

CSj

May 2013

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The journal of The Hong Kong
Institute of Chartered Secretaries

香港特許秘書公會會刊



Automation

Meet the cyborg
company secretary

Board portals

Cultural diversity

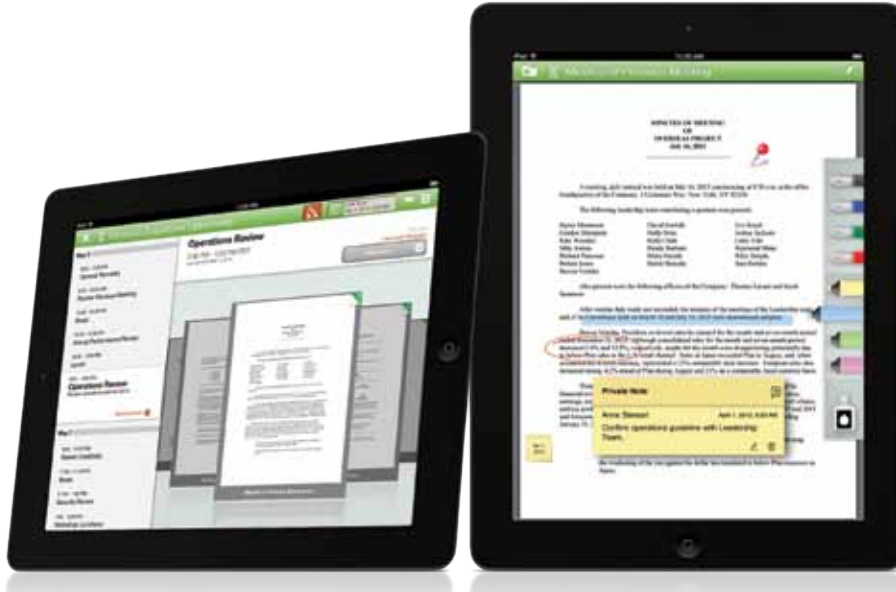
Peer to Peer interview



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

The HKICS was first established in 1949 as an association of Hong Kong members of the Institute of Chartered Secretaries and Administrators (ICSA) of London. It became a branch of ICSA in 1990 before gaining local status in 1994, and today has about 5,700 members and approximately 3,200 students.

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May 2013

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中国经济迅速发展三十年后，是否已成强弩之末？日本过去二十年长期处于极低增长的状态，中国是否也会面临同样困境？上海复旦大学经济学教授兼中国经济研究中心主任张军表示，中国可以维持增长势头，但经济体制必须经历制度上的改革。

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Cyber utopia?

Technology has been good to company secretaries. Company secretarial software in conjunction with some pretty smart hardware can make tasks such as statutory filing, board support and corporate record-keeping significantly more efficient and, I should add, a lot less tedious.

But before you get too comfortable with the idea of sitting back and watching your computer send out meeting reminders and sort through realms of corporate data, it is worth bearing in mind that robots would not actually make very good company secretaries. Sure enough, they are excellent at generating alerts about compliance deadlines, but the most important company secretarial tasks require the services of a living, breathing and properly qualified human being.

The first cover story this month (see pages 8–12) takes a look at how deeply technology has become a part of company secretarial work, highlighting many of the tools which have become indispensable for practitioners. The article also looks, however, at the limits of technology. There is always the possibility of human error when data is uploaded. Moreover, while a sophisticated electronic records management system can help company secretarial departments maintain an efficient record keeping

system, someone still needs to decide what stays and what goes. This requires a judgement call based on the relevant legal requirements about record keeping and e-discovery.

An even better example is the current 'big issue' for company secretaries in Hong Kong – price-sensitive information (PSI) disclosure. Technology has many ways to help company secretaries ensure the confidentiality of PSI and keep track of the timing of disclosures, etc, but deciding what actually constitutes PSI is a judgement call, and often not an easy one at that. Companies cannot refer to the Securities and Futures Ordinance alone in deciding what constitutes PSI, the decision needs to be based on a great many factors, including stakeholder expectations. Not a decision, again, for a robot.

There can be little doubt that the growing sophistication of the company secretarial toolkit has served our profession very well. In my view, however, this is not only because it has made the execution of many administrative tasks more efficient, but because this efficiency has enabled practitioners to spend more time on the really challenging aspects of the role, such as giving considered advice about regulatory compliance and corporate governance to the board.

This edition of *CSj* also has an international flavour. Stuart Crosby, Chief Executive Officer, Computershare Ltd – our In Profile interviewee this month – reminds us with a humorous twist that global cultural differences can catch us out where we least expect them to (see pages 22–26). He also highlights the significant differences in the basic corporate governance infrastructure of companies around the world – how they are set up, how their governing bodies are structured, etc.

This interview, along with the Peer to Peer interview (see pages 28–32) which gives us a glimpse of the challenges and rewards of the work of our peers in Kazakhstan, confirms that the great diversity of approaches to corporate governance around the world, together with the cultural diversity between jurisdictions, can be seen as a strength rather than as a weakness.

A handwritten signature in black ink, appearing to read 'Edith Shih', with a long horizontal flourish extending to the right.

Edith Shih *FCIS FCS(PE)*

网上的乌托邦？

科技为公司秘书带来了方便。有了公司秘书软件，配合智能式的计算机硬件，使填写和提交法定报表、为董事会提供支援和保存公司档案等工作效率大增，而且变得没有那么沉闷。

不过，不要把坐在办公桌前，看着电脑发出开会提示和整理大量公司数据看得太轻松，必须紧记这是机械人也能做到的工作，而只会做机械式的工作不算很好的公司秘书。当然，在提示我们各项合规工作的限期方面，电脑做得很好，但是最重要的公司秘书职责，需要由有血有肉、具备所需资格的人来担负。

今期的封面故事（第8至12页）分析科技与公司秘书工作密不可分的现象，其中不少已成为从业员不可或缺的工具。文章同时探讨科技的限制；在输入数据时，总有人为出错的机会。此外，先进的电子档案管理系统有助公司秘书部门维持有效率的档案保存制度，可是还得有人决定哪些纪录须予保存。这有赖公司秘书根据保存档案和电子取证的相关法律要求，再作出判断。

另一个更好的例子，是香港公司秘书面对的重要课题－股价敏感资料的披露。科技有许多方法帮助公司秘书确保股价敏感资料保密，留意披露时间等，但是决定哪些是股价敏感资料，却牵涉判断力，而且往往并不容易。公司不能单凭《证券及期货条例》的条文便能决定哪些是股价敏感资料，还得考虑许多因素，包括各利益相关人士的期望。同样，这不是机械人能作的决定。

毫无疑问，公司秘书工具日益精密，为公司秘书专业人员提供很大帮助。可是，我认为工具的作用不仅在于提升许多行政工作的效率，更在于效率提升后，从业员有更多时间处理挑战性更大的公司秘书工作，例如就合规及公司治理的范畴适当地为董事会提供意见。

本刊今期还带点国际特色。Computershare Ltd行政总裁Stuart Crosby是今期的专访人物，他以轻松幽默的语调提醒我们，各国的不同文化，会出奇不意地把我们杀个措手不及（见第22至26页）。他也介绍世界各地公司治理基本架构的主要分别，

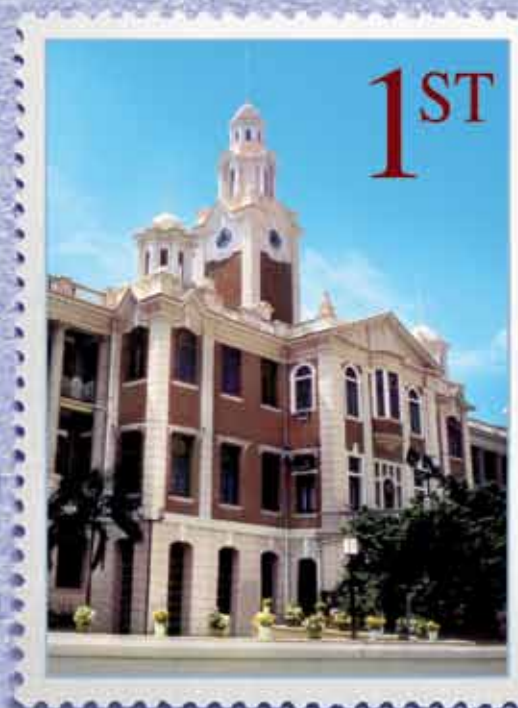
包括治理架构如何设立、管治组织的结构等。

哈萨克斯坦同业的访问（见第28至32页），让我们了解当地公司秘书工作的苦与乐。这个访问和Stuart Crosby的专访，正好说明世界各地不同的公司治理手法，以及文化上的多元化，实在是优点而非缺点。



施熙德

A global collaboration for local potential



倫敦大學國際課程，香港大學專業進修學院，
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London U

搜尋

Ask the Expert

If you would like to ask our experts a question, please contact CSj Editor Kieran Colvert: kieran@ninehillsmmedia.com

Q: *My company's annual general meeting (AGM) is scheduled to be held in June. If typhoon signal number eight is hoisted on the day of our AGM, what should we do?*

A: It is always recommended to have contingency plans in place for typhoons or adverse weather. Companies should also outline these arrangements in their meeting announcement or circular, in advance. This will minimise confusion and uncertainty to people intending to attend the meetings.

The Hong Kong AGM season which runs from mid-April to late June coincides with the local typhoon season. It is therefore prudent for you to have contingency plans in case you are unable to conduct your AGM on the scheduled day due to a typhoon or other adverse weather condition.

The Hong Kong Exchanges and Clearing's (HKEx) *Guide on General Meetings* includes the following guidelines for issuers (see section 2.4): 'Issuers, particularly those whose general meeting is held in typhoon or heavy rainfall seasons, should include arrangements, for example, setting a hotline, for a typhoon or black rainstorm in their announcement or circular ... and be aware of the need to issue an announcement ... when it is anticipated that the general meeting may be affected by a typhoon or a black rainstorm.'

In deciding whether to hold an AGM as planned, an issuer needs to consider the entity's quorum requirement,

Computershare

safety of attendees and whether company directors and major shareholders are able to attend. If the issuer decides to adjourn the AGM, it needs to consider whether a suitable venue is available and the cost implications. If the AGM is to be adjourned, the issuer must inform its shareholders and the market through a public announcement immediately after the meeting (see the HKEx *Guide on General Meetings*, section 6.6).

Below are examples of announcements for an adjournment prior to meeting commencement (see A below) and an adjournment of meeting (see B below).

When scheduling the adjournment, the issuer should always refer to the provisions of its Articles of Association to ascertain whether notice of the adjourned meeting is required to be provided to shareholders as in the case of the original meeting. For example, companies that adopt Table A of the Hong Kong Companies Ordinance should note that Article 59 requires notice to be given if the adjournment is 30 days or longer.

*Lina Wynn, Head of Client Services
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A. Forecast of adverse weather

POSSIBLE ADJOURNMENT OF ANNUAL GENERAL MEETING

Due to the forecast of adverse weather by the Hong Kong Observatory, the [insert company name] AGM which is scheduled to be held at [time and date] will be adjourned if there is:

1. a tropical cyclone warning signal number eight or above; or
2. a black rainstorm warning
(i) already in force in Hong Kong as at local time [a prescribed time and date], or
(ii) in force in Hong Kong at any local time between the period after [time] and [time] on [AGM date].

If the AGM adjourns, it will be rescheduled at [venue] at [new time and date] in accordance with Article [number] of the Articles of Association of the Company.

Instruments of proxy deposited with the Company for the purposes of the AGM will remain valid for the AGM to be held on [new date].

B. Meeting adjourned due to adverse weather

ADJOURNMENT OF ANNUAL GENERAL MEETING

The Board announces that the AGM originally scheduled to be convened at [time] on [date] was adjourned due to adverse weather. The adjourned AGM will be held at [new time and date] at [venue].

Instruments of proxy deposited with the Company for the purposes of the AGM will remain valid for the AGM to be held on [new date].

Your chance to ask the expert...

CSj's 'Ask the Expert' column provides you with the opportunity to ask our experts questions specific to the challenges you are facing. To ask a question of our experts, simply email CSj Editor Kieran Colvert at: kieran@ninehillsmmedia.com.

Please note that the identity and contact details of questioners will be kept confidential. If you would like information about how your company can join our expert panel then please contact Paul Davis at: paul@ninehillsmmedia.com, or telephone: +852 2982 0559.



Automation

Meet the cyborg company secretary

While technology has transformed many aspects of the company secretary role, fear not, you are not about to be replaced by a machine anytime soon. This month *CSj* looks at where automation is, and where it is most definitely not, prescribed for today's tech savvy company secretary.

The concept of 'automation' does not generally get a very good press, mainly because of our understandable discomfort at the idea of being replaced by machines. While this threat was a very real one for, famously, skilled textile artisans replaced by the new machines brought in by textile mills in the UK in the early years of the 19th century (the archetypal 'technophobes' otherwise known as the luddites) automation also has a less menacing face. At its best, automation means getting machines to do what they do best in order to leave human beings more time to concentrate on the tasks a machine wouldn't have a hope of completing.

This makes a lot of sense for company secretaries whose functions encompass many tasks where assistance from the right hardware and software is now indispensable (such as organising meetings and keeping company records) and tasks where they have to rely on their own on-board computer (such as advising directors on corporate governance). This article will look at some of the increasingly sophisticated tools company secretaries can utilise to help them with their administrative functions, while also highlighting the limits of that technology

– namely, where company secretaries need to think for themselves.

Utopia delayed?

