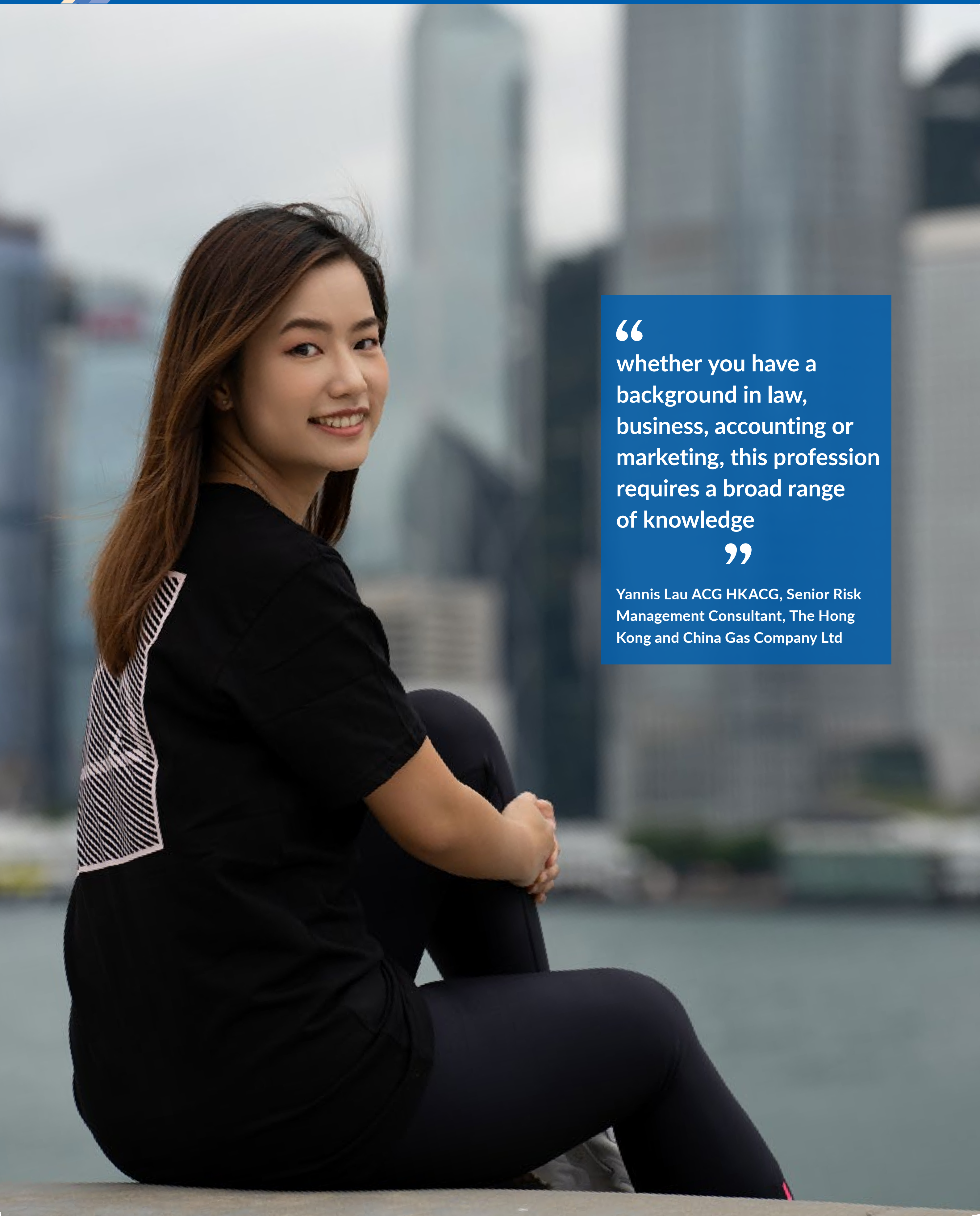
Competition Law Guidance Note (12th issue) – Guidance Note on Resale Price Maintenance (RPM)

September
Securities Law and Regulation Guidance Note (9th issue) – SFC's Initiatives to Address Cross-Border Insider Dealing

October
Ethics, Bribery and Corruption Guidance Note (12th issue) – Sexual Harassment & EOC Code of Practice on Employment

November
Technology Guidance Notes (12th and 13th issues) – Hong Kong SFC's Newly Implemented Licensing Regime for Virtual Asset Trading Platforms (Parts 1 & 2)

The above guidance notes are available in the Thought Leadership section of the Institute's website: www.hkcgi.org.hk.



"whether you have a background in law, business, accounting or marketing, this profession requires a broad range of knowledge"

Yannis Lau ACG HKACG, Senior Risk Management Consultant, The Hong Kong and China Gas Company Ltd

