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April 2015

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報告

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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 over 5,800 members and 3,200 students.

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*Correction

The number of Fellows was misstated in the 'Membership statistics update' on page 2 of the March 2015 edition of CSj. The number should have been 519, not 596.

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Risk and opportunity

In the current business environment, directors can be forgiven for being a little wary about risk governance. In an article in the *Financial Times* ('Audit is no longer the chore the board dreads most', 29 July 2014), Howard Davies cites a recent survey finding that 80% of non-executive directors in the UK financial sector regard the risk committee as the one to avoid – defeating expectations that the audit committee would be regarded as the least enviable posting.

There are various reasons for this, but the skill sets required for effective risk management is certainly a factor. Keeping tabs on the risks facing a typical commercial organisation in the current business environment requires a good knowledge of diverse issues – regulatory change, social demographics, cybersecurity, macroeconomic stability, investment markets, etc. Another factor is the degree of 'judgement' required, particularly where directors are considering the impact of long-term trends on the business.

Nevertheless, the future sustainability of organisations is determined by how well they manage risk. In our excellent ECPD seminar at the beginning of this year ('Risk Management Reform for Hong Kong Listed Companies – Trendsetting for Asia?', 20 January 2015), Edith Shih FCIS FCS(PE),

Head Group General Counsel and Company Secretary at Hutchison Whampoa, shared her insights in how to establish effective internal controls to manage risk with reference to the systems in place in her global organisation.

The other speaker at the seminar, Andrew Weir, Regional Senior Partner, KPMG Hong Kong, pointed out that members of our profession can play a critical role in ensuring that both risk management and internal controls are given the attention they deserve by the board. He urged company secretaries to use the recent changes to the Corporate Governance Code on risk management and internal controls as an agent of change.

The amendments to the Code, which are covered in this month's cover story on pages 6–11, make it clear that ultimately ownership of this area rests with the board, though the management is responsible for designing, implementing and monitoring the internal control and risk management systems and confirming their effectiveness to the board. While the changes may not yet be a compliance issue for companies in Hong Kong, they can provide a tool to help raise these important issues at the board level. Is risk management a standing item on your board's agenda? Does your organisation have the necessary structures in place to effectively manage risk? Does your board discuss emerging as well as operational risks?

While operational risks are 'easier' to monitor than emerging risks, the impact of the latter on an organisation's business strategy can be catastrophic and boards should be considering these risks as part of their strategic planning. In fact, risk and strategy go hand in hand. The ways that new technologies are shaping the future business environment, for example, can represent risks but also opportunities for your business.

Perhaps, then, risk management doesn't deserve its formidable reputation after all. It is not only about the myriad ways in which things can go wrong, it is also about discovering the opportunities that are opening up for your business. This is a very positive message to emerge from what most people regard as a very negative subject. Emphasising that opportunity is the flipside of risk is a good way to get buy-in from the board on upgrading your organisation's risk management and internal control systems.

Your Institute will organise more seminars and debates in this area in the next few months. Stay tuned and share your views and experiences with us.

A handwritten signature in black ink, appearing to read 'Maurice Ngai'.

Maurice Ngai FCIS FCS(PE)

风险与机遇

在现今商业环境中，董事对风险管治有点视为畏途，可谓在所难免。在英国《金融时报》的一篇文章里（「审核已不再是董事会最畏惧的苦差」，2014年7月29日），霍华德·戴维斯(Howard Davies)引述近期的一项调查结果显示，英国金融界的非执行董事中，八成对风险委员会避之则吉；这与一般人认为董事最不愿意加入审核委员会的想法背道而驰。

个中原因繁多，其因素之一是须具备有效管理风险相关技巧。在现今商业环境中，要掌握典型商业机构面对的风险，需要熟悉多方面的事务：法规改变、社会人口特徵、互联网保安、宏观经济稳定性和投资市场等。另一项因素是风险管理所需的判断力，特别是当董事会考虑长远趋势对业务的影响时，对判断力的考验尤其显著。

然而，管理风险的能力，关乎机构未来的可持续发展。今年1月20日，公会举办了一场强制持续专业发展研讨会（「香港上市公司的风险管理改革—为亚洲开创潮流？」），反应热烈。会上和记黄埔有限公司集团法律总监兼公司秘书施熙德律师FCIS FCS(PE)与出席者分享识见，以身任全球跨国企业所设的制度为例，说明如何设立有效的内部管控措施管理风险。

研讨会中另一位讲者一毕马威中国香港区首席合伙人韦安祖(Andrew Weir)指出，要让董事会适当地注意风险管理和内部管控事宜，特许秘书可发挥关键作用。他促请公司秘书利用最近「机构管治守则」内有关风险管理和内部管控条文的修订，作为改变的契机。

本刊今期的封面故事（第6至11页），介绍「守则」的各项修订。修订内容清楚表明，风险管理最终须由董事会负责，而管理层则负责设计、实施和监察内部管控及风险管理制度，并向董事会确认相关制度的效益。虽然有关修订尚未成为香港公司的合规要求，这些修订可以在董事会上提出，以推动提升风险管理水平。风险管理是否贵公司的董事会之例行讨论项目？贵公司有否具备所需的架构从而有效管理风险？董事会有否讨论潜在风险和业务运作上的风险？