In theory, if some of the more enthusiastic claims of company secretarial software vendors are to be believed, much of the 'back office' work of company secretarial teams can at least partially be automated. Company secretaries have the option of creating automatic reminders and alerts for filing dates. Forms can be pre-populated with the necessary information, requiring only a review and appropriate electronic-signatures for completion. Company secretaries' regulatory compliance tasks can be monitored and tracked. The need to provide corporate

information and documents separately to specific departments can also be removed by a centralised, secure records archive.

This may be the theory but the automated and paperless company secretarial department is not as common in Hong Kong as you might expect. Hong Kong's affinity for paper records has meant that the adoption rate of electronic records management (ERM) and automation processes has been slower than in other major international centres. Ron Lesh, Managing Director of BGL Corporate Solutions, says that the 'fixation with paper is deep in Hong Kong. In Australia, the UK and many other places, fully automated systems are used to lodge

Highlights

- much of the 'back office' work of company secretarial teams can now at least partially be automated
- the adoption rate of electronic records management and automation processes has been slower in Hong Kong than in other major international centres
- the growing sophistication of the company secretarial toolkit can enable practitioners to spend more time on the really challenging aspects of the role, such as providing corporate governance advice to the board



“ automation means getting machines to do what they do best in order to leave human beings more time to concentrate on the tasks a machine wouldn't have a hope of completing ”

documents with the regulator, but in Hong Kong company secretaries still seem to prefer to lodge on paper!

This reluctance to move to ERM systems was also noted by the Companies Registry when it launched its e-incorporation service in March 2011 (see 'No more paperwork? e-incorporation, one year on' in the April 2012 edition of CSj). The roll out of the service was particularly welcome to company secretaries who are major users of the service as it permitted both a reduction in the paperwork involved and the time needed to process incorporations (from four days to, potentially, less than one hour). By the end of the first year, however, only 11 percent of incorporations were processed using the digital route.

Mary Defrenchi, Executive Vice-President of Sales and Accounts for BoardVantage, maintains that the long-term trend for the adoption of ERM in Hong Kong is in the right direction. 'It's all part of a greater educational process. People are comfortable and familiar with their books, so it's more of a process change. You

have to use it yourself to see how easy it is. There are benefits to ERM – and we believe it is ultimately better than the paper process. If you are moving from a paper-based environment in finance for instance, you might want to use the original accounting documents. We provide familiar tools so people are updating Word and PowerPoint files. So the processes are the same, but materials are all distributed electronically.'

She notes that board portal products, which offer digital rather than paper board books, are becoming more prevalent. 'We've seen an increase over the past 12 months due to the iPad. The systems are becoming mainstream. So many people have iPads and mobile devices as personal items that the adoption rate of electronic records has gone up.'

Why change?

The main advantage of ERM systems for company secretaries is that the technology adds functionality, including board content control, document collation (for individual browsers), content review for legal approval, vote and results tallies,

and written consents for board actions. This can make a lot of the repetitive and labour-intensive aspects of the company secretary's administrative tasks more efficient – automatically generating the correct forms, minutes and resolutions for companies, based on the business' jurisdiction's regulatory requirements.

'If a document needs to be filed, the software can create the document, distribute it through the portal, provide digital signing for the board and then lodge the document directly with the Companies Registry,' says Ron Lesh. 'The software handles everything; it ensures the required documents are prepared, it posts reminders to make sure documents are signed and it reminds the company secretary to lodge documents on time. Our software produces automated email reminders as well as lists of documents that need to be lodged. It was originally designed so people with limited knowledge of corporate work would have the materials to make their lives easier.'

A second advantage of ERM technology is added security. This is a priority issue for

corporate boards and company secretaries, as well as for software companies providing ERM services. Records management technology has devised a number of security enhancements in recent years including the ability to control the access rights for different categories of people to files and records depending on their security classification.

This means that company secretaries can determine what information should be accessible by the CFO, CEO or company secretary but remain locked to other board colleagues, and also what level of interaction with the material should be permitted – that is, whether it can be reviewed, noted, commented upon and saved as a shared document with trackability. Also, digital signatures are designed to ensure security while providing audit records for compliance and legal purposes.

'With tech systems like board portals, the general counsel can retain information within the portal, or you can have a couple of different administrators. You may have the CFO's office uploading information or doing evaluations – but who sees the information depends on the permissions module,' says Mary Difrenchi.

Are you ready for the cloud?

Cloud services – the provision of computing resources delivered via the internet – are becoming increasingly popular, although the loss of physical custody of data stored on the cloud is still a major concern. Corporations need certainty that records are secure, but also accessible and comprehensive for audits and discovery purposes.

Many jurisdictions impose criminal penalties for document destruction

and alteration, which effectively puts companies on alert regarding their document and records management. Electronically stored documents must live up to the same standard of discoverability as paper ones, and emails, instant messages and other forms of electronic correspondence are under the microscope.

'With our system, diligence on maintaining records is kept,' says Mary Difrenchi. 'But board directors are (rightfully) worried about notes that they make for board meetings in the event they lose their mobile device. With our portal, that information can be wiped from the device because it is made in an environment where it can be controlled to delete or wipe out information on stolen devices.'

With the explosion of new device choices, the need for mobile access is expected to continue its rapid pace and may ultimately become the primary interface for accessing data and applications. Software companies are working to ensure these new interfaces are still secure. 'The general counsel can retain the information within the portal, but a director can remove notes that are made to a meeting... and store that information for discovery at a later date.' As a result, confidential information remains confidential, says Mary Difrenchi.

Many companies remain hesitant to store sensitive data outside their own vaults, however. 'Our clients don't use cloud services,' says Mary Difrenchi. 'With the cloud the client has no control over where information resides. Our solutions are stored on the premises where the client maintains their own firewalls and security environment. In Asia Pacific, we have a combination of clients who are keeping

data on their own servers and others keeping their data on BoardVantage's portal. We now have a data centre in Singapore to eliminate concerns of national interests.'

BGL Corporate Solutions also offers web-based services, says Ron Lesh, but most Hong Kong clients haven't expressed a desire to adopt an offsite storage solution as yet.

Best practices for ERM and software management

Tech-savvy administrators and corporate secretaries should revisit and review their processes and software systems to:

- evaluate current tools for how they can be better used to improve business processes
- keep abreast of business operations, for instance consider mobility needs and compliance and look for solutions that best suit a mobile environment
- tell software and technology suppliers what you need and request process enhancements – good suppliers can also suggest best practices to improve processes, and
- figure out what your peers are doing – society meetings and conferences offer forums to learn about new technologies and better processes.



“
fixation with
paper is deep
in Hong Kong
”

A trip down the memory hole

ERM is hardly new. From the moment companies started using floppy discs to save documents, records were being stored electronically. Hong Kong, however, has been slower than other jurisdictions to embrace the many benefits of electronic, automated systems for storage partly because the Hong Kong government itself hasn't defined – or adopted – a comprehensive records management system.

In 2011, the Hong Kong NGO Civic Exchange released *The Memory Hole: Why Hong Kong Needs an Archives Law* by Christine Loh and Nick Frisch. The report discussed the Hong Kong government's failure to provide a records management archive. 'The HKSARG's archives and records policy, in many aspects, falls short when measured against the standards and practices of some private-sector businesses, international practices, and it cannot even compare to the many bureaus and departments of the HKSAR,' say the authors.

The private sector standard is much higher than the Hong Kong government's with regards to document retention and

disposal. Civic Exchange notes that the Securities and Futures (Keeping of Records) Rules require records retention from two to seven years. The Companies Ordinance imposes sanctions such as 'imprisonment and a fine' to any person who 'conceals, destroys mutilates, or falsifies' or 'parts with' a company document. The Merchant Shipping (Registration) Ordinance, the Electronic Transactions Ordinance and the Trustee Ordinance, all require document retention in industry-specialised and sensitive areas of business conduct.

Whereas the report authors note: 'Hong Kong's public sector is the city's largest employer, and exercises more influence over the everyday lives of the Hong Kong public than any other, yet its records are not subject to similar strictures.' Given the government's slow adaptation to archival records management, is it any wonder that some Hong Kong corporations may be lagging in their own adoption of ERM systems?

The limits of technology

Fears that technology will make jobs redundant have been around for quite some time and certainly, in theory at least, ERM and electronic data systems tools should be capable of running themselves, or being run by relatively junior staff. But it is unrealistic to expect company secretaries to be replaced by robots just yet. However sophisticated ERM technology becomes, the important decisions need to be made by a properly qualified and experienced individual.

'Our system is client specific,' says Mary Difrenchi, 'and the limitations on the

system are human. We have all the features available for a company secretary to do their board work from beginning to end. They just need to decide how to use it.'

For over two decades, this journal has tracked the way perceptions of the company secretary's role have changed both in Hong Kong and globally. There has been a steady shift in emphasis away from administrative functions of the role and towards top-level duties such as advising directors on corporate governance. One driver for this trend has been the increasing focus on the importance of good corporate governance and the suitability of company secretaries to serve as companies' *de facto* corporate governance officers. Another, perhaps less recognised, driver has been the advancing automation of company secretaries' 'back office' functions since this has highlighted where company secretaries add most value to companies.

As Edith Shih points out in this month's President's Message, the growing sophistication of the company secretarial toolkit has served the profession well. 'In my view, however, this is not only because it has made the execution of many administrative tasks more efficient, but because this efficiency has enabled practitioners to spend more time on the really challenging aspects of the role, such as giving considered advice about regulatory compliance and corporate governance to the board,' she said.

Gina Miller
Journalist

The Civic Exchange report 'The Memory Hole: Why Hong Kong Needs an Archives Law' can be accessed on the Civic Exchange website: www.civic-exchange.org.

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Securing the board

The risks and rewards of cloud-based communication

Compliance practitioners and company secretaries who have an influence over their organisation's board communication practices will inevitably have considered the possibility of moving to a board portal platform. Board portals entail great potential for secure and cost-effective access to documents, suggests Nathan Lynch, Head Regulatory Analyst, Australasia, Thomson Reuters GRC, but there are still security issues to be managed.

Board portals are a growth area. They allow board members to communicate securely and collaboratively, and to share documents across a range of devices, including tablets and mobile telephones. While these software tools promise significant benefits for boards, and for governance, risk and compliance teams, they also present a number of possible pitfalls for the unwary.

The main issue is information security. Organisations that move to an electronic communication portal are inevitably seeking a more efficient and more secure way to share documents between board members. While the move to a cloud-based system offers significant benefits in terms of cost and accessibility, it also means that organisations need to

conduct their own due diligence and make sure that their provider has appropriate controls in place.

According to Cameron Abbott, a Partner specialising in technology and privacy law at K&L Gates, there are myriad reasons why an organisation would want to move to a cloud-based board portal. He said some of the vital challenges for organisations today include board members who travel frequently, sit on numerous boards and need to have access to board documents from various devices and working sites. Old paper-based communication methods do not have the flexibility and sophistication that they require.

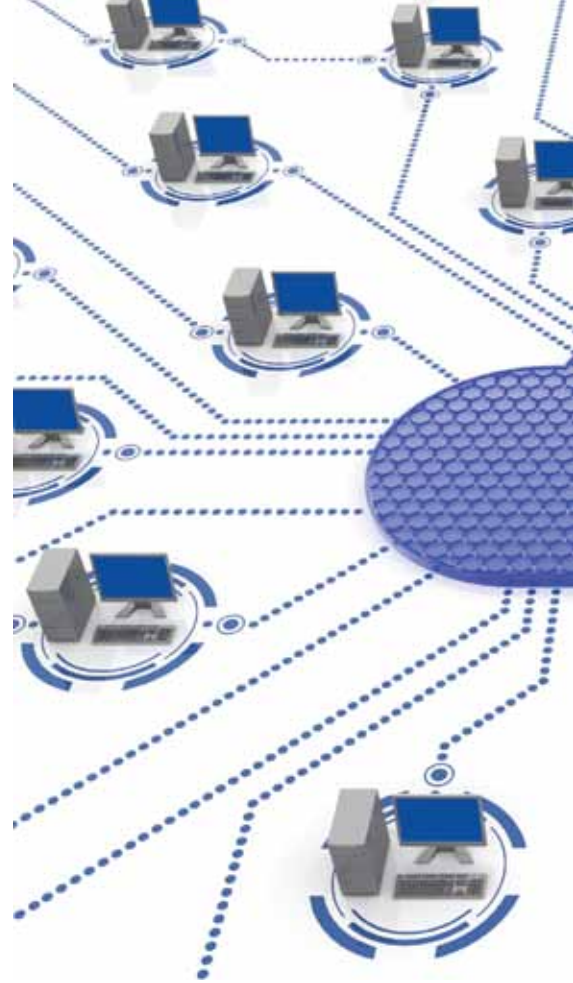
On the other hand, Abbott said some organisations, particularly those in the