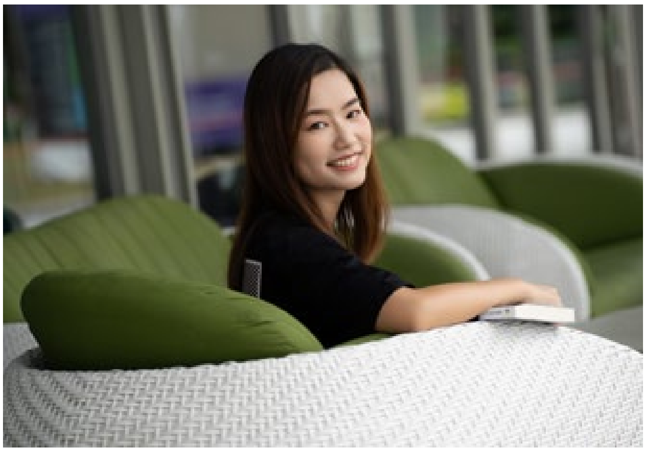
Yannis Lau ACG HKACG

What is your current role and what was your career path to this role?
'I majored in accounting and, like many of my classmates, I joined an accounting firm after graduation for a few years and became a CPA. Later on, I transitioned to become an internal auditor. These past few years, Covid-19 has had a significant impact on the world. I thought that if my work could help manage the potential threats to companies, it would be more challenging and forward-looking. So, I joined the Risk Management Team of The Hong Kong and China Gas Company Ltd. Our team's responsibility is to support management to monitor risks in different areas from the Group's perspective and ensure the company's risk control measures are effectively implemented to mitigate risks.'

When did you first hear the terms 'company secretary' and 'governance'? What was your impression of these terms?
'Back when I was studying at university, I had already heard these terms, but I wasn't quite sure what they actually meant. At that time, I thought that these terms must relate to the work of professionals and senior management with little relevance to me.'

Did your understanding of these terms change as you started your career?
'Working in risk management, it is necessary for governance professionals to understand the company's operations, as well as any existing and external risks that could affect the Group. For example, during previous instances of typhoons and heavy rain in Hong Kong, many areas experienced flooding. Would these situations potentially impact the security of our company's facilities? I feel that this job carries a sense of purpose and has a significant impact. Our reports help the management team to more efficiently allocate resources and make better decisions.'

What qualities do you think are needed to be a successful governance professional?
'First, it is important to have enthusiasm for your work, to be willing to invest time and create value, and to provide better solutions regardless of the circumstances. Second, maintaining an open attitude is crucial. Most work today relies heavily on teamwork and requires us to be accepting of different perspectives, as well as actively listening to others' opinions in order to improve ourselves and adapt to a fast-changing market.'



What was your chosen route to complete the Institute's qualifying programme and what advice would you give to people who are considering qualifying as a Chartered Secretary and Chartered Governance Professional?
'I chose to pursue further studies because this route provides a great networking opportunity with classmates who have similar backgrounds, such as internal auditors or even chief finance officers. I encourage everyone not to be afraid of stepping out of their comfort zone. Governance is a vast topic, and each day there are new challenges and changes. First, we should approach these challenges with an open mindset. Second, we should view every failure as a learning opportunity and channel it into motivation for success. Third, it is important to maintain a continuous learning mindset in order to keep progressing and to excel in our roles.'

As a member of the younger generation, how do you think governance will evolve in the future and would you recommend a career in governance to others?
'I believe that there is significant room for development in this field. Nowadays, many stakeholders have high expectations regarding a company's social responsibility, and the importance of good governance is increasingly recognised and becoming more widely adopted. This industry requires talented individuals, and the field of governance benefits from the inclusion of diverse backgrounds and perspectives. Whether you have a background in law, business, accounting or marketing, this profession requires a broad range of knowledge. I highly encourage anyone who aspires to be an all-round professional in their career to join this field.'

刘蔚茵女士 ACG HKACG

> 不论你是读法律、商科、会计还是市场学，这个专业需要的知识面很广

刘蔚茵女士ACG HKACG, 香港中华煤气有限公司高级风险管理顾问

请问您目前的职位是什么？能告诉我们您的职业发展经历吗？

‘我主修会计，和很多同学一样，大学毕业后在会计师事务所做了几年，成为了一名注册会计师，后来转到别的机构做内部审计。这几年新冠肺炎疫情对全世界有很大的影响，我当时想，如果我的工作可以帮公司对潜在的威胁进行管理，工作应该会更加有挑战性和前瞻性，所以我加入了香港中华煤气有限公司的风险管理团队。我们团队的职责，主要是协助管理层从集团的角度监察不同范畴的风险，确保公司的风控措施能够有效地执行，以减低相关风险。’

您第一次听到‘公司秘书’或‘公司治理’是什么时候？您当时对这些专业名词有什么印象？

‘以前在大学读书的时候已经听过这些专业名词，只不过不太清楚它们实际上是什么意思。当时我觉得，这些专业名词应该与专业人士或高层管理人员的职务有关，和我没有太大关系。’

您开启您的职业道路后对这些专业名词的见解有没有发生改变？

‘对于投身于风险管理的治理专业人士来讲，需要很清楚公司的业务，了解集团现有的风险，以及会影响集团的外部风险。例如之前香港经历台风和暴雨，很多地方水浸，这些情况会不会影响我们公司的设备安全呢？我觉得这份工作很有意义，有很大的影响力，我们的汇报可以帮助管理层进行更有效的资源分配、从而做出更好的决策。’

您认为成功的治理专业人士需要具备哪些素质？

‘第一是对工作要充满热诚，愿意投入时间去创造价值，在任何情况下都能提供更好的解决方案。 第二是保持开放的态度。时至今日，很多工作都讲求团队合作，需要包容和接纳不同的看法，主动聆听别人的意见，这样才会进步，才能适应市场的急速变化。’