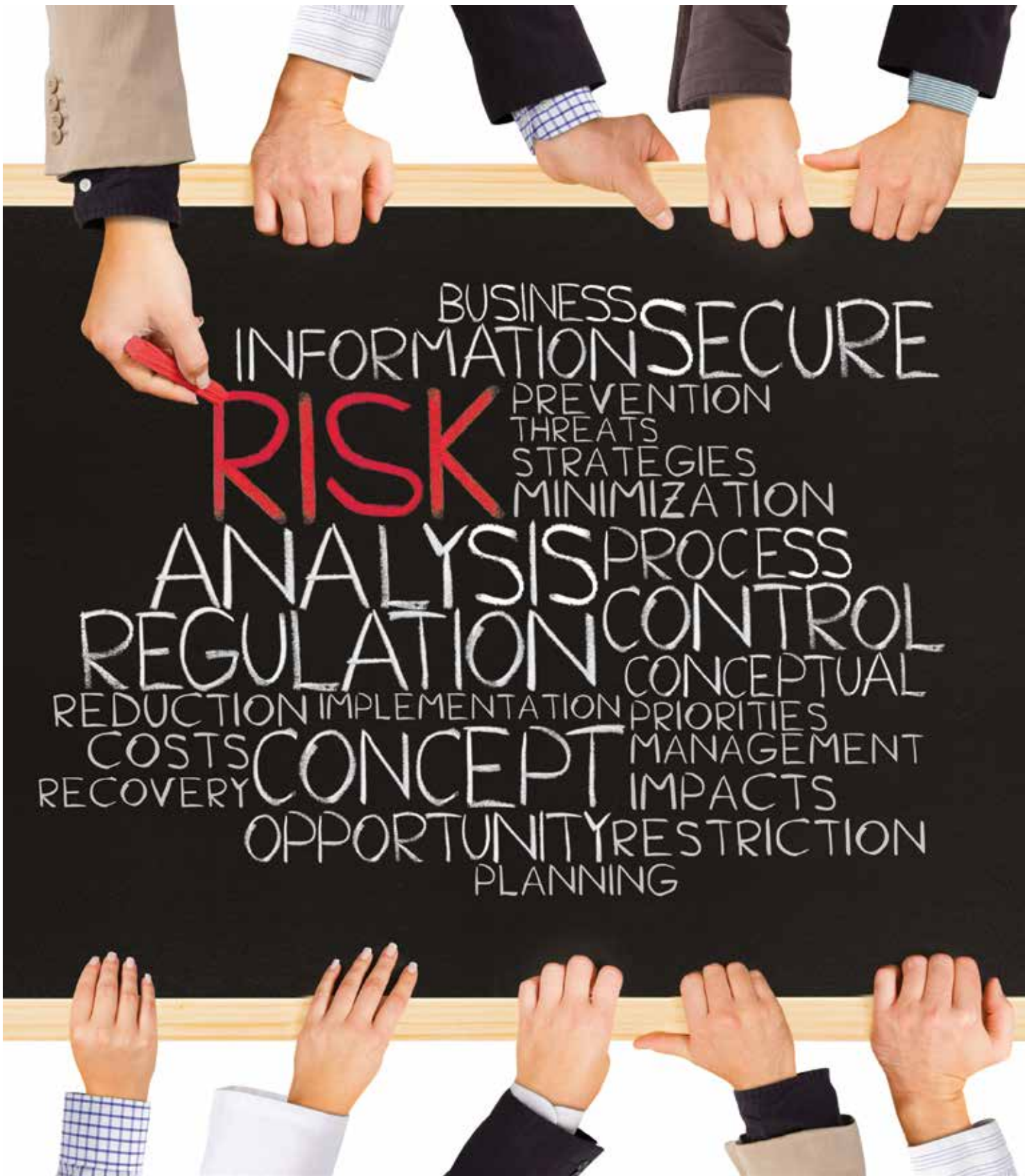
业务运作上的风险比潜在风险较「容易」被监察得到，但潜在风险对机构的商业策略可能有灾难性的影响，董事会应在制订机构策略时考虑这些风险。事实上，风险与策略息息相关。例如新科技影响未来的商业环境，有可能构成风险，但同时亦可为业务带来机遇。

因此，风险管理也许并非如斯可惧。管理风险的工作，不仅为防范各种出错的可能，也让你洞悉先机，发掘业务的发展机遇。这是很正面的讯息，有别于一般人普遍对风险管理的负面印象。要争取董事会接纳提升机构的风险管理和内部管控制度，强调机遇乃风险的另一面是好方法之一。

在未来数月，公会将举办更多有关这方面的讲座和研讨会。请留意公布，并与我们分享你的意见和经验。



魏伟峰博士



Risk awareness starts with the board

CSj takes a look at recent revisions to Hong Kong's Corporate Governance Code designed, among other things, to clarify that the board has an ongoing responsibility to oversee companies' risk management and internal control systems.

If the global financial crisis taught the world only one lesson, it was the importance of detecting and dealing with risks. Since the crisis, as you might expect, risk governance and internal controls have become key areas for companies – listed and private, global and national – to ensure that unpredicted events or challenging trends are dealt with so that threats are minimised and opportunities seized.

Companies are not the only market participants getting involved – regulators in most markets around the world have been revising their compliance requirements relating to risk governance and trying to foster a 'risk culture'. In December 2014 the stock exchange amended Hong Kong's Corporate Governance Code to highlight the importance of risk management and effective internal controls. In summary, the main changes to the Code include:

- incorporating risk management into the Code where appropriate
- defining the roles and responsibilities of the board and management
- clarifying that the board has an ongoing responsibility to oversee the issuer's risk management and internal control systems

- upgrading to Code Provisions the Recommended Best Practices regarding the annual review of the effectiveness of the issuer's risk management and internal control systems, and disclosures in the Corporate Governance Report, and
- upgrading to a Code Provision the Recommended Best Practice that issuers should have an internal audit function, and those without to review the need for one on an annual basis.