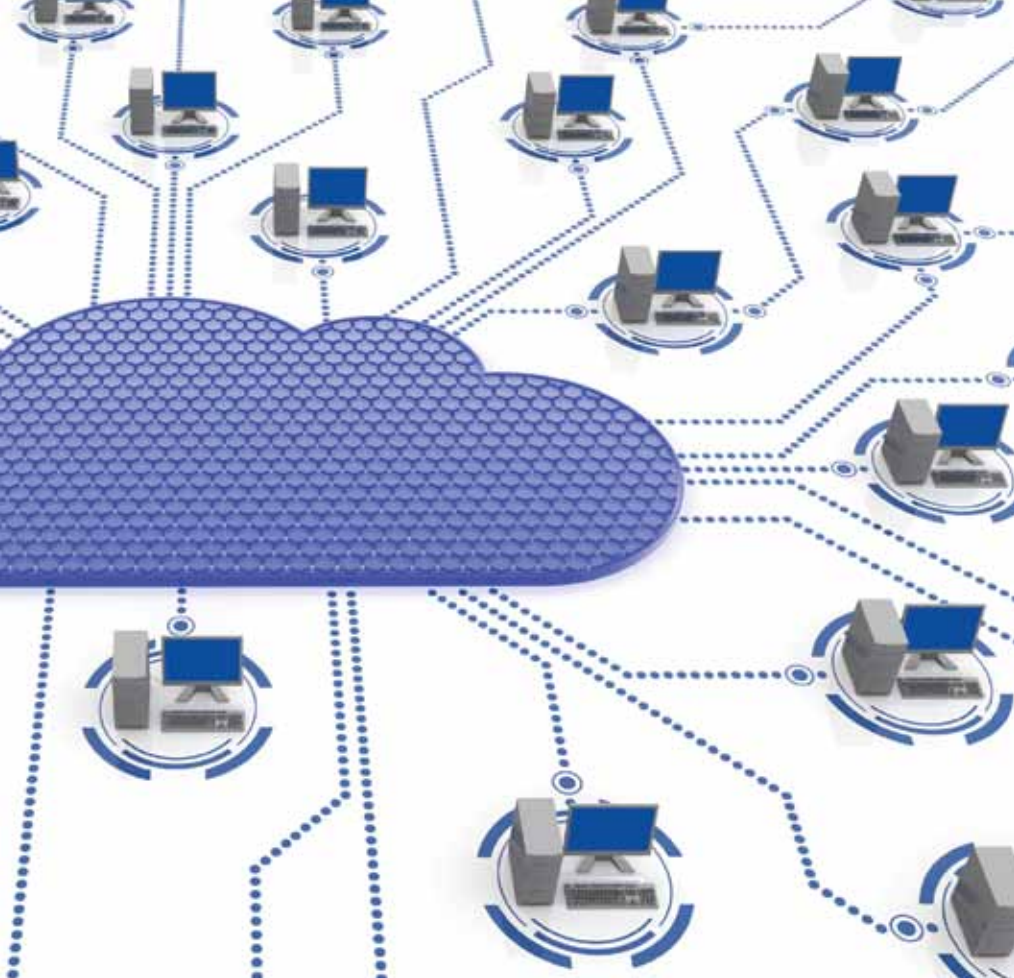
public sector, were reluctant to be seen as 'early adopters' in this area. Organisations typically wanted to embrace change without blazing a trail, he said.

'We had one public sector client that didn't give much thought to using a cloud programme, until they were congratulated on being so brave to be the first one to do this,' Abbott said.

'This caused them to worry that maybe board portals weren't an appropriate product for public-sector bodies. They had to have a think about whether they wanted to be so "brave". We talked them through all of the issues and helped them negotiate a very favourable agreement with a provider that gave them enough protections that they now felt safe using the product.'

A cloud-based storage solution is essentially an internet-based facility operated by a third-party provider who hosts the services on its off-site servers. Depending on the provider these may





“ the chief concern is the security risk of sending extremely sensitive information outside the organisation and ‘into the cloud’ ”

be located either offshore or within your local jurisdiction. The ‘industry standout’ applications offer iPad support, offline access to board book materials, handwritten note-taking ability, 24/7 customer support and secure data and encryption.

Main benefits

Boards that move in this direction are typically trying to take advantage of three main benefits: reduced costs (pay for what you use, and avoid the capital expenditure of building a system), flexibility (use it anytime, anywhere in the world) and ease of deployment (cloud-based solutions can be rolled out immediately). They are also often taking the view that a specialist provider will have better security procedures in place than they can roll out ‘in house’. This is especially true for small to medium-sized organisations.

Some of the key facilities that board portals allow include:

- access control (who can see what)
- version control (updates or amendments to papers), and
- annotation capabilities.
- online and offline functionality
- confidential email functionality with ability to delete emails
- ring-fenced security, and
- permission-based access to materials.

They also typically allow the administrators to purge documents, annotations and highlights remotely, which can be extremely important from a risk management and compliance perspective. Any notes can generally be private or shared across the board and electronic signatures are usually supported. The most feature-rich platforms allow:

Highlights

- board portals entail great potential for secure and cost-effective access to documents, but there are still security issues to be managed
- while companies still have reservations about cloud-based systems, many still use email to distribute sensitive documents, which is even more insecure
- security concerns with cloud access are very real, but not insurmountable

The chief concern is the security risk of sending extremely sensitive information outside the organisation and ‘into the cloud’. Despite these concerns, research by Thomson Reuters in 2012 (*Meeting expectations of board governance*:

“
People might say that they have reservations about using a cloud-based storage system. The problem is, if they're mailing to a web-based email account then they are already using a cloud-based solution, it's just a really bad one.
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board oversight, communications and technology in a global landscape, available online at: <http://accelus.thomsonreuters.com/content/meetingexpectations-board-governance>) found that three-quarters of businesses were already emailing sensitive board documents to board members using non-secure email platforms, such as Hotmail or Gmail accounts. Only 24 per cent of respondents said they never sent documents to 'private, non-commercial addresses'. Almost half said they did not encrypt their communications.

Abbott said that many organisations were bumbling their way through the electronic era without having a comprehensive strategy or sophisticated solution in place to manage their risk.

'People might say that they have reservations about using a cloud-based storage system. The problem is, if they're mailing to a web-based email account then they are already using a cloud-based solution, it's just a really bad one,' he said. 'The last thing that you will want is your strategic thinking spread all over the internet, or used for private gain. Even if you're not getting sued.'

Security concerns

Companies need to evaluate the security

and privacy of the information that is being stored and transferred via a board portal. In most cases they need to understand how the provider will protect their information from both internal and external threats. Only once they thoroughly understand any potential risks can an organisation reach an informed decision about the merits of using a particular board portal.

Abbott said most organisations concluded that the benefits were immense and far outweighed the risks, provided those risks were acknowledged and managed properly. 'Managing information in the cloud does have particular risks, and you should be aware of these when negotiating an agreement with a provider. If properly addressed, these risks should not prevent you from empowering your board to remain effective, agile and connected wherever they are in the world,' he said.

Organisations also need to treat security risk management as an ongoing issue. It is not simply a task of putting in place a secure system and then leaving it to a third party to operate. Technology experts take the view that companies need to remain vigilant to ensure they are staying ahead of emerging threats.

Some of the issues to consider

- **Authorisation** – How does the application designate and manage different levels of access and permissions?
- **Encryption** – Does the software ensure that the information stored within the board portal remains confidential, even from those who manage the systems and application?
- **Man-in-the-middle attacks** – When information is sent over a network there is always a risk that someone will intercept that data and reassemble it. Board portals need to ensure that all information sent to and from the server remains confidential, including credentials, by implementing network level security.
- **Offline access** – Does the board portal offer the same protection for online and offline access?
- **Multiple boards** – How does the software prevent 'leakage' between different boards that a user may sit on (assuming they access their board papers on the same device).

Abbott said that organisations also need

to make sure that their implementation of a board portal does not open up vulnerabilities. He was aware of one organisation that tested and then implemented a board portal but did not turn off the trial accounts that the IT team had used to test the products. As a result, members of the IT team potentially had access to the board documents.

'One risk with board portals is they may allow people other than the board members to access board documents, which would typically not be the case when hard copy documents are distributed. Organisations may ask their IT department to set up, test or run the programme, without thinking they may be giving their IT department access to confidential board documents,' he said.

Abbott stressed that discussing these risks was not meant to dissuade people from using technology. Rather, it was important to remember that there are risks associated with storing material on any computer, or emailing it between board members. 'The benefit of a cloud solution is that you can reach an agreement with your provider about the level of security that is required. Security in cloud agreements should be at least as good as in traditional systems. You should be requiring a provider to agree to security policies,' he said.

Eternal vigilance

As part of any security review, firms should also ensure:

- that they check the controls around the creation of administration accounts
- that strategies for dealing with malware, phishing prevention and

regular penetration testing are in place

- that the cloud provider is using the strongest form of encryption
- that the organisation's data will be physically or virtually segregated from data which belongs to other customers, and
- the provider's security measures are audited annually by an independent party and that it can provide bulletproof data backup and business continuity solutions.

Firms should also consider whether the provider will only host the company's data on servers in countries agreed by the organisation. This ensures that, prior to making a decision, the organisation is able to assess what laws may apply to their data. As an example, if the information is hosted in the US, the USA PATRIOT Act could give an overseas government the right to access their data. 'The PATRIOT Act only applies to US companies or companies trading in the US, but this can extend to US companies trading in Australia and potentially the Australian subsidiaries of US companies. This creates a few issues that need to be worked through,' Abbott said.

Approach to annotations

Another critical issue is how to deal with annotations. This varies between organisations and between entities in the public and private sectors. 'Some organisations decide to retain all annotations while others take the view that everything should be deleted. Abbott said this had been a hot topic in governance circles ever since the HIH Insurance meltdown, where a board member had

sketched a picture of a sinking ship on his board papers. This sketch was ultimately recovered during legal proceedings and used against the board.'

The more advanced board portals include features like version control, which ensures papers are up-to-date, and the ability for the organisation to either retain or permanently delete annotations. This decision can be made on a case-by-case basis, depending on whether the organisation believes the individual views of board members should be retained.

For public sector organisations there are also other factors to consider, including whether they could become subject to a freedom of information (FOI) request. 'Before public sector boards start using online board portals they need to consider if their ability to comply with any laws will be compromised, depending on the configuration of the system. For example, they may be bound by laws requiring them to retain public records, or laws requiring them to disclose documents under FOI requests. If you will be required to provide documents under FOI, it's important that they reflect agreed positions rather than unofficial ones,' Abbott said.

Nathan Lynch

*Head Regulatory Analyst,
Australasia, Thomson Reuters GRC*

Nathan Lynch can be contacted on (61) 2 8004 0867 or by email at nathan.lynch@thomsonreuters.com. This article was first published in the March 2013 issue of 'Keeping Good Companies', the journal of Chartered Secretaries Australia. Reprinted with kind permission of the publisher.

Digital board packs

What have they ever done for us?

Boards of directors have been operating perfectly well for hundreds of years using paper board packs, so what can digital board – or meeting – packs delivered via a board portal do better?

In an article published in *The Sunday Times* of London on 13 January 2013, a non-executive director by the name of Rita Clifton was quoted as saying 'from a personal point of view it's been enormously liberating to be able to carry things around on my iPad'. She continued, 'It's fantastic not having to lug around great, fat wads of paper'.

And so in 32 words Ms Clifton made a compelling case from a director's perspective for adopting board portals that use tablet computers to deliver electronic rather than paper board packs to directors. Ms Clifton was also quoted later on in the article stating that security has also been enhanced by the use of tablet computers and electronic board packs. Those of us who attended the October HKICS Corporate Governance Conference 2012 can confirm that security is apparently the number one reason why companies are adopting electronic board packs. Mark Peters, Head of Secretariat, Balfour Beatty Plc, said that security of board papers and information was the main reason behind his company's change from paper packs to electronic versions.

But why all the fuss? Haven't boards been operating perfectly well for hundreds of years using paper board packs? What can digital board packs delivered via a board portal do better? Well, yes, boards have done well over the past few hundred years but times have changed and boards have to keep up with the times – a digital board pack can offer so much more than a traditional paper one.

Why change?

There is certainly resistance by some board members to giving up paper. In my own brief experience with ICOSA

Boardroom Apps, I've often been told that board members won't change to using tablet computers or something similar because they prefer reading papers – 'this is our company culture and practice', I am told. I would dearly like to reply 'I prefer receiving written letters to emails but times have moved on and written letters are a rarity in today's highly-connected and fast-paced world'. Would a director, or more to the point an entire board, seriously insist that people only communicate with them via written letters or physical memos? Would such behaviour be considered to be in the best interests of the company? The answer is clearly no.

While a letter, or even a hand-written note or memo, is on occasions entirely appropriate (and if you are like me very much appreciated) it is unlikely that insistence on using only this type of written correspondence for communication with and by board members would be considered in the best interests of the company, or practical. And this is the question directors must ask themselves when considering switching from paper to digital board packs – is it in the best interests of the company to do so?

Highlights

- there is some resistance to switching from paper to digital board packs, usually where directors want to stick with the arrangements they are familiar with
- the key question companies should be asking when considering switching to digital board packs is whether such a move is in the best interests of the company
- switching to digital board packs offers much more functionality as well as added security

When considering switching to a digital board pack, directors should ask themselves questions such as: will my productivity (or the company's) increase? Will the change save the company and/ or myself time and money? Will it be more secure than our current practice? Will such a change warrant the costs involved (and indeed will there be any long-term savings to be gained)? What other advantages will result from such a change?

With apologies to Monty Python's sketch 'what have the Romans ever done for us' in *Life of Brian*, which of course ended up highlighting a long list of the achievements of the Romans including sanitation, roads, irrigation, law and order, public health, wine etc, we should perhaps look at what board portals can do for your company.

Added functionality

By pairing the latest tablet technology with an application, a whole host of powerful features and functionalities for directors become possible. Using just a tablet computer, directors have instant access, online or (depending on the service provider) offline, to all of the details and documents for their board meetings plus the ability to annotate. In addition, if you

10 reasons why electronic board packs delivered to a tablet computer make sense:

1. reduces the cost and time taken to compile board packs, delivering ROI along with a more efficient use of resources
2. allows quick and secure distribution of electronic papers, so no more waiting for couriers
3. portable with no need to carry cumbersome board packs, with multiple company access for non-executive directors (NEDs) from the one device
4. last minute revisions can be made in real-time ensuring the most recent documents are available
5. full offline access to all content to make it easy to work whilst on the move
6. easy to use, with intuitive controls and powerful features that require little training
7. board papers can be annotated just as with paper board packs
8. enables simple navigation between each agenda item and relevant documents
9. enables access to the latest company and board information to aid decision-making, and
10. offers controls to remotely remove or set up automatic deletion to eliminate shredding and to have the ability to store previous board papers.

so choose, every board and committee paper is at your fingertips. Non-executive directors can use one device to access different papers for multiple companies and/ or committees. Using a digital library means that background papers, news articles, websites, company charters and/ or articles of association, terms of reference for the board/ committees etc, are all instantly available and accessible (and searchable). Literally thousands of other applications that help directors and company secretaries, as well as CEs, CFOs, CIOs and other C-suite level executives do their jobs better, are available, instantly.