您完成公会的资格计划的路径是怎样的？对于那些有想法成为特许秘书和特许治理专业人士的人，您有什么建议？

‘我选择进修，因为一起上课的同学与自己的背景相近，当中有做内部审计，甚至有做首席财务官的同学，是很好的人际交流机会。我建议大家不要怕跳出舒适圈。公司治理是个很大的课题，每天都有新的挑战和变化，所以我们首先要用开放的态度接受挑战；其次是将每一个失败视为学习的机会，将失败转化为成功的动力；第三是要保持不断学习的心态，令自己持续进步，将自己的角色发挥得最好。’

作为年轻一代的一员，您认为 ‘治理’将来会如何发展？您会推荐其他人从事治理方面的工作吗？

‘我觉得这个行业有很大的发展空间。现在很多利益相关者对公司的社会责任抱有很高期望，公司治理越来越受重视，也有越来越多机构追求良好的公司治理。这个行业很需要人才，公司治理这个专业需要多元、不同背景的人加入。不论你是读法律、商科、会计还是市场学，这个专业需要的知识面很广。我非常鼓励那些希望在事业上成为全面人才的人加入这个行业。’

Professional Development

Seminars: October 2023

6 October
Company secretarial practical training series: corporate communication and regulatory compliance – practice and application

Speaker: *Ricky Lai FCG HKFCG(PE), Company Secretary, China Renewable Energy Investment Ltd*

9 October
Jurisdictional roundup: regulatory compliance updates for the BVI, Cayman Islands, Bahamas and UK (ROE obligations)

Chair: *Mohan Datwani FCG HKFCG(PE), Institute Deputy Chief Executive*

Speakers: *Leon Mao, Head of Advisory and Managing Director, North Asia, Vistra; and Edmond Chiu FCG HKFCG(PE), Institute Council member, Professional Services Panel Chairman, Technical Consultation Panel – Wealth Management Interest Group Co-Chairman, Mainland China Technical Consultation Panel member, Professional Development Committee member and AML/CFT Work Group member, and Head of Corporate & Fund Services, Vistra Corporate Services (HK) Ltd*

11 October
Managing litigation and enforcement risks – practical guidance on pre-contractual negotiations and pre-action considerations

Chair: *Bill Wang FCG HKFCG, Institute Council member, Membership Committee Vice-Chairman, Mainland China Affairs Committee member, Technical Consultation Panel (TCP) member and TCP – Securities Law and Regulation Interest Group member*

Speakers: *Stephanie Chan, Partner, Adrian Tang, Senior Associate, and Louisa Wong, Associate, Sidley Austin*

18 October
Evolution of the internal audit for governance and sustainability enhancement

Chair: *Mike Chan FCG HKFCG, Institute Professional Development Committee member, and Fraud Control Officer, Head of Operational Risk Management, CMB Wing Lung Bank Ltd*

Speakers: *Vivian Chow, Principal, Risk Advisory Services, BDO; and Dr Mandict Wong FCG HKFCG, Head of Audit, Maxim's Group*

19 October
Corporate governance: lessons from FTX, JPEX and the crypto world

Chair: *Mohan Datwani FCG HKFCG(PE), Institute Deputy Chief Executive*

Speaker: *Jill Wong FCG HKFCG, Institute Investigation Group member, and Partner, Reed Smith Richards Butler LLP*

31 October
Hong Kong tax update: certificates of resident & re-domiciliation regime

Speakers: *Jenny Choi FCG HKFCG(PE), Institute Technical Consultation Panel – Wealth Management Interest Group Co-Chairman, Professional Services Panel member, AML/CFT Work Group member and Assessment Review Panel member, and Partner, Entity Compliance & Governance – Law, Ricky Tam, Partner, Tax – Global Compliance & Reporting, and Jane Hui, Partner, International Tax & Transaction Services, Hong Kong & China, EY*

ECPD seminars/Videos on Demand

ECPD training is organised by the Institute to facilitate its members and other governance professionals to acquire governance knowledge, corporate secretarial skills, and related thought leadership and best practices.

In addition to in-person seminars, ECPD training is delivered via live webinars or pre-recorded videos for maximum accessibility and flexibility.

Details of the Institute's forthcoming ECPD seminars and ECPD Videos on Demand are available in the Professional Development section of the Institute's website: www.hkcgi.org.hk.

For enquiries, please contact the Institute's Professional Development Section: (852) 2830 6011, or email: cpd@hkcgi.org.hk.

Membership

New Fellows

The Institute would like to congratulate the following Fellows elected in September 2023.

Huang Chaoquan FCG HKFCG

Mr Huang is currently the Vice President and Secretary to the Board of Huaneng Power International Inc (Stock Code: 902), responsible for corporate governance, capital operations and information disclosure. Mr Huang holds various positions in the China Association for Public Companies, including Vice-President, Council member, and member of the ESG Committee and Board Secretary Committee. He is also the Supervisor of Listed Companies Association of Beijing, a member of the Industry Advisory Committee of the Beijing Stock Exchange and a member of the Institute's Board Secretary Committee. Mr Huang holds a master's degree in management engineering from Harbin University of Science and Technology and an EMBA from the University of Texas at Arlington.

Huang Xuefei FCG HKFCG

Ms Huang has extensive experience in investor relations, corporate governance and information disclosures through her work as Deputy General Manager and Head of Investor Relations in both the Bank of China Ltd and BOC Hong Kong (Holdings) Ltd. Ms Huang holds a bachelor's degree in international accounting from Renmin University of China, an MBA from Peking University and a master's degree in Corporate Governance and Compliance from Hong Kong Baptist University. Ms Huang is a member of The Chinese Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants.