The revisions to the Code will apply to accounting periods beginning on or after 1 January 2016, so companies still have up to two years before compliance with the new Code Provisions falls due. Moreover, Code Provisions are not

mandatory Listing Rules; companies can adopt alternative measures as long as they explain these to stakeholders in their Corporate Governance Reports.

David Graham, Chief Regulatory Officer and Head of Listing at Hong Kong Exchanges and Clearing Ltd (HKEx), explained that good management of risks – that threaten the achievement of the strategic and operational objectives of an organisation – is a core element of good corporate governance.

'The amendments to the Corporate Governance Code which we adopted in the consultation conclusions published in December 2014 are intended to help improve the overall corporate governance standards of our issuers and

Highlights

- new requirements on risk governance in the Corporate Governance Code will take effect on or after 1 January 2016
- the amendments to the Code are designed to foster a 'risk awareness' culture on boards rather than seeing risk management as a compliance issue
- the company secretary will be involved in the implementation of a structured approach to risk management

to bring our Code in this area more in line with the latest international best practices', he told *CSj*.

The amendments emphasise that internal controls are an integral part of risk management. While risk management focuses on identifying threats and opportunities, internal control helps counter the threats and take advantage of opportunities.

The amendments also focus on ensuring that stakeholders are informed of the effectiveness of companies' risk management and internal control systems. Investors are taking an increased interest in this area. According to a survey conducted by accountancy firm EY, more than 80% of institutional investors are willing to pay a premium for companies with good risk management practices. Similarly, a majority of respondents to the same survey said that they had passed up the opportunity to invest in a company because they believed risk management was insufficient.

'Understandably, investors don't like negative surprises – they want to know things are under control; they want open communication and information on control systems', the EY report said. 'One thing is certain: investors can't value what they can't see. As well as being critical to the overall success of a business, a good investor communications programme is a key tool of risk management'.

The impact of the Code changes

Other jurisdictions, such as the UK, Australia and Singapore, have already adopted similar requirements within their respective corporate governance codes. For many companies with overseas

listings, therefore, the new rules will not require any significant changes.

Paul Stafford FCIS FCS, Corporation Secretary and Regional Company Secretary Asia-Pacific of the Hongkong and Shanghai Banking Corporation (HSBC), welcomes the amendments to the Code and explains that they will help align the rules on risk management globally.

'Many of the changes have already happened in the jurisdictions where we are subject to similar rules. So in many ways, these represent an alignment with other markets where we're already in operation to the same sorts of expectations', he said. 'This is particularly the case for financial services and banking companies where there has been a huge focus on risk management over many years, and especially since the global financial crisis'.

A few years ago, HSBC established separate audit and risk committees. Although there are overlapping areas between the audit and risk committees, responsibilities and skill sets among its members are somewhat different. Paul Stafford said he appreciates that the HKEx Code will now provide flexibility for companies to operate with separate audit and risk committees as well as a single audit committee. He also said the separation of audit and risk committees brings new challenges for the company secretary because of the crossover of responsibilities between the two committees.

'Having two separate committees sometimes raises interesting situations', he said. 'In some cases we have to work out if it's an audit committee question or a risk committee question. Sometimes the answer is that it's both'.

Internal control is a good example, he added. Internal control over financial reporting would tend to be within the audit committee's remit, but internal control in general will fall within the risk committee's remit.

Having a separate risk committee is not obligatory under the revised Code. HKEx leaves it up to issuers to decide this question for themselves. For some issuers, the consultation paper states, it may be appropriate to establish a risk committee. But for others – particularly smaller issuers with fewer directors – establishing another board committee may be a strain on their resources. In those cases, the paper adds, the risk committee would be likely to comprise the same directors that sit on all the other board committees.

Most audit committees already take responsibility for risk management and internal control. Some companies prefer to keep it that way rather than create a separate risk committee.

Edith Shih FCIS FCS(PE), Head Group General Counsel and Company Secretary at Hutchison Whampoa, is also supportive of the new requirements – she points out that risk management and internal control go hand in hand. For the port-to-telecom conglomerate, the Code revisions won't mean any major changes – risk management and internal controls have for years been an integral part of its operations. At Hutchison Whampoa the board takes responsibility for internal control and risk management of the company. The monitoring is delegated to the audit committee, Edith Shih explained. They do not have a separate risk committee.

'Risk management is such an integral part of corporate governance that it's right that



“boards are being encouraged to promote a ‘risk awareness’ culture rather than one of compliance, and this starts with robust discussion of risk and control in the boardroom”

the Code changes have been introduced', she said. 'Some think that it would have been better to introduce them earlier, but I understand that many smaller companies might not have had the manpower and infrastructure to deal with the requirements all at once'.

Some of Hutchison Whampoa's business units, like Canadian oil and gas company Husky Energy, have a separate risk committee due to their specialised business areas where risk management is particularly important.

Hutchison Whampoa follows an internal control model promoted by COSO, the Committee of Sponsoring Organisations of the Treadway Commission. The model – effected by an organisation's board of directors, management and other personnel – is basically designed to provide guidance for effectiveness and efficiency of operations, reliability of

financial reporting, and compliance with applicable laws and regulations.

Under this model, the board assesses risk and internal control in all of Hutchison Whampoa's business units. Focus is somewhat different in the Group's different units depending on their business nature and risk profile. Its retail businesses, like ParknShop and Watsons, have tight control of cash and stock management, while its container port business unit focuses a great deal on safety for employees and machinery. Still, there is a framework of questions which all business units have to reply and report back on to the board. It is essentially a top-down process to scrutinise the effectiveness of internal control and to safeguard shareholder value.