The above are a few advantages of a digital board pack versus a paper one from a user's perspective, but it might also help decide whether or not the change is right for your company if the opinion of the company secretary is sought. After all, most directors (and CE's for that matter), have very little to do with the actual preparation of the board packs. Once their reports/ papers have been sent to the company secretary or board administrator, I doubt much thought is given to what happens next. The fact is that preparing board and committee papers is an enormous undertaking.

Physically compiling packs of 150-plus pages for a dozen or more directors can take hours, often at night. Even sending papers to directors in PDF format still requires a director to print out the papers and put them in a folder. The reluctance of a director to do so is quite common. In my own experience as a Chief Executive in Hong Kong and attending meetings for international organisations, I have come across this attitude. Directors are generally quite busy people and don't want to take time out using their own printers to print out board papers, hence

the company secretary's office more often than not undertakes this tedious task and couriers the physical pack to the director.

Again, in my own experience, I can tell you that on more than one occasion a director did not receive the board papers because the courier had left the package in the wrong place or delivered it to the wrong address, or delivered it the correct address but had left it by the door and someone had walked off with it! If that doesn't send shivers down the collective spines of directors and company secretaries alike I don't know what will!

A few pet hates

Late updates. I can say with hand on heart that I am quite tolerant of mishaps. Things go wrong, we fix it and we move forward. However, one thing in the corporate environment that still makes my blood boil is late updates.

It is a feeling that I know many other executives and directors share. Having spent several hours reading, reviewing and annotating a document, only to be told as one walks into the board room that an updated version of agenda item X has been prepared is an extremely frustrating experience. Even receiving a paper a few hours prior to the meeting is an improvement. At least it gives one an opportunity to read, digest and think about the update. By using a digital board pack solution, directors can receive updated papers and have time to consider them. It's a far more efficient system.

Disappearing trees. During my time in Hong Kong, I have always been very conscious of the amount of paper organisations I worked for or headed used. Not just when compiling meeting folders but in general. I have previously instigated

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a policy of recycling and, where possible, printing on both sides of the paper, but still the amounts used even in relatively small organisations, were considerable.

I knew that if we could eliminate board and other committee papers, it would go a long way to reducing the amount of paper consumed. For example, in one organisation which I headed, there were more than 25 committees, panels and working groups including its board of directors. Admittedly some of these were *ad hoc* and others did not meet often, but some did meet regularly including the board, operational committees and audit committee. Add these to the various sub-committees and already we are looking at a substantial number of meetings and folders. The board, and its three main committees, averaged between 10-12 members each plus two or three executive staff.

Let us say, for example, that the main board of even a relatively small organisation, has 14 members (including at least one based in mainland China which is quite common nowadays), plus the CE, CFO and Company Secretary, bringing the number of board packs

required to 17. If we say that the average board pack consists of about 250 pages (not uncommon in my experience), for each meeting the secretariat would need to compile about 4,250 pages of written information – let's say 2,125 pieces of paper if we use both sides of the paper. Again, in my experience, it not uncommon for staff putting the actual paper packs together to have stay in the office until midnight and beyond so that the packs could be couriered to the board members the next morning.

If the board of our above example meets six times during the year it would use approximately 12,750 pieces of paper for its meetings (not counting the notepads used during the meetings). The figure would be even higher if, again as is often the case, the board has additional meetings. In addition, it is usual for an additional pack to be prepared for record purposes or in case a board member loses or forgets his/ her pack.

That's an astonishing figure for an SME, with a relatively modest-sized board. Think of the trees that could be spared if this small organisation went digital and used a board portal? The courier costs would

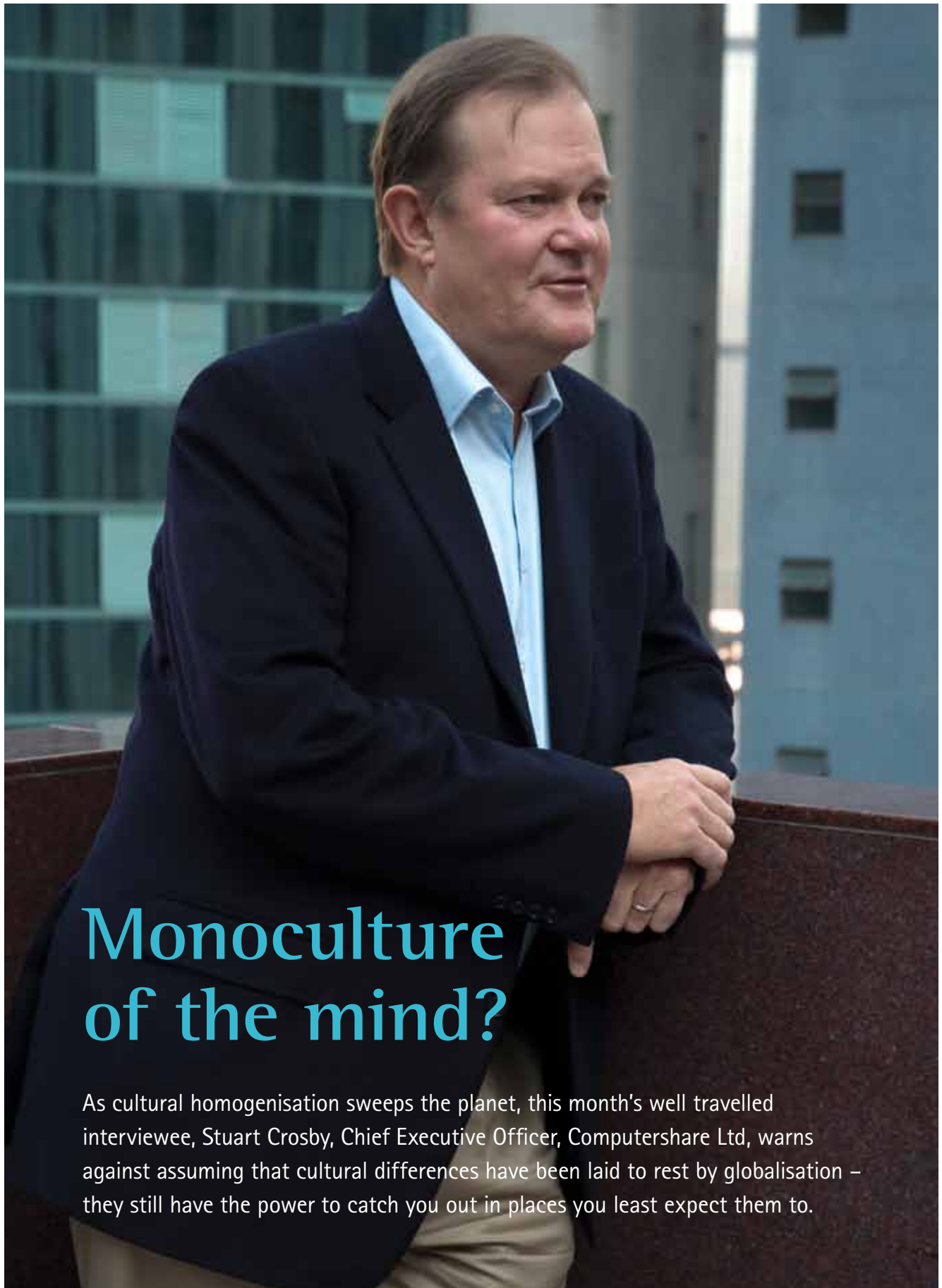
also be reduced substantially (especially if some of the directors lived abroad), not to mention the sparing of the staff who often stayed until gone midnight to compile the paper packs. I can tell you from my own experience that staff who work through to midnight have severely diminished productivity levels the next day.

If these are the savings and efficiencies that can be made at an SME, imagine those that could be made at larger companies? The truth is that it is very difficult to justify the continued use of paper packs other than the fact that directors are comfortable with paper. But who ever said that having directors comfortable was in the best interests of the company?

So what have digital board packs ever done for us, apart from being more secure than paper packs, easier to update, more efficient, allowing direct instant access to a wide variety of material and background information, saving staff time and saving trees plus so much more? Well, if you embrace them – quite a lot.

Phillip Baldwin

*Head – Hong Kong/ China,
 ICSA Boardroom Apps Ltd*



Monoculture of the mind?

As cultural homogenisation sweeps the planet, this month's well travelled interviewee, Stuart Crosby, Chief Executive Officer, Computershare Ltd, warns against assuming that cultural differences have been laid to rest by globalisation – they still have the power to catch you out in places you least expect them to.

You work in a great many different jurisdictions, particularly in Asia – which country is the most challenging to do business in?

'That is a really hard question to answer – different countries are challenging in different ways. At the moment the US and EU are challenging just because of the business environment. We have a business in Russia where we recently had to deal with a big fraud that our insurers paid out on. Someone came in with a proper Russian passport and identified himself as a major shareholder in one of our clients, and had us transfer his shares into an account in a depository in his name. Eight months later another person came in and said where have my shares gone? So Russia is a challenging environment with a less evolved legal system than lots of places.

Obviously there are places where the rule of law is much better established than others, and there are places like India which has a fabulous rule of law but the machinery grinds exceptionally slowly, so it ends up not being especially useful. Then you go to places like the US where the rule of law is so developed that you end up with all sorts of spurious claims made against you which you have to commit a lot of resources to defend.

So I don't think it would be fair to say that some countries are more challenging than others. Everywhere has its challenges, but I don't think there is anywhere that we despair of!

Can we talk a little about Computershare's presence in China – am I right that the state is the only official share registrar in mainland China?

'I guess my exposure to this goes back to my time at the Securities and Futures Commission (see 'Career notes' below). I was lucky enough to be here in 1993 when Shanghai Petrochemical and Tsingtao Brewery were among the first H-share listings in Hong Kong. At that stage the Hong Kong stock exchange set up its own registry company as it couldn't persuade the Chinese government authorities that were in charge of the process that it was appropriate for a private organisation to keep the records for a Chinese public company. That is still the case and all shareholder records in China are kept by the China Securities Depository and Clearing Corporation (CSDCC).

The CSDCC is owned by the Shanghai and Shenzhen stock exchanges, but it is in many ways an extension of the regulatory apparatus. There are often interchanges of staff between the China Securities Regulatory Commission (CSRC), the two stock

exchanges and the CSDCC. An old friend here used to describe it as "part of the broader machinery of government!"

Is the CSDCC like the Central Clearing and Settlement System (CCASS) in Hong Kong?

'The way its structure works is dramatically different to the way CCASS works. It keeps records of every investor in China. We keep something like 100 to 120 million shareholder records around the world, CSDCC keeps at least that number just within China. We employ 12,000 people around the world, they employ less than 1,000 people. One reason they can do that is because it's all electronic. They leapt the legacy legal infrastructure and were able to establish a contemporary legal infrastructure.

But to come back to your question, while Computershare can't be an underlying share registrar in mainland China, there are a few things we have been able to do. We have established a business in employee share plan administration, mostly for companies with listings outside China but Chinese businesses with Chinese employees. That has been a good business for us and really funds our infrastructure in China.

We also have a business that runs general meetings for Chinese companies which is an important part, but not the whole story by any means, of what a share registrar does for any public company client. The immediate need for that business came with A- and H-share convergence. Where we manage general meetings for A- and H-share companies, we need to work on their meetings both in Hong Kong and in mainland China. That's a small but growing business.

Career notes

Stuart Crosby has been Chief Executive Officer of Computershare Ltd since November 2006. Before becoming CEO, he was the Group's Chief Operating Officer. He also spent several years running the company's operations in Australia, New Zealand, India and Hong Kong, and played a key role in building the company's interests in Asia and Continental Europe. Prior to joining Computershare, Stuart was the National Head of Listings at the Australian stock exchange. He also worked for the Hong Kong Securities and Futures Commission in its intermediary licensing division and as a director of enforcement.

We also have a proxy solicitation and shareholder analysis business. Where you have state-owned enterprises restructuring or merging, interested shareholders are excluded from voting on those transactions. This means that the independent shareholders have to approve those transactions, so we assist Chinese companies to work out who those people are and how to package their messages to them.'

Is the infrastructure transparent enough for you to get that sort of information in mainland China?

'The infrastructure is very transparent although not everyone gets the benefit of that transparency. The regulators and the government will know who all the shareholders are, but not everyone else can get that information – usually not even the company itself.'

You mentioned Computershare's work on employee share plans in mainland China – can you talk a little more about that?

Share plans are a really important business for us globally. We recently announced the acquisition of a European share plan business from Morgan Stanley. It has been a strong growing business for us over the last few years driven by a few things – such as the increased scrutiny of compensation structures, the move towards deferring more compensation and the move towards equitising more compensation. The regulation on compensation has increased to the extent that people who may have done it in-house are now looking for better and more robust structures.

It is also a business that sits very nicely alongside shareholder record keeping because the shares just move from one party to another. You still have to pay dividends and you still need to deal with voting rights whether the shares are within a plan or held directly by investors. In China it has been the companies that have overseas listings, especially in the US, the UK and Europe, which provide employee share plans, whether they are for a small group of senior executives or broad-based plans.'