Wong Siu Kuen FCG HKFCG

Ms Wong is the marketing director of ShineWing Group and is one of the founders of ShineWing Hong Kong. Ms Wong is mainly responsible for exploring new businesses, promoting the company's services, building up the company's brand image, assisting in maintaining client relationships, expanding industry networking, and contributing to the company's future development and strategies. Ms Wong is also one of the founders and the Board Chairman of SWCS Corporate Services (Hong Kong) Ltd. Ms Wong holds an MBA from the University of South Australia and is also a member of The Chinese Institute of Certified Public Accountants.

Wong Yee Man FCG HKFCG

Miss Wong is the director of the company secretarial division of Intertrust Group. Prior to joining Intertrust Group, she was the group company secretary of a private investment group. Miss Wong holds a master's degree in professional accounting and corporate governance from City University of Hong Kong and a bachelor's degree in science from The University of Hong Kong.

Membership (continued)

Woon Zoe Shook Yee FCG HKFCG

Ms Woon is currently the Managing Director, Division Legal and Compliance in Swiss Re. She has around 30 years of experience in the insurance and reinsurance industry at a global company, with a particular focus on legal, compliance and governance across the Asia region. Ms Woon holds a bachelor's degree in commerce and an LLM from the University of Melbourne. She is also a qualified lawyer in Hong Kong and Malaysia, as well as being a member of the Chartered Insurance Institute.

Yi Baohou FCG HKFCG

Mr Yi is an assistant general manager of China National Coal Group Corporation, secretary of the Party Committee and Chairman of China National Coal Group Shanxi Co Ltd. Mr Yi is responsible for the operations and development of China National Coal Group Shanxi.

Zou Zhihong FCG HKFCG

Mr Zou is the Vice-President of PICC Reinsurance Company Ltd. He was previously the secretary of the Board of Directors of PICC Property and Casualty Company Ltd. Mr Zou joined PICC as the deputy general manager and was then promoted to general manager of the legal affairs department. Mr Zou holds an LLM and a Juris Doctor degree from Wuhan University.

Cheng Wai Sin FCG HKFCG

Chief Financial Officer, Kerry Properties Ltd

Lee Chee Weng FCG HKFCG

Global Head of Tax, Tricor Group

New graduates

The Institute would like to congratulate our new graduates listed below.

Ang Ho Kan	Fang Yuqi	Lam Wing Hung	Tang Hiu Tung
Chan Ching Hi	Ho Lok Yan	Lee Ka Wing	Tang Pik Yan, Bonnie
Chan Lap Chun, Jason	Ho Tin Lai	Lee Sai Ho	Tso Kit Ling
Chan Lin Yu	Ho Wing Tung	Lee Wa Lai	Tsui Hoi Yan
Chan Man Sze	Huang Jiamin	Leung Kin Yik	Wang Jiaojiao
Chan Wing Sum	Huang Xinyun	Leung Wai Yin	Wong Chi Ching, Winse
Chang Wing Man	Jiang Zheng	Li Xiuhuan	Wong Hui Yu
Cheng Wang Yan	Kar Pik Ying	Li Yiheng	Wong Kai Tan, Dana
Cheung Man Yung	Kwong Cho Wan	Luk Shue Wah, Sherman	Wong Lok Yan
Cheung Mei Tan	Kwong Kit Ling	Meng Yangzi	Wong Sze Wing
Cheung Wing Sum	Lai Sum Yi	Mok Wai Yiu	Wong Tsz Ching
Choi Kit Sum	Lam Hoi Ling	Ng Ming Kit	Yim Man Chung
Choi Man Yee	Lam Kai Kei	Su Xiaohang	Yip Hiu Har
Chui Hoi Ming	Lam Kam Kong, Nathaniel	Szeto Wing Ting	Zeng Wenjia

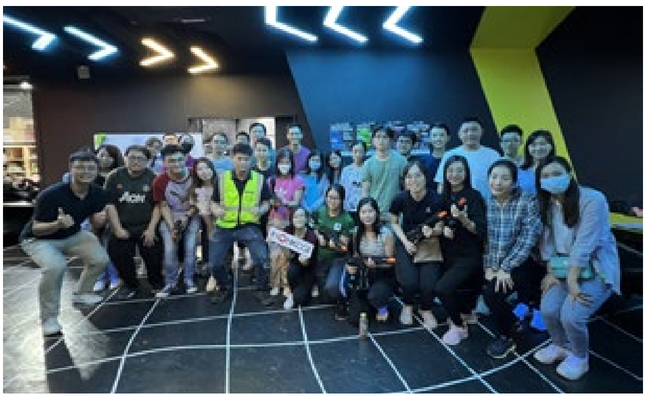
Membership activities: October 2023

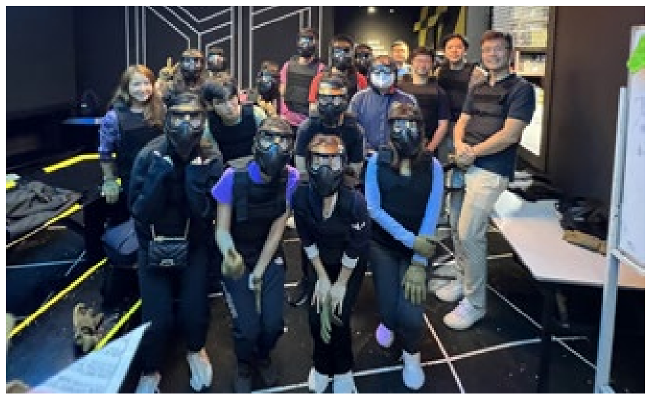
18 October

Cybersecurity awareness training 2023 (free webinar)