The model is based on self-assessment but is not solely reliant on self-

assessment, Edith Shih explained. 'It is a very stringent system', she said. After all the questions have been answered, the managing director and finance director of each business unit have to sign and confirm the responses given. Then the company's internal auditor conducts his separate review and provides his own report which is compared against that of the business units. The work of the internal auditor is then verified by the external auditor. Finally, the board assures in the company's annual report that the risk and internal control review is satisfactory. The risk management and internal control review is ongoing throughout the year but the company provides a report twice a year, in its interim and annual reports.

Who is responsible for looking after risk?

Ultimately the responsibility for risk management rests with the board, but a

good company secretary will be closely involved in the process in a number of ways. Company secretaries are not only there to handle the paperwork, Edith Shih points out – they assist in monitoring and policing the risk management process, ensuring that a risk review is on the board's agenda and providing advice to the board in this area. This advisory function is one area where the company secretary's services are increasingly in demand because tougher regulations have increased directors' responsibility and potential liability.

As mentioned earlier in this article, the recent amendments to the Code aim to improve the definition and understanding of the roles and responsibilities of the board and management in risk management. Andrew Weir, Regional Senior Partner of KPMG in Hong Kong, points out that the amendments to the Code include new principles that clearly distinguish the role of the board from the role of management.

Boards are being encouraged to promote a 'risk awareness' culture rather than

one of compliance, and this starts with robust discussion of risk and control in the boardroom. The principles state that the board is responsible for determining and evaluating the risks the company is willing to take, while management is responsible for designing, implementing and monitoring the risk management and internal control systems. Management should also provide confirmation to the board of the effectiveness of these systems.

'Ultimate responsibility rests with the board, however everyone within the organisation has a role to play', Andrew Weir said. 'This is why culture is such an important factor'. This will give company secretaries a key role to play, he added. They will be involved in both the implementation of a structured approach to risk management and in promoting the importance and benefits of effective risk management across the organisation.

Best practice risk management employs a 'three lines of defence' model reporting to the board. Operational management and oversight functions form the first and second lines, and a third line of defence is provided by internal auditors. As mentioned earlier, the recent amendments to the Code have introduced a Code Provision that issuers should have an internal audit function. This is intended to help issuers carry out analysis and independent appraisal of their risk management and internal control systems.

This Code provision is likely to attract significant attention from a compliance point of view. Today, only half of the companies listed on the Hong Kong stock exchange have an internal auditor. Moreover, hiring one is easier said than done – HKEx warned in its consultation paper on risk management that there is

In other words

"The amendments to the Corporate Governance Code which we adopted in the consultation conclusions published in December 2014 are intended to help to improve the overall corporate governance standards of our issuers and to bring our Code in this area more in line with the latest international best practices."

David Graham, Chief Regulatory Officer and Head of Listing at Hong Kong Exchanges and Clearing Ltd (HKEx)

"Many of the changes have already happened in the jurisdictions where we are subject to similar rules. So in many ways, these represent an alignment with other markets where we're already in operation to the same sorts of expectations."

Paul Stafford FCIS FCS, Corporation Secretary and Regional Company Secretary Asia-Pacific of the Hongkong and Shanghai Banking Corporation (HSBC)

"Risk management is such an integral part of corporate governance that it's right that the Code changes have been introduced. Some think that it would have been better to introduce them earlier, but I understand that many smaller companies might not have had the manpower and infrastructure to deal with the requirements all at once."

Edith Shih FCIS FCS(PE), Head Group General Counsel and Company Secretary at Hutchison Whampoa

"Ultimate responsibility [for risk management] rests with the board, however everyone within the organisation has a role to play. This is why culture is such an important factor."

Andrew Weir, Regional Senior Partner, KPMG Hong Kong



“ the effort taken to implement risk management should not be underestimated, but those companies who do so effectively will find that it has clear operational and governance benefits ”

a limited supply of qualified, experienced internal audit personnel. There may also be concerns about the independence of the internal audit function in smaller companies as some issuers may utilise existing staff involved with preparing the issuer's financial statements to conduct the internal audit as well. The effort taken to implement risk management should not be underestimated, but those companies who do so effectively will find that it has clear operational and governance benefits.

Things to look out for

Since the 2008 global financial crisis, risk has been most often identified with financial risk, but this is far from being the only area of risk that companies need to monitor. Today, organisations face a wide range of uncertain internal and external factors that may affect the achievement of their objectives. The risk agenda has broadened into many different areas including: operational, regulatory, legal, social, environmental and reputational risks.

Worryingly, there are many areas of risk that are overlooked or ignored. Andrew Weir lists some risks that he believes deserve greater attention than they are currently getting.

- Regulation in Hong Kong, across Asia and globally is growing in its complexity and companies need to make sure they are abreast of all requirements that apply to the markets that they operate in. A company's regulatory burden is multiplied when it operates across multiple jurisdictions.
- Cybersecurity is often an area overlooked by organisations and frequently delegated to the head of IT. There is a self-review risk inherent in this that has exposed numerous organisations to data and financial loss.
- There is the risk of overconfidence in a companies' ability to mitigate risks. The question needs to be asked whether an organisation is sufficiently prepared for an anticipated or unexpected event. Companies need to ask: are good risk management practices in place? Have they been tested? If we haven't been exposed in the past is it due to good management or good luck?
- The rise of social media and the increasing speed at which

information travels is also impacting the speed at which companies must react to adverse events. There have been many examples in recent months which show both markets and regulators to be unforgiving to companies who are unable to respond effectively with sufficient speed.

Another peril is that risk committees still tend to rely on information generated within the business. Risk management and internal control need to encompass a wider perspective since organisations are affected by many variables – often outside their direct control.