Are the authorities in mainland China supportive of employee share plans – it would seem to be a good fit with Marxist ideology?

'Within the companies that we have talked to there has been a clear understanding that it is politically a correct thing to be doing in terms of the traditional Marxist economic analysis, but there aren't any of the concessional tax treatments you might find in other places.'



Do you think employee share plans improve staff motivation and long-term involvement?

'Yes – we eat our own dog food as they say. Ever since Computershare became a public company in 1994, we have had a significant level of employee ownership and we still have a broad-based plan around the world. The amounts vary according to local regulations, but generally people can contribute up to US\$3,000 per year, which we match so long as they stay with us for two years.'

When I talk to people about their compensation they often talk about their salary, their pension and health benefits, but I often need to remind them that they can also get US\$3,000 worth of shares every year. People don't always have it in their minds that this is accruing, but it is also a wonderful thing for them when they want to buy a car or a house. They then find that they have £10,000 tucked away which they didn't really know they had. That makes a big difference. Outside of India where the economics are different, we've got around 50% participation in employee share plans across the workforce – in Hong Kong/ China it's actually 83%.'

China has often been cited as a difficult culture for Westerners to understand – what has been your experience?

'I find that in places like China, India, Africa, or Japan, you expect it to be culturally different and you end up being very careful about what you assume. I get myself into cultural trouble much

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I find that in places like China, India, Africa or Japan, you expect it to be culturally different and you end up being very careful about what you assume. I get myself into cultural trouble much more in markets where I forget what I have come to assume.
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more in markets where I forget what I have come to assume. So in the US and UK, people sound familiar – those have been the voices I've heard on television all my life – and I assume away the cultural differences that are still there and that can trip you up.

If your client in the US has a problem he will ring you up and shout at you about it. If you ask clients in the UK about how things are going, they will say "fine, but there's just one niggle". What that can actually mean is that they are seeking tenders from your competitor. I find in China that people are really quite open and direct about commercial matters. In the US you're not supposed to make jokes in business. In the US, if you crack a joke in the middle of a tense negotiation, which is something that I'm used to doing in order to take the heat out of the situation, people think that you are not taking things seriously. In China people are much more comfortable with that.

Doing business anywhere you need to recognise that we all come from different backgrounds, we are all taught different things and follow different social and behavioural norms.'

What's your view of the prospects for a global convergence towards internationally-recognised standards on corporate governance?

'People now talk about corporate governance as relating to a whole lot of things around board structures and the way that they operate. I think that is important but if you really want to

understand governance you need to go a step below that. It's really about how organisations set themselves up to protect the interests of their investors and balance the managers' versus owners' potential conflicts of interests.

There are very dramatic differences in the ways boards are set up in different markets – look for example at the UK, Germany and the US. Germany has two-tier boards. The UK has boards that are, if compared to the US, pretty accountable to shareholders. In the US, until very recently, the only way you could nominate directors, without spending huge amounts of money, was for the nominations to come from the board. US boards were much more closed and self-perpetuating.

So I don't think you can talk about convergence in what boards actually do without understanding that different boards actually have quite different roles to play and that the fundamental architecture of the corporation is different from one place to another. In accounting, where money is money, it is much clearer and easier to apply the same standards across a range of different places. In governance, without actually changing the way that corporate law works in different places, to try to impose convergence would be to miss the texture and complexity of it.

All of that said, there is clearly more commonality of thought around a range of topical governance issues such as the role of audit committees, the way compensation structures for senior executives are established and the tenure of directors. With all of those issues I think that there is at least a framework that lets people think about it rationally and on a more consistent basis globally.'

Do you think we will ever see the emergence of an international regulator with powers to regulate multinational companies?

'There is an organisation that thinks it is that already – the Securities and Exchange Commission (SEC). You look at the debate about access to audit papers in China. The SEC has been reluctant to limit the application of its laws to its geographic boundaries and for a long time has been reluctant to see national borders as borders to its activity.

At the start of my regulatory career there were separate state regulators in each of the Australian states. To actually get a single national structure took 15 years to really achieve, and that was dealing with a single digit number of jurisdictions which shared



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 If you ask clients in the UK about how things are going, they will say ‘fine, but there’s just one niggle’. What that can actually mean is that they are seeking tenders from your competitor.
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a common legal and political infrastructure and had enormous motivation to achieve convergence. To do that across the disparity of global jurisdictions would be much, much more ambitious. However, regulatory oversight of global organisations and trying to catch all the risks regardless of where they are located, is clearly the biggest regulatory challenge at the moment!

You lived in Hong Kong in the early 1990s when you were the Director of Enforcement of the Securities and Futures Commission. What are your feelings about Hong Kong?

'I love Hong Kong. When I was here I used to live out in Pok Fu Lam just down from the hospital looking out across the Lamma channel. I used to go down and catch a minibus or a cab, whichever came first, and there was this one rainy morning where this bloke stopped and asked did I want a lift. We had a good chat. He'd been in Hong Kong since the late 1940s just after the war. I said to him "don't you reckon it has changed"? And he said "Stuart, it has changed every five years since I've been here".

About Computershare

Computershare is a global investor services company. Its core business is in share registry services, but it is also involved in a range of other areas including: proxy solicitation, entity management, corporate actions, employee share plans, and communications services. The company also offers a range of technology services including company secretarial software. The company was founded in 1978 and has been listed on the Australian Securities Exchange since 1994.

Change is a constant in Hong Kong more than just about anywhere – it continues to change and it continues to evolve and that is pretty exciting. As with anything, there are some changes that you like more than others and some that annoy you more than others, but you can't hold the tide back. There has always been energy in Hong Kong, and there has been wave after wave of change and new focuses such as manufacturing and then services as Hong Kong has reinvented itself over the years. Hong Kong people are fabulously robust and innovative!

Are company secretaries important stakeholders for Computershare?

'Company secretaries are in most cases our key contacts with our clients, so in my job you end up knowing a great number of company secretaries and I have great respect for the important role they play, especially in public companies. It's also been interesting to observe the evolution of the company secretary role over time. I think the role is now much more strategic than it has been in the past and you end up with a different sort of person doing the job for that reason!

In your role you need to keep a close eye on global trends, can you predict what will be the big trends in the medium and long term which company secretaries should keep an eye on?

'One of the things that I think has stood Computershare in really good stead over its life as a corporation, and especially over the last five challenging years, is that we never did make big grand plans that assumed particular things about the world. We figured that we weren't going to be good at that so we worked hard to be flexible and to be able to respond to whatever the world threw at us. That has been an asset over the last few years. What it means though is that we tend to avoid grand strategic questions like this one!' CSj



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Kazakhstan

Getting corporate secretaries on the list

In early 2008, when Zhardem Kurmangazyev turned up for work as a corporate secretary of the Sustainable Development Fund Kazyna JSC, the HR department had never encountered a corporate secretary before and decided to list him as a manager in the legal department. Since then, Kazakhstan has moved faster than any of the other CIS countries (former Soviet Republics) to establish and promote a corporate secretarial profession. Zhardem has been a key player in this endeavour and in this month's Peer to Peer interview he tells us how corporate secretaries came to be included in the official list of recognised professions in Kazakhstan.



Thanks for giving us this interview, can we start with some background about yourself?

'Certainly. I have been working in business and also as a civil servant for some time. In March of 2008, I was appointed as a corporate secretary of the Sustainable Development Fund Kazyna JSC (the Kazyna Fund). In October 2008, the President of the Republic of Kazakhstan, Nursultan Nazarbayev, decreed the merger of the country's two main sovereign wealth funds (the Kazakhstan Holding for Management of State Assets Samruk JSC and the Kazyna fund). I was then appointed as the Head of the Corporate Secretary Service of the newly-formed Sovereign Wealth Fund Samruk-Kazyna JSC (the Samruk-Kazyna Fund). The Fund is wholly state-owned and includes mining, energy, railway and telecom companies in the form of a joint stock holding company. About 50% of Kazakhstan's GDP comes from the companies in the group. The charter capital of the company is about US\$20 billion.'

Did you train as a corporate secretary?

'No I didn't, so when I got my first appointment as a corporate secretary in the Kazyna Fund I contacted a colleague of mine

who was working in an oil and gas company that was going through an IPO. She gave me a kind of peer-education and a good introduction to the role. She had a lot of practical experience having worked in many big international companies. She had also attended courses at the Institute of Directors in London.'

When was the corporate secretarial profession established in Kazakhstan?

'Officially in 2008 there was no such profession in Kazakhstan. When I started my new job, the HR department did not know about the profession as it was not on the list of professions issued by the Ministry of Labour. They were a little confused about my position and decided to list me as a manager in the legal department. Of course, I disagreed with them on this issue because I was not an ordinary manager in the line management of the company; I was the Head of the Secretariat of the Board of Directors. We have a two-tier management system in joint stock companies in Kazakhstan and the legal foundation and the competence of the management board and the board of directors are strictly differentiated.'

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 I am glad to say that we succeeded in getting the profession formally included in the register of positions on 25 November 2010. We now celebrate that day as our professional holiday.
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I had to explain that corporate secretaries are not ordinary managers, they hold a higher position and their tasks are very different. I went to our Chairman of the Board with this issue, who was also an independent director at the time. He was well aware of the nature of the position and supported me. The first assignment I received from him was to improve corporate governance within the group of companies of the Kazyna Fund. Conjointly with colleagues we worked hard on various improvements. The Kazyna Fund group included some of the major and important companies and development institutions in the country, many of which receive funding from state programmes. Our first job was to unify the corporate governance structure across these companies.

In the beginning, working with the Internal Audit Service, we drew up an action plan for corporate governance improvement which got the agreement of all stakeholders and the approval of the board of directors. I took tight control of the execution of this plan and gave monthly updates on progress.

It was a major achievement that we were able to implement the plan within half a year. By September of the same year, KPMG's audit firm evaluated and passed our corporate governance structure as being in compliance with international practice. This was all done thanks to the hard work of colleagues from different departments and, of course, our Corporate Secretary Service.'

Is there a corporate secretarial professional body in Kazakhstan?

'In the same year that the Samruk and Kazyna funds were merged (2008), we set up a society of corporate secretaries – called the Corporate Secretary Club – and held our first meeting. One of



the co-founders was working for a branch of the International Finance Corporation (IFC)/ World Bank which was doing work on corporate governance in Kazakhstan. The club includes the members of clubs from Kazakhstan's two biggest cities Almaty and Astana, and its members come from many different companies, not just those of the Samruk-Kazyna Fund.

One of the first issues I raised was to include the corporate secretarial profession in the registry of positions of the Ministry of Labour. I should mention that in 2008 there was the first corporate secretary competition in Kazakhstan – held jointly by the Kazakhstan Institute of Independent Directors and the IFC project on corporate governance – and I was one of the winners. We had been following Standard & Poor's 'Gamma 5' standard [the Gamma standards rate companies' corporate governance practices on a scale from 1 (lowest) to 10 (highest)], and the recognition of our work by the prize was significant. It greatly influenced my future job as a corporate secretary.'

Is there a body organising training and issuing professional certificates for corporate secretaries in Kazakhstan?

'We created a Corporate Secretary Council in 2009 – of which I am currently Chairman. We have also been holding an annual forum of corporate secretaries since 2010. We are working to develop the corporate secretary profession in Kazakhstan such as through study tours to gain experience from other jurisdictions. In 2011 we were in London attending a conference and training sessions. In October last year we came to Hong Kong to attend the HKICS Corporate Governance Conference 2012.

We have organised a certification programme with four modules on the basis of our Corporate University Samruk-Kazyna. In



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we were the first of the
CIS states to implement
[a professional certification
scheme for corporate secretaries]
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2011 we presented our programme to the Institute of Chartered Secretaries and Administrators (ICSA) in London which they found to be a satisfactory programme. We have computerised the final testing and worked with colleagues to prepare the test base. We now have 74 corporate secretaries who have undergone the programme and received their certificates. We work with our Russian colleagues and went to the corporate secretary forum in Stockholm in 2012. There we learned that we were the first of the CIS countries [Commonwealth of Independent States – the former Soviet Republics before the break up of the Soviet Union] to implement such a programme.

We are constantly working to improve this certification scheme and raise our corporate governance standards. We organised an award for the Best Corporate Secretary of 2011/ 2012 and the results were announced during our corporate secretaries forum on 23 November 2012. The winner of the contest became the Corporate Secretary of Kazakhtelecom JSC. We are doing this in cooperation with the Corporate Secretaries Club of Central Asia.

Also, I am glad to say that we succeeded in getting the profession formally included in the register of positions of the Ministry of Labour of the Republic of Kazakhstan on 25 November 2010. We now celebrate that day as our professional holiday!

The global profession has been lobbying for a similar cause. In June 2012, the Corporate Secretaries International Association (CSIA) lobbied the WTO in Geneva regarding the creation of the new 'Corporate Governance, Compliance and Secretarial Advisory Services' heading in its services sectoral classification list.

'I am sure they will include it!'

While we are on the subject of the global profession, what's your view of the current work of the CSIA to forge closer ties between the disparate corporate secretaries organisations around the world?

'It would be our pleasure to join. We saw at the HKICS conference last year that the challenges are broadly the same in Hong Kong as those we face.'

How similar do you think the job of a corporate secretary in Kazakhstan would be to that of a company secretary in Hong Kong?

'Many of our corporate secretaries work in companies that are not listed on the exchanges so their level of work is a bit easier because the standards set are not so high or strict. We have the Law on Joint Stock companies in Kazakhstan which states that it is a requirement to have a corporate secretary in a company and what the duties are. We therefore have a good understanding of the importance of this role.'