28 October

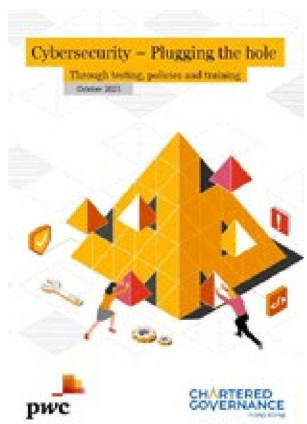
Joint professional indoor war game (coorganised with HKICPA and LSHK)





Advocacy

Cybersecurity – Plugging the hole through testing, policies and training



The Institute, in collaboration with PricewaterhouseCoopers Ltd (PwC), has issued a research report, titled 'Cybersecurity – Plugging the hole through testing, policies and training', based on a survey of more than 1,400 respondents. The report also outlined five imperatives to address any governance gaps and to manage risks in the digital ecosystem.

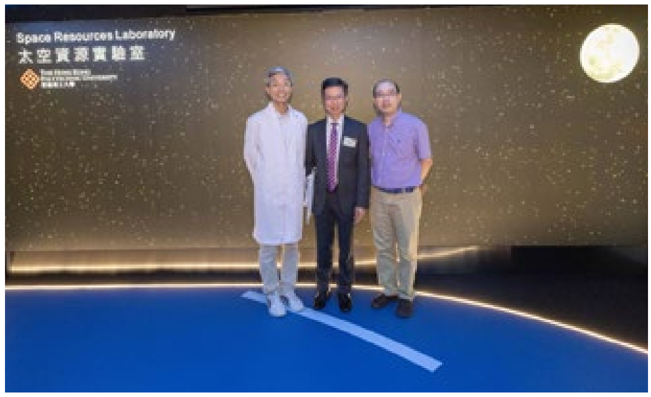
Institute President Ernest Lee FCG HKFCG(PE) stressed the importance of these imperatives as fundamental governance strategies for mitigating cyber risks.

The research report emphasises the importance of adopting a proactive approach to cybersecurity and highlights the key areas that organisations should focus on to enhance their cyber risk management capabilities.

Advocacy (continued)

Hong Kong Polytechnic University Foundation appreciation reception 2023

On 6 October 2023, Ernest Lee FCG HKFCG(PE), Institute President and Technical Partner, Deloitte China, attended the Hong Kong Polytechnic University Foundation appreciation reception 2023 as a distinguished guest.



Hong Kong Professionals and Senior Executives Association 17th anniversary dinner

On 18 September 2023, Ernest Lee FCG HKFCG(PE), Institute President and Technical Partner, Deloitte China, attended the Hong Kong Professionals and Senior Executives Association 17th anniversary dinner as a distinguished guest.

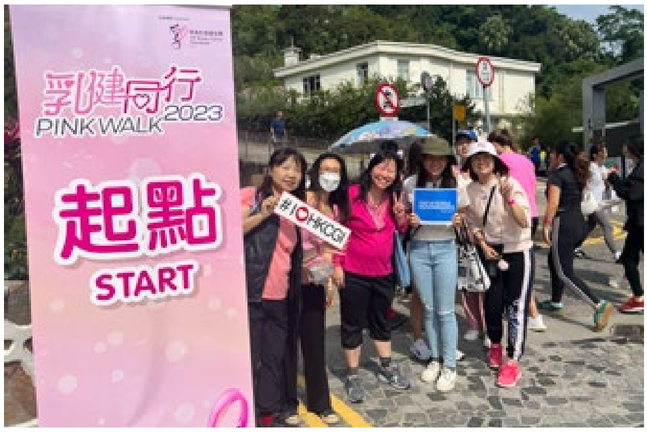
Understanding breast cancer – early detection saves lives

October was Breast Cancer Awareness Month, which aims to raise awareness of breast cancer. On 25 October 2023, the Institute collaborated with the Hong Kong Breast Cancer Foundation (HKBCF) and hosted a free webinar on breast health for our members, graduates and students. We would like to express our gratitude to Dr Yvonne Tsang, Specialist in General Surgery and an Honorary Medical Consultant for HKBCF, for sharing her expertise on breast health awareness and prevention.

Community service – Pink Walk 2023

On 15 October 2023, a total of 19 Institute members, graduates and students participated in the Pink Walk 2023 fundraising event, organised by the Hong Kong Breast Cancer Foundation (HKBCF). The Institute has always been a strong advocate for breast health. We are delighted that our members, graduates and students came together to contribute to this meaningful event and to help raise funds for the important work carried out by HKBCF. This annual charity walk was designed to raise funds for HKBCF's patient support, breast cancer screening, research and advocacy work, as well as to promote the importance of breast health and to increase public awareness of breast cancer.

The Institute would like to thank all members, graduates, students and colleagues who supported the Pink Walk 2023 event.