Johan Nylander
Journalist

The HKEx consultation paper and consultation conclusions regarding the recent Corporate Governance Code changes are available on the HKEx website (www.hkex.com.hk). Relevant Frequently Asked Questions can also be downloaded from the 'Rules & Regulations/ Rules and Guidance on Listing Matters/Interpretation and Guidance' section of the HKEx website.



Where were the investors?

CSj looks at new proposals by the Securities and Futures Commission (SFC) to encourage proactive engagement between investors and publicly listed companies in Hong Kong.

Hong Kong, like many developed markets around the world, operates a disclosure-based regulatory regime. Under this model, regulators ensure that companies make adequate disclosures to stakeholders and they – in particular shareholders – are supposed to provide the necessary discipline to maintain corporate governance standards in the market. Where a company is failing to uphold basic corporate governance standards, investors either use their voting power to force managerial or board changes to get the company back on track, or they vote with their feet and disinvest in the company.

The success of this model, together with the 'comply or explain' enforcement mechanism used by Hong Kong's Corporate Governance Code, is dependent on investors paying attention to the corporate governance standards of their investee companies and taking their share ownership responsibilities seriously – in particular participating and voting in general meetings. Where investors are passive passengers in their investee companies, the 'market discipline' element of Hong Kong's disclosure-based regulatory model and the 'comply or explain' system breaks down.

'Currently one element missing in Hong Kong's corporate governance regime is shareholder engagement,' the Securities and Futures Commission (SFC) states in its recently published consultation on its proposed *Principles of Responsible Ownership*. 'In Hong Kong, there is no requirement, or means of encouragement, for institutional investors to engage with investee

companies, to vote or even to disclose how they exercise their voting rights.'

Regulators have been driving the corporate governance reform agenda in Hong Kong for many years and the SFC hopes that its proposed *Principles of Responsible Ownership*, published last month and subject to a three-month consultation, will help to increase investor pressure for better corporate governance in the Hong Kong market.

Does Hong Kong need a stewardship code?

Since the global financial crisis, there has been a renewed focus on the concept of investor stewardship. In 2010 the UK brought out its *Stewardship Code* which emphasises that for investors, stewardship is more than just voting at the AGM. Shareholders stand at the top of the accountability chain of command.

Directors hold managers accountable and shareholders hold the board accountable for the fulfillment of its responsibilities. Ideally, therefore, shareholders should be monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance.

Is it time, then, for Hong Kong to catch up with this trend? Here in Asia, Malaysia and Japan have already introduced stewardship codes and in Australia industry bodies have promulgated shareholder engagement principles for institutional investors. The SFC's proposed *Principles of Responsible Ownership* put forward seven principles of responsible ownership which ask investors:

1. to establish and report to their stakeholders their policies for

Highlights

- in Hong Kong there is currently no requirement, or means of encouragement, for institutional investors to engage with investee companies, to vote or even to disclose how they exercise their voting rights
- the SFC's proposed *Principles of Responsible Ownership* seek to encourage institutional investors to establish and report to their stakeholders their policies for discharging their ownership responsibilities
- the principles will be voluntary and non-binding, though the SFC seeks views on whether to impose stricter compliance requirements on institutional investors and particularly those institutions which are authorised or licensed by regulators
- shareholders, whether they employ agents directly or indirectly to act on their behalf, would be expected to ensure that their ownership responsibilities are appropriately discharged by those agents

discharging their ownership responsibilities

2. to monitor and engage with their investee companies
3. to establish clear policies on when to escalate their engagement activities
4. to have clear policies on voting
5. to be willing to act collectively with other investors when appropriate
6. to report to their stakeholders on how they have discharged their ownership responsibilities, and
7. when investing on behalf of clients, to have policies on managing conflicts of interests.

The UK's *Stewardship Code* has provided a useful model for many other jurisdictions' codes and best practice guidelines on shareholder engagement, and the SFC acknowledges that it drew upon the experience of the UK and other jurisdictions around the world when drafting its proposed proposals. It emphasises, however, that the proposals are tailored very specifically to the Hong Kong market.

'In discussing the approaches taken by other jurisdictions we are not suggesting their positions are necessarily the right direction for Hong Kong to take as we are mindful that cultural differences can dictate the manner and extent of a shareholder's engagement with the investee company. However, the experiences of jurisdictions with similarly established financial markets to our own serve as a useful starting point in guiding

Hong Kong as we embark on a similar exercise,' the consultation states.

One obvious difference between the UK and Hong Kong markets is the dominance of closely-held companies in Hong Kong. The majority of Hong Kong companies are family-owned, or dominated by a single or small number of majority shareholders. These shareholders are typically highly engaged in the running of the business. In most cases they sit on the board, or, where they are not formally so appointed, the directors are mindful of their interests. In this scenario, while 'shareholder engagement' may be a non-issue, 'investor stewardship' is still highly relevant. Apart from anything else, there are the minority shareholder interests to consider and, like most jurisdictions, Hong Kong has been evolving towards a more diversely held market.

One characteristic which differentiates the SFC's proposed principles from overseas models is that they are not solely focussed on institutional investors. The SFC consultation points out that shareholder engagement, irrespective of the size of their shareholdings, will have an impact on the governance of the investee company. 'These benefits apply whether or not the person exercising these rights is an institutional investor or a beneficial owner. Accordingly we consider that any guidance should be aimed at all investors and we have drafted the principles on that basis,' the consultation states.

The SFC recognises that certain elements of the principles, such as disclosure, reporting and accounting to stakeholders, will not apply to individuals. It also recognises that in recent decades there has been a notable

“ we believe a code setting out good practices of shareholder engagement for institutional investors will assist in encouraging such shareholders to act responsibly, not only towards their investee companies, but to support the health and stability of the Hong Kong financial market as a whole ”

increase in institutional ownership of publicly listed companies in Hong Kong. These institutional investors, such as retirement funds, insurance companies and mutual funds, are by far the biggest owners of shares of listed companies in Hong Kong.