As an example, I can tell you about my job. Our board has 11 members and the Chairman is the Prime Minister of the Republic of Kazakhstan. Among the members are four ministers, three independent directors, one chairman of the executive board (as I mentioned, Kazakhstan follows a two-tier board system), the Deputy Prime Minister and the Deputy Head of the Administration of the President of the Republic of Kazakhstan on economic issues. My job is to ensure that the supervisory board works efficiently and to liaise with the stock holder (the government). The board has four committees and the development strategy of the Fund has been officially approved and linked to the 'Kazakhstan 2030' strategy which was formulated by the President in 1997.

Kazakhstan: a governance profile

Legal system: Civil law.

Economic system: Market economy, though the country still has a high level of government involvement in the economy.

Key regulation: The Law of the Republic of Kazakhstan on Joint Stock Companies, the Listing Rules of the Kazakhstan Stock Exchange and the Code on Corporate Governance. Both the corporate governance code and the JSC law are currently being revised under an initiative of the European Bank for Reconstruction and Development. Many large state-owned groups such as the Samruk-Kazyna Fund have devised their own corporate governance codes setting out the governance standards companies in the group must follow.

Financial reporting standards: Kazakhstan adopted IFRS in 2009.

Key statutory/ regulatory bodies: The National Bank (its Committee on Financial Supervision is the country's securities regulator) and the Kazakhstan Stock Exchange. The 1995 constitution establishes strong presidential power. The President may veto legislation that has been passed by parliament and can issue legislation by decree.

Predominant ownership structure: Mostly dominant shareholders and a high percentage of state ownership.

Board structure: Two-tier.

Corporate secretary job title: Corporate Secretary.

Corporate secretary duties: The role varies significantly across companies, but the board support function tends to dominate. Given the two-tier board structure, corporate secretaries in Kazakhstan play a key role in liaising between the supervisory and executive boards.

Corporate secretarial community: Informal. The Corporate Secretaries Club provides an informal networking opportunity for corporate secretaries in Kazakhstan. The Samruk-Kazyna Fund forms its own training and certification standards for the major state-owned companies within the fund.

In the financial crisis we did a lot of work to stabilise the economy and our Fund was a main driver in overcoming the crisis in Kazakhstan. We have done a lot of work on the stabilisation of the financial sector and real estate market. We also issue credits for SMEs through our development institutions and are now implementing a strategy to enhance industrial innovation in Kazakhstan.

Most of the country's largest companies are included in the Samruk-Kazyna Fund, so the Corporate Secretaries Council assists our colleagues to comply with the best corporate governance practices.

Globally the corporate secretarial role is increasingly associated with corporate governance – is this trend also apparent in Kazakhstan?

'The Managing Director of the Samruk-Kazyna Fund, Peter Howes, has the overall responsibility for improving corporate governance in the company. We work closely. My work is focused on implementing the plan and ensuring everyone involved understands what they should be doing. Once you have agreement from everyone involved it is much easier to accomplish your objectives, so we spent a lot of time, more than a month, reconciling the plan with the people involved. In the end, the heads of departments and other responsible persons had a clear picture of what they had to do and why. We made sure they were aware of the standards we needed to achieve. Once we had this good understanding of the plan there were no misunderstandings or challenges so we were able to implement it very quickly.'

How well do you think the corporate secretarial role is understood among directors and even the general public?

'Companies with a corporate secretary will of course be aware of the role, but in the beginning nobody in the general public knew about this role. That is changing, however. For example, a very popular newspaper in Kazakhstan recently ran an article about corporate secretaries. It made the point that, while nobody knew about this position before, now corporate secretaries are highly respected people with an established status in the company hierarchy.'

For the past five years I have been working to raise the status of corporate secretaries and our group is translating best practice and our experience to other companies. If you talk now to corporate secretaries in Kazakhstan they feel that their job is respected and they have a high position! 📄

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Can China adapt?

Are China's three decades of impressive economic growth coming to an end? Is China going to succumb to the same malaise which has trapped Japan in a prolonged period of ultra-slow growth for the last two decades? Zhang Jun, Professor of Economics and Director of the China Center for Economic Studies at Fudan University in Shanghai, argues that China can maintain its growth momentum but only if its economic system is open to institutional reform.



China's 'Two Sessions' – the annual gatherings of the National People's Congress and the Chinese People's Political Consultative Conference held every March – have always drawn global attention. But the meetings this year seemed particularly significant, owing not only to the country's leadership transition, but also to its economic slowdown amid calls for deeper reform. How, then, will China's new leaders respond?

The problem is simple: no one can predict accurately how long the slowdown will last. The authorities, lacking confidence in their ability to restore pre-2009 rates of annual GDP growth, have lowered the official target to 7.5%.

Many economists are becoming even more pessimistic, pointing to Japan as evidence that, after three decades, China's breakneck growth may be coming to an end. Japan's economy, they point out, achieved more than 20 years of sustained rapid growth; but, in the 40 years since

1973, annual growth has exceeded 5% only a handful of times, and output has stagnated for the last two decades.

But today's pessimists need to account for some fundamental differences between the two economies. For example, Japan was already a high-income country in 1973, with *per capita* income (in terms of purchasing power parity) at roughly 60% of the US level. The 'Four Asian Tigers' (Hong Kong, Singapore, South Korea, and Taiwan) experienced a slowdown in GDP growth at a similar relative income level. By contrast, China's *per capita* income is only about 20% of the US level. In other words, we should not underestimate the Chinese economy's potential to converge toward developed countries.

The pessimists, however, doubt that China can maintain catch-up economic growth. They argue that the current growth model, if not the economic system more broadly, is driving the country into a 'middle-income trap'.

Attributing problems to systemic causes is a typical habit of thought in China. But can a system that has sustained 30 years of hyper-growth really be worse than those systems adopted in Japan and the Four Tigers?

China's economic system, which developed from the institutions of central planning, must have had some merits during this period. But the development and ultimate structure of economic institutions are closely related to a country's income level or stage of economic development. If some aspects of the current system cannot be adapted to support further economic development, they could end up hindering it. What really matters for economic growth is not whether a system is the 'best', but whether it can be adjusted to serve a new phase of economic development. From this perspective, it is vital to ensure that an economic system is open to institutional reform.



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No economic system, however 'optimal', can sustain long-term growth once it is no longer reformable. After its extraordinary post-1945 economic miracle, Japan fell into a pattern of ultra-slow growth because it lacked the flexibility to adapt its institutions for a new phase of economic development, characterised by heightened global competition. By contrast, South Korea has maintained its growth momentum since the Asian financial crisis of the late 1990s. Western economists often criticise its economic system, but the key point is that its institutions are flexible and open to change, which implies a high degree of economic resilience.

Why is one system amenable to reform, while another is not? In recent years, research has indicated that vested interests and powerful lobbies distort economic policies and cause governments to miss good opportunities. A system receptive to reform requires the government to have greater power or

wealth than any interest group, thus enabling it to pursue long-term policy goals and ensure the success of reform.

For example, Yao Yang of Peking University has argued that the Chinese government is able to decide the right policies at critical points because it is not unduly swayed by any interest group. It is this neutrality, he says, that explains the success of China's economic transition and its three decades of rapid economic growth.

But what about now? China is entering a new phase of development, and institutional reform in key areas – particularly the public sector, income distribution, land ownership, the household registration system, and the financial sector – has become imperative.

Obviously, reform is more difficult today than it was when China began its economic transition. State-owned enterprises, for example, currently account for 40% of total corporate assets, but only 2% of

all firms, which implies significant policy influence. But China seems unlikely to go the way of, say, Russia. On the contrary, the accumulation of wealth in the Chinese government's hands should enhance its ability to press ahead with reform.

Institutional flexibility has been the key to China's economic transition and rapid growth over the last three decades, and it is vitally important that the Chinese government remains neutral and avoids being captured by interest groups. In short, the authorities must ensure that the system remains open to change in the long run. Successful implementation of another round of far-reaching reform depends on it.

Zhang Jun

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for Economic Studies at Fudan
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中国能否适应新形势？

中国经济迅速发展三十年后，是否已成强弩之末？日本过去二十年长期处于极低增长的状态，中国是否也会面临同样困境？上海复旦大学经济学教授兼中国经济研究中心主任张军表示，中国可以维持增长势头，但经济体制必须经历制度上的改革。

上海——中国的“两会”（每年三月召开的一年一度的全国人民代表大会和中国人民政治协商会议）一直吸引着全球的目光。但今年的两会似乎尤为重要，这不仅因为国家领导人换届，也因为中国的经济增长放缓提出了深化改革的要求。那么，中国的新任领导人该作何对策？

问题非常简单：没人能准确预测这轮经济放缓会持续多久。当局对将年度GDP增长恢复到2009年前的水平缺乏信心，因此将官方目标调降至7.5%。

许多经济学家甚至更为悲观，指出经过三十年的快速发展，中国经济的高速增长期可能像日本那样结束。他们认为日本经济实现了超过20年的持续快速增长；但在1973年后的40年中，日本年度经济增长超过5%的情况屈指可数，并且20年来产能一直处于停滞状态。

但今天的悲观主义者需要就两个经济体间最根本的差异做出解释。比方说，日本1973年就已经进入高收入国家行列，其人均收入（按购买力平价计算）相当于美国60%的水平。“亚洲四小龙”（香港、新加坡、韩国和台湾）也在达到类似的相对收入水平后出现了GDP增长放缓的过程。相比之下，中国的人均收入仍只相当于美国的20%。换句话讲，我们不应低估中国经济向发达国家靠拢的潜能。

但悲观主义者质疑中国能否在经济发展上继续保持追赶势头。他们认为即

使广义的经济制度问题不大，现有的发展模式也会使中国陷入到“中等收入陷阱”之中。

将问题归咎于体制原因是中国式思维的典型。但已经实现了30年高速增长的经济体制难道真的比不上日本和亚洲四小龙？

高速发展期内，从中央计划体制演变而来的中国经济体制无疑有其过人之处。但经济体制的发展及其最终结构与一个国家的收入水平或经济发展阶段密切相关。如果现有体制的某些方面无法支撑经济进一步发展，就有可能反过来产生阻碍作用。经济增长并不一定需要“最好”的体制，而要看体制能否调整适应新的经济发展需求。从这个角度讲，关键是要确保经济体制能够许可全面的制度改革。

如果拒绝改革，没有哪种“最优”经济体制可以保证经济长期发展。创造了后1945年的经济奇迹后，日本因其体制不够灵活、无法适应以全球竞争加剧为特点的经济发展新阶段而进入到超慢增长阶段。相比之下，20世纪90年代亚洲金融危机后，韩国经济增长势头就一直非常强劲。西方经济学家经常批评韩国经济体制，但关键在于这种体制非常灵活，也就是说具有很强的经济弹性。

为什么一种体制能够改革而另一种则不能？近年来的研究结果表明，既得利益和强大的游说势力会扭曲经济政策，致使政府错过千载难逢的发展机会。改革体制需要政府权力和财力压

倒一切利益集团，才能坚持长期的目标政策，并确保改革取得成功。

比方说，北京大学的姚洋认为中国政府能够在关键时刻做出正确决策，因为任何利益集团都不会过分左右政府的行动。他说正是这种中立能力能够解释中国经济三十年的快速增长和经济转轨成功。

但现在怎么样？中国正在进入新的发展阶段，公共部门、收入分配、土地所有制、户籍制度和金融部门等关键领域的制度改革已经成为当务之急。

显然，今天的改革比中国刚开始经济转型时难度更大。比方说只占公司总数2%的国有企业目前却拥有企业总资产的40%；国企的政策影响力也因此十分巨大。但中国似乎不太可能走俄国走过的道路。恰恰相反，中国政府手中累积的财富可以令其改革能力大幅增强。

体制灵活性三十年来一直是中国经济转轨和快速成长的关键，重要的是中国政府继续保持中立、不受利益集团的胁迫。简言之，政府必须确保体制从长远看能够保持开放。只有这样才能最终落实新一轮意义深远的改革。

张军

上海复旦大学经济学教授兼中国经济研究中心主任

翻译：Xu Binbin

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中國企業實務 重點課程系列

香港大學專業進修學院 (HKU SPACE) 與香港特許秘書公會 (HKICS) 合辦之“中國企業實務重點課程系列” (Programme Series in PRC Corporation Practices), 涵蓋以下課程, 旨在推動良好企業管治理念, 加強對中國法規理論及實踐之了解, 並提升公司秘書的國際視野及國內專業知識。

	中國公司法 MS 42-081-21 (21)	中國公司治理 MS 42-081-17 (31)	中國公司行政 MS 42-081-19 (31)
講者簡介	<p>蘇淑歡教授</p> <ul style="list-style-type: none"> 國際財務報告準則專家 中國註冊會計師、中國律師、中國法律顧問、中國註冊稅務師專業資格 	<p>任志宏先生</p> <ul style="list-style-type: none"> 廣東省社會科學院開放經濟研究所副所長 為廣東省社會科學院研究生部主講經濟學、管理學等課程 	<p>劉娟博士</p> <ul style="list-style-type: none"> 華南農業大學勞動與社會保障系副教授 11年教學經驗, 主講社會保障、人力資源管理、公司法、勞動合同法等課程
上課時間及地點	<p>課程為期一個月 授課時間: 4堂, 每堂6小時, 共24小時 上課時間: 逢週六或日上課一堂, 下午(2:00-5:00) 及晚上(6:00-9:00) 授課地點: 港島區其中一所教學中心</p>		
授課日期	<p>2013年(逢週六)</p> <p>6月8日 6月15日 6月22日 6月29日</p>	<p>2013年(逢週六)</p> <p>7月6日 7月13日 7月20日 7月27日</p>	<p>2013年(逢週日)</p> <p>7月7日 7月14日 7月21日 7月28日</p>
學費	港幣3,500元	港幣3,500元*	港幣3,500元*

*註: 學費或會向上調整, 將另行通知。

課程查詢

電話: 2867 8481 (黃小姐) / 2867 8473 (李小姐)

電郵: prcprogramme@hkuspace.hku.hk

每個單元課程出席率達75%或以上之香港特許秘書公會會員, 可以獲得18個ECPD學分, 但有關實際可帶往來年之ECPD學分詳情, 請個別與公會聯絡。

電話: 28816177 電郵: ecpd@hkics.org.hk

A review of seminars: March – April 2013

14 March 2013



Angie Fung (Chair), Angela Mak, Wang Qiang Yi and Edith Shih, HKICS President

From Angie Fung FCIS FCS(PE), Head of Company Secretarial Services, The Hongkong Land Co Ltd, and chair of the seminar co-delivered by Angela Mak, Chief Financial Officer & Executive Director, The TOM Group, and Wang Qiang Yi, Group General Counsel – China, Hutchison Whampoa Properties Ltd, on 'Doing business in China: structure, risk control and management'.