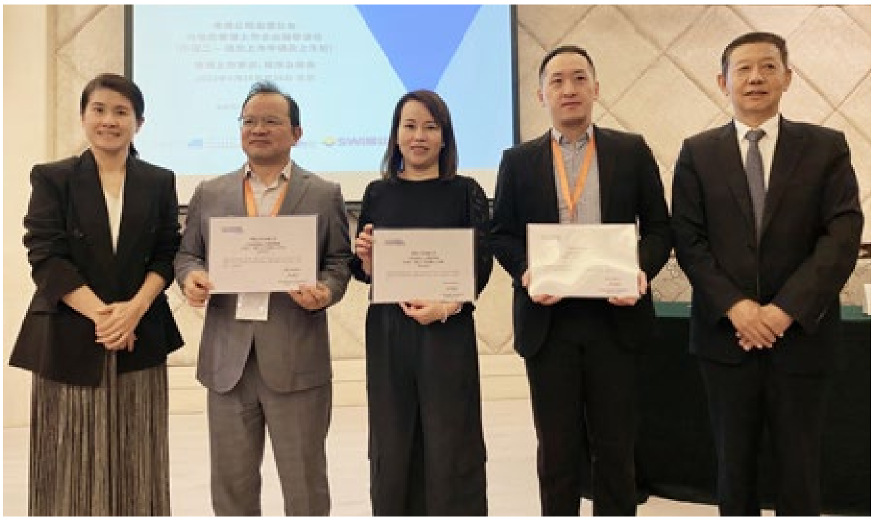
Dress Pink Day

Dress Pink Day is part of the Pink Revolution campaign advocated by the Hong Kong Cancer Fund (HKCF) to raise awareness and funds to support women with breast cancer. The Institute's Secretariat teams, in both the Hong Kong and Beijing offices, showed their support by making donations to HKCF and by dressing in pink on 27 October 2023.

The Institute would like to thank all members, graduates and students who responded to the call to support Dress Pink Day.

Advocacy (continued)

Seminar for companies planning to list in Hong Kong and the 71st Governance Professionals ECPD seminars



Following the March 2023 webinar for companies planning to list in Hong Kong, which focused on phase I – prior to submission of a listing application, the Institute held a second seminar, this time in Beijing on 25 and 26 September 2023, focusing on phase II – submission of a listing application and pre-listing. The seminar attracted over 40 attendees, mainly comprising board secretaries and equivalent personnel, CFOs, directors and other governance-related practitioners from companies planning to list in Hong Kong.

Institute Vice-President Dr Gao Wei FCG HKFCG(PE) delivered the welcome address. Dr Gao was then joined by Council member Tom Chau FCG HKFCG, along with other senior professionals and governance practitioners, to share their insights on the following topics:

- Hong Kong listing requirements, approach, procedures and key requirements of Chapter 18C
- corporate governance and compliance practices in the Hong Kong listing process
- essentials for the Hong Kong listing document submission (15 days before and after the submission of the A1 form):
    - practical highlights for the preparation of the first draft of the prospectus
    - Mainland and Hong Kong regulators' focus on the listing application to Hong Kong Exchanges and Clearing Ltd (HKEX)
    - valuation and profit forecast assumptions, and
    - impact of ESG disclosure on Hong Kong IPO applications, from new regulations to HKEX's optimisation of the ESG framework, focusing on the Climate Disclosure Consultation Paper
- control of the last key aspects of listing (before and after the hearing and listing):
    - interpretation of HKEX's listing examination focus and compliance highlights for applicants
    - post-hearing and pre-listing market campaign, and
    - document preparation for overseas listing filing and case analysis
- liability insurance arrangements for directors and officers of Hong Kong listed companies under the new circumstances, and
- experience sharing: the focus and practices of the second phase preparation for Mainland companies' listing application in Hong Kong.

The Institute would like to express its sincere appreciation to all speakers and sponsors, as well as to all participants, for their generous support and participation.

CGj goes paperless and eco-friendly from January 2024

At the Institute, we are committed to adopting sustainable practices and preserving the environment as one of our priorities. We must also modernise and upgrade our communications with our members, students and the wider community in this increasingly digitalised world.

In 2015, we launched the electronic version of *CGj*, our monthly journal, for all members, graduates and students. We are pleased to announce that as of 30 June 2023, 6,550 subscribers have already opted for the electronic version (e-CGj), instead of the print version. This is a significant milestone for the Institute and we appreciate your support in helping us become more environmentally friendly.

As part of our commitment to these values, from the beginning of January 2024, we will no longer provide physical copies of *CGj* to our members, graduates and students. Instead, the journal will be available on our new website and will be sent to our subscribers via email.

We sincerely value your unwavering support in helping to preserve the environment.

For enquiries, please contact the Membership Section: (852) 2881 6177, or email: member@hkcgi.org.hk.

Advocacy (continued)

The 72nd Governance Professionals ECPD seminars

The Institute held its 72nd Governance Professionals ECPD seminars from 13 to 15 September 2023 in Nanjing, Jiangsu Province, under the theme of ESG Reporting and Risk Management. This event attracted over 90 participants, mainly comprising board secretaries and equivalent personnel, CFOs, directors, supervisors and other senior management from companies listed or to-be-listed in Hong Kong and/or the Mainland.

Institute Vice-President Dr Gao Wei FCG HKFCG(PE) delivered the welcome address, after which 11 senior professionals and governance practitioners shared their insights on the following topics:

- corporate governance and compliance under the comprehensive registration-based listing regime
- ESG and climate disclosure practices
- Fitch ESG ratings introduction
- ESG insights – investor perspectives and best ESG practices
- design and implementation of equity incentive programmes under the enhanced ESG requirements
- experience sharing: Livzon Group's ESG management and compensation incentives appraisal
- enterprise investment and financing, and the risk management practices of financial decision-making
- digitalisation for corporate high-quality ESG development
- key factors in strengthening ESG performance of listed companies and enhancing ESG ratings, and
- group discussion: ESG responsibilities and practical focus for directors, CFOs and board secretaries.