'The way in which such institutional shareholders use their rights is of fundamental importance to the health and stability of an investee company and ultimately to our economy,' the consultation states.

The SFC therefore solicits views on whether Hong Kong should impose stricter compliance requirements for institutional investors and particularly those institutions which are authorised to manage assets for others. In general, the proposal is to make the principles non-



binding and voluntary. Investors will be encouraged to 'sign up' to the principles and either disclose how they comply with them or explain why some or all of the principles do not apply.

The consultation seeks views on whether relevant entities, particularly those authorised, licensed and/or regulated by the Hong Kong Monetary Authority, the Mandatory Provident Fund Schemes Authority, the Office of the Commissioner of Insurance and the SFC, should be obliged to, rather than encouraged to, apply the principles on a 'comply-or-explain' basis.

The SFC envisages that eventually institutional investors will be subject to a stewardship code on a 'comply-or-explain' basis and points out that such codes are already in force in some

overseas jurisdictions. 'We believe a code setting out good practices of shareholder engagement for institutional investors will assist in encouraging such shareholders to act responsibly, not only towards their investee companies, but to support the health and stability of the Hong Kong financial market as a whole,' the consultation states.

Imposing such a code in Hong Kong will require a number of issues to be considered. For example, which institutions would be deemed to be institutional investors? Moreover, how should compliance with the code be monitored and which regulator should be responsible for doing so? The obvious answer would be the SFC, but the consultation seeks views on whether the primary regulator in each respective industry should take on this task.

What is the relevance for intermediaries?

One obstacle to shareholder engagement, both in Hong Kong and globally, has been the increasing trend for investors to own their shares via intermediaries. These investors therefore exercise their shareholder rights – such as the right to participate and vote in general meetings – via intermediaries such as institutional investors, brokers, banks and proxy advisers.

The SFC proposes to establish the principle that owners of company equity should not blindly delegate their ownership responsibilities. 'Even when they employ agents, directly or indirectly, to act on their behalf, owners should ensure that their ownership responsibilities are appropriately discharged by those agents,' the consultation states.

“
both [Hong Kong’s] disclosure-based regime and the ‘comply or explain’ enforcement mechanism used by the Corporate Governance Code only make sense if there is a real possibility that shareholders will take action where companies fall below expected standards
 ”

The SFC believes that there should be guidance:

- to assist investors in determining how best to meet their ownership responsibilities whether these are exercised directly or through intermediaries, and
- for intermediaries on whom investors are depending to exercise ownership responsibilities.

The consultation asks whether intermediaries should be encouraged to commit to the principles and, if so, how this should be facilitated.

The initiative to introduce a paperless securities regime in Hong Kong is relevant here. Currently in Hong Kong, investors trading their shares via the Central Clearing and Settlement System (CCASS) do not always receive corporate communications and proxy voting materials since as they are not the registered holders of the shares. Legal ownership of the shares remains with the operator of CCASS – the Hong Kong Securities Clearing Company Nominees Ltd (HKSCC). One of the main drivers of the dematerialisation reform has been to

facilitate direct ownership. The reform will allow investors holding electronic shares in CCASS to be able, for the first time, to register their securities in their own names and enjoy the full benefits of legal ownership.

The scripless share proposals are currently under scrutiny by LegCo. The SFC is also working on subsidiary legislation which it will be consulting the market on, though no dates have yet been fixed.

What difference will it make?

Looking at global trends, it would seem that the prospects for shareholder engagement in Hong Kong over the long term are good. Globally there has been an increasing trend for investors to exercise their votes on issues such as excessive director remuneration, dilution of shares, pre-emption rights, etc. Technological advances have also made activism much easier. As Lucy Newcombe, Corporate Communications Director at Computershare, pointed out in her article in this journal 'preparing for your AGM' (CSj, March 2013), social media platforms such as Twitter, Weibo, Facebook and Youtube, have provided ideal platforms for shareholders to escalate issues they feel strongly about.

Nevertheless, other global trends have been going in the opposite direction. The trend for shareholders to increasingly own their shares via intermediaries, and the trend towards short-term investing and high speed electronic trading, for example, have tended to reduce investor engagement.

Meanwhile, the level of shareholder engagement in Hong Kong has remained stubbornly low. In her 'AGM Season Review 2014' (CSj, November 2014), Lucy Newcombe notes the falling voting figures at AGMs here. While attendance at AGMs has been going up, the number of attendees who participate in the votes has been declining for four consecutive years.

In the context of these trends, will the SFC's proposed *Principles of Responsible Ownership* have much impact? As mentioned at the beginning of this article, the philosophy underpinning Hong Kong's regulatory regime requires that investors play their part in maintaining corporate governance standards. Whether or not they succeed in improving shareholder engagement in Hong Kong, what the SFC principles are attempting is highly significant for the HKSAR. Both its disclosure-based regime and the 'comply or explain' enforcement mechanism used by the Corporate Governance Code, only make sense if there is a real possibility that shareholders will take action where companies fall below expected standards.

Kieran Colvert
Editor, CSj

The SFC consultation will run until 2 June 2015. The full consultation paper is available on the SFC website (www.sfc.hk).



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The governance brand



Last year the Australian division of the Institute of Chartered Secretaries and Administrators (ICSA) changed its name to Governance Institute of Australia (GIA). CSj interviews Tim Sheehy, Chief Executive of the GIA, about the rationale behind the rebranding exercise.

Your rebranding exercise has attracted a lot of interest here in Hong Kong and globally – what was the rationale behind the name change?