'Ms Mak and Mr Wang gave us a lot of useful information on doing business in the PRC, including the various business structures that we can adopt and the issues that we have to keep watch over. Mr Wang's depth of experience provided attendees with practical answers to all sorts of questions about doing business in the PRC. Ms Mak's presentation was very well structured. In all, it was a very enlightening and practical seminar.'

19 March 2013



Eva Chan (Chair), Chris Ho and Gloria Ma

From Dr Eva Chan FCIS FCS(PE), Council Member of HKICS and Chairman of Hong Kong Investor Relations Association, Head of Investor Relations, CC Land Holdings Ltd, and chair of the seminar co-delivered by Gloria Ma FCIS FCS(PE), Director - Corporate Secretarial, and Chris Ho FCIS FCS, Senior Manager, KCS Hong Kong Ltd, on 'Non-Hong Kong companies under the Hong Kong Companies Ordinance (re-run)'.

'The seminar was very informative and the two speakers are knowledgeable. Chris went through the new ordinance with detailed explanations. Gloria shared a lot of practical examples which helped the participants to gain a better understanding of the current situation.'

25 March 2013



Eric Chan (Chair) and Grace Ma

From Eric Chan FCIS FCS(PE), Chief Consultant, Reachtop Consulting Ltd, and chair of the seminar delivered by Grace Ma, Senior General Manager, BVI Technical Services, Offshore Incorporations, Hong Kong, on '2012 amendments to the BVI Business Companies Act: an overview'.

'Grace provided very useful information to the audience. Many questions were raised from the floor and a large number of participants stayed behind for more in-depth discussion.'

27 March 2013



Rainier Lam, Susan Lo (Chair) and Chris Chin

From Susan Lo FCIS FCS, Executive Director, Head of Learning & Development Department, Tricor Services Ltd, and chair of the seminar co-delivered by Rainier Lam, Partner, Business Recovery Services, and Chris Chin, Director, Business Recovery Services, PwC Hong Kong, on **'Understanding estate administration'**:

'Rainier and Chris gave us an informative and practical seminar. They enlightened us over what estate administration involves and concisely outlined the essential steps required to act as an estate administrator. The discussion about the challenges faced by administrators was particularly interesting and useful.'

3 April 2013



Samantha Thompson, Teresa Ma and Susan Lo (Chair)

From Susan Lo FCIS FCS, Executive Director, Head of Learning & Development Department, Tricor Services Ltd, and chair of the seminar co-delivered by Teresa Ma and Samantha Thompson, Corporate Partners, Linklaters Hong Kong, on **'Hong Kong's new Companies Ordinance (re-run)'**:

'The re-run of the topic at a much bigger venue was yet another success and our expert speakers Teresa and Samantha covered virtually every essential aspect of the new Companies Ordinance. The coverage was not only comprehensive, but also highlighted the material that a company secretary needs to know. This seminar served as an excellent starting point for company secretaries to prepare themselves for the new regime.'

New Fellows

Five new Fellows were elected in February 2013.



Lee Sing Yeung, Simon FCIS FCS

Mr Lee is currently the Company Secretary of Beijing Capital Land Ltd (stock code: 2868). He is responsible for the full range of company secretarial services, including advising the board

on corporate governance requirements, ensuring compliance with the listing rules and other regulatory requirements. Mr Lee holds a master's degree in Professional Accounting and a master's degree in Corporate Governance from The Hong Kong Polytechnic University. Mr Lee is a Fellow of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.



Tong Tsz Kwan FCIS FCS

Mr Tong is currently the Financial Controller and the Company Secretary of Sing Lee Software (Group) Ltd (stock code: 8076). Mr Tong accumulated several years of accounting, auditing

and financial experience before joining the company in June 2007 and is now responsible for these duties for the group. He holds a master's degree in Business Administration (Finance) from The University of Southern Queensland. Mr Tong is a Fellow of The Association of Chartered Certified Accountants and a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants.

Other new Fellows include: Leung Wing Han, Sharon FCIS FCS; Ng Wai Chun, Virginia FCIS FCS; and Shum Hoi Luen FCIS FCS.

Newly appointed company secretaries

The Institute would like to congratulate the following members on their appointments as company secretaries of listed companies:

Company secretary	Listed company	Date of appointment
Yuen Suk Ching ACIS ACS	PanAsialum Holdings Company Ltd (stock code: 2078)	1 March 2013
Yim Lai Wa ACIS ACS	Lai Fung Holdings Ltd (stock code: 1125)	14 March 2013
Chung Yim Hung, Eliza ACIS ACS	eSun Holdings Ltd (stock code: 571)	14 March 2013
Chow Kwok Wor FCIS FCS	Lai Sun Development Company Ltd (stock code: 488)	14 March 2013
Tse Pik Ha ACIS ACS	Lai Sun Garment (International) Ltd (stock code: 191)	14 March 2013
Chan Siu Kay ACIS ACS	Shinhint Acoustic Link Holdings Ltd (stock code: 2728)	18 March 2013
Chow Yuk Yin, Ivy FCIS FCS	Samsonite International SA (stock code: 1910)	18 March 2013
Wong Wai Nar, Doris FCIS FCS	Dah Sing Financial Holdings Ltd (stock code: 440)	18 March 2013
	Dah Sing Banking Group Ltd (stock code: 2356)	18 March 2013
Zhong Yan ACIS ACS	Great Wall Technology Company Ltd (stock code: 74)	28 March 2013
Wong Miu Ying ACIS ACS	Group Sense (International) Ltd (stock code: 601)	1 April 2013
Chiu Yuk Ching ACIS ACS	Loudong General Nice Resources (China) Holdings Ltd (stock code: 988)	1 April 2013
Poon Man Man ACIS ACS	Poly Property Group Co. Ltd (stock code: 119)	9 April 2013

Fellows-only benefits

Fellows are leaders of the profession. These highly qualified and respected role models are crucial in maintaining the growth of the Institute and the Chartered Secretary profession.

As per Council's direction, the promotional campaign to increase the number of Fellows continues. Act now and enjoy a special fee rate for the Fellowship election fee of HK\$1,000 and the exclusive Fellowship benefits below:

- Invitation to attend two Institute annual events following your Fellowship election – annual dinner and convocation
- Eligibility to attend Fellows-only events
- Priority enrolment for Institute events with seat guarantee, and
- Speaker or Chairperson invitations at ECPD seminars (extra CPD points are awarded for these roles).

Application requirements:

- At least one year of Associateship
- At least eight years' relevant work experience, and
- Engagement in company secretary, assistant company secretary or senior executive positions for at least three of the past 10 years.

For enquiries, please contact Adrian Wong or Cherry Chan at the Membership section at 2881 6177, or member@hkics.org.hk.

Membership activities

Members' networking – visit to Eco Fish Farm

This networking event, held on 1 May 2013, gave participants a chance to visit the first large-scale indoor fish farm in Asia, understand aquaculture technology and enjoy tasty giant groupers at Lau Fau Shan. Details with photos will be published in the next issue of *CSj*.

Grooming for Leadership series – preparing an impressive CV & successful interviews

The Institute is pleased to launch a new series of workshops called 'Grooming for Leadership'. Targeting our new Associates elected since January 2011, members can learn practical tips from experts on different work-oriented topics in preparation for their career advancement – creating an impressive CV, successful interview techniques, dealing with difficult bosses, board minutes writing, preparing for board meetings, and more.

The Institute invites members to join this inaugural career workshop to get an update on the latest market trends in Chartered Secretary opportunities and to prepare for career advancement.

There are few seats remaining for this event. Book now to avoid disappointment. For details, please refer to the flyer on page 42, the Institute's website or contact the membership section at 2881 6177. Lippo Group is the sponsor of this event.

Happy Friday for Chartered Secretaries

Members are encouraged to join the upcoming 'Happy Friday for Chartered Secretaries'.

Date	Topic
Friday 21 June 2013	'Chinese ethics in business' by Dr Davy Lee <i>FCIS FCS(PE)</i> , HKICS Past President and Group Corporate Secretary, Lippo Group
Friday 19 July 2013	'Eye care for professionals'

For details, please refer to the Institute's website or contact the Membership section at 2881 6177.

HKICS dragon boat team 2013

The Institute's dragon boat team will enter the 8th Stanley Dragon Boat Warm-up Races on 25 May, the Hong Kong International Dragon Boat Races on 23 June and fun racing with other dragon boat teams in July. Please join us at the races and show your support for the Institute's team!

Membership application deadlines

Members and Graduates are encouraged to advance their membership status once they have obtained sufficient relevant working experience. Fellowship and Associateship applications will be approved by the Membership Committee on a regular basis. If you plan to apply, please note the following submission deadlines and the respective approval dates.

For details, please contact the Membership section at 2881 6177.

Submission deadlines	Approval dates
Saturday 22 June 2013	Tuesday 16 July 2013
Saturday 7 September 2013	Tuesday 8 October 2013
Tuesday 5 November 2013	Late November 2013



“Grooming for Leadership” series Preparing an Impressive CV & Successful Interviews

We are pleased to launch a new series of workshops called “Grooming for Leadership”. Targeting new Associates elected since 2011, members can learn practical tips from experts on different work-oriented topics in preparing for their career advancement – impressive CV, successful interviews, dealing with difficult bosses, writing good board minutes, preparing for board meetings etc.

How to get your ideal job with an impressive CV and successful interview techniques? Want to hear practical tips from the CS heads of a listed company and professional firm? Your Institute invites you to join this inaugural career workshop to learn the latest market trends on chartered secretary opportunities and to get well prepared for your career advancement. Don't miss this great opportunity and leap up the career ladder with your fellow Associates!

Event details

Date	: 20 May 2013 (Monday)
Time	: 6.30 p.m. – 6.45 p.m. (Registration and networking) 6.45 p.m. – 8.30 p.m. (Speakers' presentations) 8.30 p.m. – 8.45 p.m. (Networking)
Venue	: United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong
Fee	: HK\$150 (light refreshment will be provided)
Language	: English

(Priority enrolment for Associates who have been elected since January 2011.)

MCPD points: 2

Content

Recruitment consultancy's perspective

Mr Oliver Allcock, Senior Consultant - Legal Division, Robert Walters
Ms Estefania Altuve, Consultant - Legal Division, Robert Walters

- Recruitment trends for company secretaries
- CS Salary index from 2011 to 2013
- Career advancement – key considerations and common difficulties
- Do's and Don'ts on resume writing and job interviews



Employers' perspective

Ms Edith Shih FCIS FCS(PE)

- HKICS President
- Head Group General Counsel and Company Secretary of Hutchison Whampoa Limited



Mrs Natalia Seng FCIS FCS(PE)

- HKICS Past President
- Chief Executive Officer – China & Hong Kong of Tricor Group / Tricor Services Limited

Image consultant's perspective

Mr Allan Lee FCIS FCS

- Certified Image Architect
 - Sci/ART™ Certified Personal Color Analyst, USA
- (a) Golden 7 seconds to impress your interviewers (黃金7秒)
(b) Tips to dress smart at interviews:
i Style and grooming
ii Magic of colour



For more information, please visit the Institute's website at www.hkics.org.hk or contact the Secretariat at (852) 2881 6177.



Scan to share with other
HKICS members!

Sponsored by:


LIPPO GROUP

Mandatory CPD

MCPD programme in-house training policy update

With effect from 1 January 2013, course providers applying to contribute to in-house mandatory CPD training courses should send in their application form signed by a Fellow who is also a holder of the HKICS Practitioner's Endorsement (PE).

Mandatory CPD requirements

Members who qualified between 1 January 2005 and 31 July 2012 are required to accumulate at least 15 mandatory continuing professional development (MCPD) or enhanced continuing professional development (ECPD) points by 31 July in each CPD year.

Members are reminded to fill in the MCPD Form I - Declaration Form and submit it to the secretariat by fax (2881 5755), or by email (mcpd@hkics.org.hk) by 15 August 2013, to ensure compliance for the 2012/13 MCPD year.

The Institute has randomly selected 129 members who qualified between 1 January 2005 and 31 July 2011 for audit checking for CPD compliance during 2011/2012. Up to April 2013, 122 (95%) have supplied the requested evidence.

Members who work in the corporate secretarial (CS) sector and/ or for trust and company service providers (TCSPs) have to obtain at least three points out of the 15 required points from the Institute's own ECPD activities.

Members who do not work in the CS sector and/ or for TCSPs have the discretion to select the format and areas of MCPD learning activities that best suits them. These members are *not* required to obtain ECPD points from HKICS (but are encouraged to do so) nevertheless they must obtain 15 MCPD points from suitable providers.