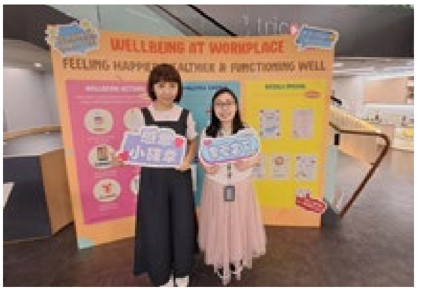
The Institute would like to express its sincere appreciation to all speakers and sponsors, as well as to all participants, for their generous support and participation.

Student Ambassadors Programme summer internship 2023

Earlier this year, the Institute invited companies and organisations to offer summer internship positions to undergraduates participating in its Student Ambassadors Programme (SAP), with the aim of providing them with the opportunity to experience the business operations and working environment of a governance professional, as well as to explore their future career paths.

This year, a total of 12 companies and organisations offered summer internship positions to the student ambassadors. The Institute would like to thank the following companies and organisations for their support of the programme, listed in alphabetical order.

- Annatto Consultancy Ltd
- Baker McKenzie
- Companies Registry
- CK Hutchison Holdings Ltd
- Foxtrot Partner Ltd
- Lenovo Group Ltd
- LT Business Consultants Ltd
- McCabe Secretarial Services Ltd
- MTR Corporation Ltd
- Reanda EFA Secretarial Ltd
- SWCS Corporate Services Group (Hong Kong) Ltd
- Tricor Services Ltd



Chartered Governance Qualifying Programme (CGQP)

November 2023 examination diet

Examination postponement application: REMINDER

Candidates who were unable to attend the scheduled CGQP November 2023 examinations may apply for an examination postponement by submitting a completed application form with a fee of HK$1,000 per module, along with a relevant medical certificate and/or supporting document(s). All applications must be submitted to the Institute on or before Thursday 21 December 2023.

Key dates

Key dates	Description
21 December 2023	Closing date for examination postponement applications
Late February 2024	Release of examination results
Late February 2024	Release of examination papers, mark schemes and examiners' reports
Mid-March 2024	Closing date for examination results review applications

Note: The Institute reserves the right to change the dates and details without prior notice.

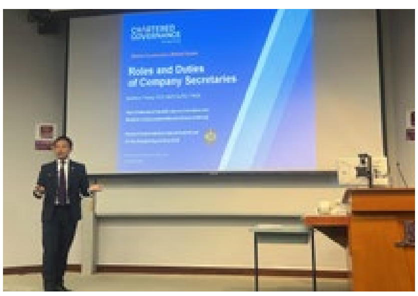
For details, please visit the Examinations page under the Chartered Governance Qualifying Programme subpage of the Studentship section of the Institute's website: www.hkcgi.org.hk.

For enquiries, please contact the Qualifications and Assessments Section: (852) 2830 6010, or email: exam@hkcgi.org.hk.

Studentship activities: October 2023

10 October

Career talk at The Chinese University of Hong Kong



Forthcoming studentship activities

Date	Time	Event
20 January 2024	3.30pm–6.30pm	Student Ambassadors Programme: T · PARK guided tour

For details of forthcoming studentship activities, please visit the News & Events section of the Institute's website: www.hkcgi.org.hk.

Notice

Recruitment of CGQP examiners/reviewers

The Institute is now seeking experts who are willing to contribute to and uphold the standards of the Institute's qualifying programme as examiners/reviewers for the CGQP examinations. Interested parties are invited to send your full resume to exam@hkcgi.org.hk. Please quote 'QA_2023' and indicate the module(s) that you are interested in on or before 31 December 2023.

Role of examiners/reviewers:

- prepare and review examination papers and mark schemes
- mark and review examination answer scripts
- submit examiners/reviewers report
- attend group review meetings and panel meetings, and
- provide advice and updates to the syllabus content, study materials and recommended reading list.

Requirements for examiners/reviewers:

- sound working knowledge and experience of the module subject matter
- experience in setting a post-graduate level of examination paper and in marking answer scripts
- relevant academic and/or professional qualifications in the module subject matter, and
- being a member of the Institute and CGI is an advantage.

For enquiries, please contact the Qualifications and Assessments Section: (852) 2830 6015, or email: exam@hkcgi.org.hk.

Featured job openings

Company name	Position
Equiom Corporate Services (Hong Kong) Ltd	Assistant Manager - Corporate Services
The Hong Kong Chartered Governance Institute	Senior Officer/Officer, Marketing and Communications (Ref: MKT 2023-04)

For details of job openings, please visit the Job Openings for Governance Professionals section of the Institute's website: www.hkcgi.org.hk.

GEM listing reform

Hong Kong Exchanges and Clearing Ltd (HKEX) has put forward proposals to reform its GEM board (formerly known as the Growth Enterprise Market), Hong Kong's second board for small and medium-sized enterprises (SMEs). The proposals come in the wake of concerns about the viability of the GEM board, with low trading volumes and IPO activity.