'Many years ago, the board and management came to the view that if the institute solely relied on qualifying people as company secretaries, it would not exist in 20 years' time. We don't have a statutory requirement for companies to employ a company secretary unless you are a listed company, and for those listed companies there is no statutory requirement that they hire someone who is qualified by this organisation. So there are simply not enough companies that will hire company secretaries, whether they are "Chartered" or not, to sustain this organisation. So this organisation had to diversify – it was as simple as that.

The other thing we had to do was to acknowledge that the awareness of the term "Chartered Secretary" in the Australian market was really low. To be honest, we started de-emphasising the term Chartered Secretary 10 years ago and we started emphasising the term "governance professional" in its place. Governance roles were broadening out of the boardroom into risk management and compliance. These were important trends.

So it was a strategy for sustainability, and I mean sustainability in terms of member numbers. If we were not going to bring people in as traditional Chartered Secretaries only, we had to start to look at people who were para-professionals, or who were interested in governance and might be working as a company secretary but as a small part of their role. We had to broaden our membership to include those who came from not-for-profits and small organisations and who weren't prepared to do two years' worth of study in order to qualify as a Chartered Secretary.

So we started back in 2007 offering alternative pathways and programmes, and we brought in a whole new category of membership in 2009 called "certificated members". We are the only division in the Institute that has the power to do that. Our certificated members are not members of the ICSA, they are only members of the service company – Governance Institute of Australia. Their post nominal is "GIA(Cert)".

We got consent from the International Council back in 2007 or 2008 to do this because we said we needed to broaden our membership base or we wouldn't have a sustainable income and membership level. We also pointed out that these people would probably go on to be Associates and Fellows of the Institute if we just let them to come in and get a taste of the place.'

How many certificated members do you have?

'We finished off last year with 896 and we will have between 1,150 and 1,200 by the end of this year. By the time it got to 2012 we had a critical mass of people who had come in via a different kind of qualifying programme, and who were not company secretaries and certainly not Chartered Secretaries. So we saw the name as not reflecting the membership even in 2012 and 2013, and certainly not reflecting what the future membership would look like. We also had very little goodwill in the term Chartered Secretary and we came to the view that the name was holding us back.'

Was that lack of goodwill with the name Chartered Secretary partly due to the feeling that the concept of having a royal charter from the Queen of England is outdated?

'Yes, and that was one of the reasons we started to de-emphasise the term 10 years ago. Certainly the concept of the royal charter is kind of quaint and its cache just isn't the same.'

Highlights

- the institute came to the view that if it solely relied on qualifying people as company secretaries it would not exist in 20 years' time
- the values of being part of the Chartered organisation have not been dismissed – the institute's Chartered Secretary members still have the right to use their professional designation and their individual relationship with the institute has not changed
- the practice of good governance is the common thread linking the diverse membership of the institute

We didn't really want to invest hundreds and thousands of dollars trying to get traction for something where we would be fighting the trend anyway, so we just stopped. If you look at all our marketing collateral from about 2004 onwards, we very rarely use the expression of Chartered Secretary.'

ICSA New Zealand has followed your lead – rebranding itself 'Governance New Zealand' – do you think we'll be seeing other ICSA divisions becoming governance institutes?

'There are eight divisions in the Institute and they all differ because they all have different membership compositions, different ways companies employ their members. There is certainly a difference between the environment in Hong Kong/China and Australia.'

Views on this issue can be quite polarised. I imagine you also encountered opposing views in your rebranding?

'Yes. There were people who were not keen on the change but many of them had not appreciated the fact that they themselves would still be called Chartered Secretaries. They were much more comfortable when we explained to them that "you are still what you are". Our Chartered Secretary members still have the right to use their professional designation and their individual relationship with the Institute has not changed. The values of being part of the Chartered organisation have not been dismissed. The divisions know that being part of the ICSA gives us an independent third-party standard of approval of what we do and that can't be dismissed.'

Roughly 45% of the total membership lodged a proxy (which is pretty high) and, of those who lodged a proxy, 19% were against the change. We were relatively surprised to find that the 19% were evenly distributed across the age groups. There was a slightly higher percentage of older members, but in no way was it dramatically skewed to older members. There were representatives in that 19% from every 10-year age band. But our dropout rate didn't change – by and large all 19% renewed their membership.'

Am I right in thinking that, of the total vote, you got 81% in favour of the name change?

'Yes, we got 81% in favour. We wanted more. We were hoping to have above 90% but in hindsight that was a bit naïve because this was a big change for some people.'

Do you think there is a danger that, if the profession as a whole doesn't move in a similar direction, membership

numbers will continue to fall as they have been falling in the UK in contrast to here in Hong Kong and Australia?

'Yes I do and I will elaborate on that but first I should correct you – in Australia the only reason our membership numbers have been going up is because we have been including the certificated members. The number of members that are members of the ICSA have been declining slightly. The only country within the ICSA where the numbers are going up significantly is Hong Kong/China.'

So if we hadn't done anything about this situation we wouldn't have had a sustainable number of members. We have made other changes to address this situation. This year we introduced another qualifying programme of the same level and rigour as the international qualifying programme which will qualify people as risk professionals. It's a two-year course and members who qualify via this route will be Associates and Fellows of the institute with the post-nominals AGIA and FGIA respectively.

But to come back to your question, I do think that the other divisions need to confront these challenges. The Hong Kong/China division has got it on a plate – it has a statutory requirement to have a company secretary and it has China sitting there. None of the other divisions are in that position.'

Do you think the job title of 'company secretary' will also eventually be changed – some have suggested that 'chief governance officer' would be a good alternative?