Submission of declaration form

Once the MCPD requirement of 15 CPD points has been fulfilled during the 2012/13 CPD year (that is, 1 August 2012 to 31 July 2013), please fill in the MCPD Form I - Declaration Form and submit it to the secretariat by fax (2881 5755) or by email (mcpd@hkics.org.hk) by 15 August 2013.

Exemption from mandatory CPD requirements

Exemption from MCPD requirements is available to retired members and honorary members. Members in distress or with special grounds (such as suffering from

long-term illness or where it is impractical to attend or access CPD events) may also apply for exemption from MCPD to the Professional Development Committee and are subject to approval by the committee at its sole discretion.

Enhanced CPD programme

The Institute cordially invites you to take part in our ECPD Programme, a professional training programme that best suits the needs of company secretaries of Hong Kong listed issuers who need to comply with the mandatory requirement of 15 CPD hours every year. The Institute launched its MCPD programme in August 2011 and, from January 2012, its requirement for Chartered Secretaries to accumulate at least 15 CPD points each year has been backed up by a similar requirement in Hong Kong's listing rules.

More information on the Hong Kong Exchanges and Clearing (HKEx) requirements can be found in the consultation conclusions to the 'Review of the Corporate Governance Code and Associated Listing Rules' on the HKEx website (www.hkex.com.hk). To learn more about Institute's ECPD Programme, please visit the Institute website (www.hkics.org.hk).

New Graduates

Cheng Yeuk Nin

Feng Yu Fei

Law Wang Wai

Lee In Wai

Lung Hoi Tang

Tai Hio Fong

Wong Kwun Yu

Yang Xi Lin

Yau Cheuk Yan

IQS examination timetable (May 2013)

	Tuesday 28 May 2013	Wednesday 29 May 2013	Thursday 30 May 2013	Friday 31 May 2013
09:30–12:30	Hong Kong Financial Accounting	Hong Kong Corporate Law	Strategic and Operations Management	Corporate Financial Management
14:00–17:00	Hong Kong Taxation	Corporate Governance	Corporate Administration	Corporate Secretaryship

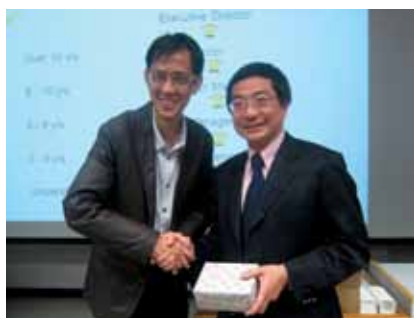
Admission slips

The admission slips, which specify the date, time and venue of the examination, will be posted to candidates during the second week of May together with the 'Instruction to Candidates'. Please read through the instructions carefully before taking the examination. If a candidate has not received an admission slip by mid-May 2013, please contact the Education and Examinations section at 2881 6177 or student@hkics.org.hk.

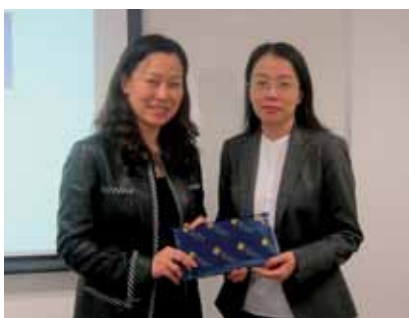
Professional seminars at local universities

The Institute organised three professional seminars in March as follows:

Date	Name of University	Speaker and topic
6 March 2013	The Hong Kong University of Science and Technology	Dr Davy Lee <i>FCIS FCS(PE)</i> , Past President of the Institute and Group Company Secretary, Lippo Group, spoke to over 100 students on 'Importance of company secretaries in corporate governance'.
18 March 2013	The Open University of Hong Kong	Dr Eva Chan <i>FCIS FCS(PE)</i> , Council member of the Institute and Head of Investor Relations, CC Land Holdings Ltd, talked about 'Corporate social responsibilities' to over 40 students.
21 March 2013	Hong Kong Shue Yan University	Edmond Chiu <i>ACIS ACS</i> , Associate Director, Vistra HK Ltd, delivered a talk on 'Importance of corporate governance and role of company secretaries' to over 40 students.



Dr Davy Lee FCIS FCS(PE) receiving a souvenir from Prof. Tedmond Tang from The Hong Kong University of Science and Technology



Dr Eva Chan FCIS FCS(PE) receiving a souvenir from Kitty Chu of The Open University of Hong Kong



Edmond Chiu ACIS ACS receiving souvenir from Dr Lubanski Lam of Hong Kong Shue Yan University

Student Ambassadors Programme (SAP) – visit

The Institute organised a visit for student ambassadors to Hong Kong Exchanges and Clearing Ltd on 19 April 2013. The Institute would like to thank HKEx for its support of the programme.



At HKEx

Recruitment of Examiner – Corporate Secretaryship

The duties of examiners include preparation of examination papers, marking schemes, marking scripts and examiner reports; attendance at papers moderation meetings and Assessment Review Panel meetings; updating the reading list; and giving advice on syllabus content.

All appointments, which are usually for a period of four examination diets (that is two years), are to be approved by the Education Committee.

Interested parties please submit their resumes to recruit@hkics.org.hk by 31 May 2013.

International Qualifying Scheme (IQS) information session

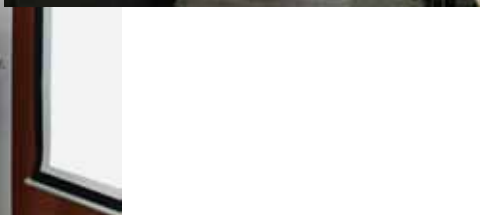
On 24 April 2013, the Institute held an IQS information session for members of the public who are interested in exploring or pursuing a career in the Chartered Secretary profession. Sixty eight participants attended the session. Ricky Lai ACIS ACS shared his career development and experience of working in the company secretarial profession.



Ricky Lai ACIS ACS receiving a souvenir at the event

The Hong Kong Institute of Chartered Secretaries Corporate Governance Paper Competition 2013

Theme: Corporate Governance means more Reports and Disclosure?



<p><i>Prizes</i></p>	<p><u>Paper Competition</u> <i>Champion – HK\$10,000 plus publication of the paper in "CSJ", the monthly journal of the Institute</i> <i>1st Runner up – HK\$7,000</i> <i>2nd Runner up – HK\$5,000</i></p>	<p><u>Presentation Award</u> <i>The six finalist teams will be invited to present their papers on 26 October 2013 (Saturday) competing for the presentation award</i> <i>The Best Presenter Award – HK\$5,000</i> <i>1st Runner up – HK\$3,000</i> <i>2nd Runner up – HK\$2,000</i> <i>Three Merit Prizes – HK\$1,000 each</i></p>
<p><i>Requirement:</i></p>	<ul style="list-style-type: none"> - <i>Current undergraduates (Note) of all universities in Hong Kong</i> - <i>To submit a paper of not more than 5000 words in English on the topic "Corporate Governance means more Disclose?"</i> - <i>Participants can participate in the competition on an individual basis or as a team of 3 persons maximum</i> <p><i>Note: Before conferment of degree at the graduation ceremony</i></p>	
<p><i>Enrolment Deadline :</i></p>	<p><i>17 June 2013 (Monday)</i> <i>Enrolment form can be downloaded from the Institute's website (www.hkics.org.hk)</i></p>	
<p><i>Paper Submission De adline:</i></p>	<p><i>19 August 2013 (Monday)</i></p>	

Sponsors:

Disclosure of inside information – get the FAQs

Hong Kong's new statutory regime on the disclosure of inside information has been in operation since 1 January this year. To help listed companies understand the provisions of the new regime, the Securities and Futures Commission (SFC) has published a new frequently-asked-question (FAQ) section on its website addressing particular issues that have emerged in the first four months of the new regime's operation.

In general listed companies have opted to disclose all information which might be deemed to be inside information rather than risk breaching the provisions of Part XIVA of the Securities and Futures Ordinance (SFO). SFC figures show that the total number of corporate announcements on inside information in the first three months of 2013 was up 43% compared to that of the corresponding period last year.

The FAQ section on the SFC's website highlights a number of specific issues which listed companies need to bear

in mind. For example, the FAQ advises listed companies not to use the heading 'Voluntary Announcement' to disclose inside information, but to use a heading that accurately reflects the substance of the information concerned. The SFC warns that the 'voluntary' label risks non-compliance with the requirement to disclose inside information that is accurate, complete and not misleading.

The new FAQ also clarifies the content requirements for inside information announcements. It emphasises that announcements of inside information should be clear, informative and comprehensible in order to enable investors to make well-informed decisions.

The new FAQ also clarifies when listed corporations need to disclose inside information in an overseas regulatory announcement. Under Listing Rule 13.10B2, a dual-listed corporation must announce in Hong Kong all information released to any other stock exchange on

which the securities are listed at the same time as the information is released to that other exchange.

Moreover, while the stock exchange has allowed overseas regulatory announcements to be published in one language only (either Chinese or English), this practice has been revisited. The SFC now takes the view that if a listed corporation discloses inside information in an overseas regulatory announcement in one language only (that is Chinese or English), the listed corporation has not fully complied with the requirement under section 307C(1) to disclose information in a manner that can provide for equal, timely and effective access by the public to the information.

The new FAQ is available on the SFC website (www.sfc.hk) see FAQs/ listings & takeovers/ disclosure of inside information. The SFC continues to provide a consultation service to listed corporations on application of provisions of the statutory disclosure regime.

Views sought on corporate insolvency

The Financial Services and the Treasury Bureau has launched a three-month public consultation on legislative proposals to improve Hong Kong's corporate insolvency law. The proposals are designed to facilitate more efficient administration of the winding-up process and increase the protection of creditors. They cover five aspects of the winding-up process:

1. the start of winding-up
2. the appointment, powers, vacation of office and release of provisional liquidators and liquidators
3. the conduct of the winding-up process
4. voidable transactions, and
5. the investigation during winding-up, offences antecedent to or in the course of winding-up and powers of the court.

The consultation closes on 15 July 2013. The consultation paper can be downloaded from the Financial Services and the Treasury Bureau website: www.fstb.gov.hk. The HKICS is preparing a submission to this consultation, if readers have any comments they would like to share, please contact Mohan Datwani, Director, Technical and Research, at: mohan@hkics.org.hk.

Implementation of HKFRS 10/ IFRS 10

The Hong Kong Financial Reporting Standard (HKFRS)/ International Financial Reporting Standard (IFRS) 10 (entitled *Consolidated Financial Statements*) became effective for annual periods beginning on or after 1 January 2013. Hong Kong Exchanges and Clearing Ltd (HKEx) has issued a letter (*Rule implications arising from the adoption of Hong Kong Financial Reporting Standard 10/ International Financial Reporting Standard 10*) to provide guidance to issuers for compliance with the relevant listing rule requirements in view of the adoption of HKFRS 10/IFRS 10.

HKFRS/ IFRS 10 set out new requirements and guidance on the principle of control for determining which entities are to be consolidated in the issuers' consolidated financial statements. An investee, which was not previously classified as a subsidiary of the issuer, may be accounted for as a subsidiary under HKFRS / IFRS 10.

Under Listing Rule 1.01, a subsidiary of an issuer includes any entity which is consolidated into the consolidated financial statements of the issuer as a

subsidiary under the HKFRS or IFRS. As a result, the adoption of HKFRS/ IFRS 10 may have practical implications for issuers' compliance with the listing rules.

HKFRS/ IFRS 10 require an issuer to disclose an assessment of the financial impact of HKFRS/ IFRS 10 on its accounts once this assessment is made. When an issuer implements the new accounting standard in its first set of accounts in 2013, it is required under HKFRS/ IFRS 10 to restate its comparative figures for 2012 in the accounts, and include a reconciliation from the previously reported figure to the restated figure for each financial statement line item affected.

The implementation of HKFRS 10/ IFRS 10 may also result in other compliance implications, particularly regarding listed companies' inside information disclosure obligations under Part XIVA of the Securities and Futures Ordinance resulting from the consolidation or deconsolidation of entities.

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

Real-time disclosure

The Stock Exchange of Hong Kong Ltd (the Exchange) will implement its proposals to allow listed companies' inside information announcements to be released during the Exchange's trading hours subject to a short trading halt. The HKICS had been lobbying the Exchange on the issue of real-time disclosure and the problems associated with listing rule 2.07C(4) which prohibits the publication of company announcements, with limited exceptions, during share trading hours.

Last year the Exchange published a consultation paper to seek market views on a proposed model for implementing a trading halt that would allow publication of inside information announcements during trading hours. The consultation, which ended on 8 October 2012, found a majority of respondents supported the Exchange's proposals. Implementation of the new trading halts procedures will not be earlier than mid-2014.

The consultation paper and consultation conclusions are available on the Hong Kong Exchanges and Clearing website: www.hkex.com.hk.

Second batch of Companies Ordinance subsidiary legislation gazetted

A second batch of Companies Ordinance subsidiary legislation – comprising the Companies (Revision of Financial Statements and Reports) Regulation and the Companies (Disclosure of Information about Benefits of Directors) Regulation – has been gazetted. The first batch of subsidiary legislation comprising five pieces of subsidiary legislation was gazetted in early February.

This second batch of subsidiary legislation does not contain any provisions relating to the inspection of the Companies Register

under the new Companies Ordinance. The remaining subsidiary legislation is planned to be tabled in LegCo this month. The government hopes to implement the new Companies Ordinance in the first quarter of 2014. The subsidiary legislation will be brought into operation together with the new Companies Ordinance.

More information is available on the Financial Services and the Treasury Bureau website: www.fstb.gov.hk.

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