The HKEX proposals, published in a consultation paper on 26 September this year, include:

- a new eligibility test targeting high-growth enterprises that are heavily engaged in research and development activities
- a new transfer mechanism to enable GEM issuers to transfer to the Main Board without needing to appoint a sponsor or produce a 'prospectus-standard' listing document, and
- the removal of mandatory quarterly reporting requirements.

HKEX hopes that the proposed reforms will revitalise the GEM board, while maintaining market confidence and investor protection standards.

More information is available on the HKEX website: www.hkex.com.hk.

Reciprocal recognition and enforcement of judgments

A new ordinance allowing for the reciprocal recognition and enforcement of judgments in civil and commercial matters by the courts of the Mainland and of the HKSAR will come into force on 29 January 2024. To complement the operation of the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (the Ordinance), the Chief Judge of the High Court has included, under Section 35 of the Ordinance, a new set of Rules covering matters including the practices and procedures relating to applications under the Ordinance, the execution of registered judgments and the fees payable.

The HKSAR Government hopes that the Ordinance and the Rules will establish a more comprehensive mechanism for reciprocal enforcement of judgments in civil and commercial matters between Hong Kong and the Mainland, thereby reducing the need for re-litigation of the same disputes in both places and offering better protection of the parties' interests. The Department of Justice (DoJ) of the government of Hong Kong conducted a public consultation on the draft Rules and draft Bill between December 2021 and January 2022.

More information is available on the DoJ's website: www.doj.gov.hk.

New climate disclosure rules delayed

HKEX announced on 3 November 2023 that the implementation date of the Listing Rule amendments on mandatory climate disclosure will be postponed to 1 January 2025. In April 2023, HKEX published a consultation paper seeking market feedback on proposals to enhance climate-related disclosures under its ESG framework, with a proposed implementation date of 1 January 2024.

The proposals were informed by the IFRS S2 Climate-related Disclosures (ISSB Climate Standard) exposure draft published by the International Sustainability Standards Board (ISSB) and their subsequent deliberations. The Exchange stated that it would take into account the final ISSB Climate Standard when finalising the Listing Rule amendments.

In June 2023, the ISSB published the final IFRS Sustainability Disclosure Standards. The ISSB has further indicated that an adoption guide (ISSB Adoption Guide) will be published to support jurisdictional regulators to help them in their implementation considerations, and to advise on scalability and phasing-in measures for the application of the ISSB standards. The ISSB Adoption Guide is expected to be available before the end of 2023.

HKEX intends to take into account the recommended approaches on the scaling and phasing-in of requirements available under the ISSB Adoption Guide when finalising the Listing Rule amendments.

More information is available on the HKEX website: www.hkex.com.hk.

SFC update

SFC and CSRC hold a high-level enforcement cooperation meeting and a joint training event

In November 2023, the Securities and Futures Commission (SFC) and the China Securities Regulatory Commission (CSRC) held their 15th regular high-level meeting on enforcement cooperation and a three-day joint training event in Chengdu. This was the first in-person meeting between the current enforcement heads of the SFC and the CSRC, and the first in-person joint training between the two enforcement units, since the Covid pandemic.

A number of key issues relating to cross-border enforcement cooperation were discussed, including the sharing of investigation progress on important cases involving cross-border investigatory assistance with a view to facilitating cooperation, and the sharing of experience in anti–money laundering related work.

SFC holds its inaugural Forum on Sustainability Disclosures

In November 2023, the SFC held its inaugural Forum on Sustainability Disclosures to gather market views on developing a sustainability disclosure ecosystem for Hong Kong, and to build industry preparedness and awareness of sustainability reporting in line with international standards.

The forum focused on the benefits and challenges of adopting international sustainability reporting and assurance standards locally. The panellists explored how disclosures aligned with those of the International Sustainability Standards Board enable market participants to capture enormous fund-raising opportunities and underscored the need for increased public–private partnerships to address data gaps. In addition, they highlighted the importance of leveraging technology to meet regulatory expectations, address reporting challenges, and enhance efficiency and transparency.

SFC, ICAC and AFRC conduct first tripartite operation

In October 2023, the SFC, the Independent Commission Against Corruption (ICAC) and the Accounting and Financial Reporting Council (AFRC) conducted their first tripartite operation involving two Hong Kong–listed companies on suspicion that they falsified corporate transactions totalling HK$193 million. The joint operation was conducted under the arrangement of the Memoranda of Understanding signed by the SFC with the ICAC and the AFRC, respectively.

A total of 16 premises were jointly searched by the three agencies. In the joint operation, three persons, including an executive director of a listed company, were arrested by the ICAC for suspected offences under the Prevention of Bribery Ordinance. The suspected fictitious transactions were uncovered during the course of a joint SFC–ICAC operation against a suspected ramp-and-dump syndicate.

SFC consults on market sounding guidelines

The SFC proposes new guidelines on market soundings (the communication of information to investors prior to the announcement of a capital market transaction in order to sound out the interest of the markets). The proposed guidelines would provide clarity on regulatory expectations and assist intermediaries to conduct their business activities honestly, fairly and in the best interests of their clients, as well as the integrity of the market, during market soundings.

In October 2023, the SFC launched a consultation setting out its proposals. Intermediaries would have to implement robust governance and effective policies and internal control procedures to prevent the misuse and leakage of non-public information they are entrusted with during market soundings, keep records of their market soundings and follow specific requirements based on their roles, whether as sell-side or buy-side intermediaries.

More information is available on the SFC website: www.sfc.hk.