'By and large I don't think it is going to change. There have been some, and I emphasise some, cases where company secretaries have changed their job title, but that discussion has gone by the by. There is a role called the company secretary and it has become a more important role. I don't see it disappearing and we certainly don't advocate that.'

Some opponents of a name change have pointed out that company secretaries add value through the broad remit of their role – looking after governance is only one aspect of what they do.

'I am okay with that. Company secretaries perform many different functions, it is quite an administrative generalist role and that's why the qualifying programme covers so many different areas. I accept that, it's just that no one has been able to translate that into a general acceptance outside the Institute. We just gave up trying.'

Here, certainly the bigger and more enlightened companies know that a company secretary does a whole lot more than just



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It used to be difficult explaining where we work. When you said ‘Chartered Secretaries of Australia’ you’d get this look.
”

compliance and taking minutes, we rarely see a job description from a decent company which has a narrowly focused job description. In a good company it is certainly well understood that company secretaries do a whole lot more than compliance and whether they are called the board secretary, the company secretary or, like in the US, the corporate secretary, I don't think it matters.

We would be foolish to throw away that franchise and to disassociate with the ICSA. We will use whatever leverage there is to back the professional designation of the "Chartered Secretary", but it is not the sole thing we will focus on.'

You mentioned that you have launched a new qualifying course for risk professionals – do you think that the profession generally, both in UK and around the world, needs to broaden its curriculum?

'Yes. There is a review of the "professional standard", and within that a review of the curriculum, which is going on now and I think there is a general recognition that the curriculum needs to be broadened to include more risk management. Perhaps even "Company Secretarial Practice" needs to be an elective.'


How much preparation went into the rebranding process?

'It had been on the table for nine years and we only recently got to the point where we felt we could get it across the line. So we took it to a vote. We got 81% in favour and we needed 75%, but the difference was only about 300 to 400 people which isn't that many.

We worked with an outside branding organisation. Initially they couldn't see why our different members are attracted to this organisation because they all have different roles. For the Institute of Directors or the Institute of Chartered Accountants it is obvious. But the common thread is that they all value the practice of good governance. They can all see that if their companies practise good governance this would improve their performance – that was the common thread, not precisely what you do each day. That is what we leverage off today.'

Were you surprised that the new name was still there for the taking? Governance has been getting a lot of attention these days in the business environment.

'Yes. It was there for the taking, no one had registered it. Someone had hoovered up the domain name but they weren't using it. They were a peripheral business and probably thought that they might use it one day, but they didn't develop the business and we reached an agreement and bought it from them.

But now it's so much easier. It's a simple name. Everybody knows what an Institute is and most people now know what governance is. It used to be difficult explaining where we work. When you said "Chartered Secretaries of Australia" you'd get this look. Now we don't need to go through that anymore. I keep saying to people it's like a snake shifting off its skin – we had already changed on the inside so we just had to finish it off and change on the outside.' 



Jail term for breach of the PDPO

For the first time since the Personal Data (Privacy) Ordinance came into force in 1996, an individual has received a jail sentence for breach of the Ordinance.



The Personal Data (Privacy) Ordinance (PDPO) protects the personal data of living individuals. Any person who controls the collection, processing, storage or use of personal data in Hong Kong is subject to the requirements of the PDPO.

Breach of the PDPO or non-compliance with enforcement notices issued by the Privacy Commissioner, may amount to a criminal offence and result in a fine and/or imprisonment. For example, a person who uses personal data for direct marketing purposes without the relevant data subject's consent will commit an offence and be subject to a maximum fine of HK\$500,000 and up to three years imprisonment. Failure to comply with an enforcement notice issued by the Privacy Commissioner, which requires certain remedial or preventative steps to be taken, will also constitute an offence, and attracts a maximum fine of HK\$50,000 and two years imprisonment on first conviction (with a daily penalty of HK\$1,000 if the offence continues).

The case

In October 2012, an individual lodged a complaint with the Office of the Privacy Commissioner claiming that an insurance agent had obtained her personal data through unfair means.

The insurance agent had originally contacted the complainant whilst he was employed at insurance company A. The insurance agent subsequently moved to insurance company B. He then contacted the complainant and persuaded her to sign up for a new insurance policy, without disclosing the fact that he had resigned from insurance company A and the policy would be issued by insurance company B. The complainant claimed that the insurance agent had misled her, and in

“ We anticipate that the Hong Kong courts will start to take a more hard-line approach to offenders under the PDPO ”

so doing had obtained her personal data by unfair means.

The Privacy Commissioner made enquiries with the insurance agent. In response to those enquiries, the insurance agent falsely told the Privacy Commissioner that he had been assigned to work with the complainant whilst he was employed by insurance company A. However, this was denied by insurance company A. The insurance agent had therefore committed an offence under Section 50B(1)(b)(i) of the PDPO.

Under Section 50B(1)(b)(i) of the PDPO, it is a criminal offence for a person to make a statement to the Privacy Commissioner, which he knows is false, or to knowingly mislead the Privacy Commissioner. Such an offence incurs a maximum fine of HK\$10,000 and six months imprisonment.

On 4 December 2014, the insurance agent was sentenced to four weeks imprisonment.

Section 64 of the PDPO

It is worth noting that the insurance agent's actions could have potentially fallen foul of Section 64 of the PDPO. The new Section 64 was introduced by the 2012 amendments to the PDPO, and makes it an offence for a person to disclose any personal data obtained from a data user without that data user's consent, if:

- that person intended to make a gain (either monetary or otherwise), for their own benefit or the benefit of another
- that person intended to cause loss to the data subject, or

Highlights

- this is the first time a prison sentence has been issued for a breach of the PDPO but is likely to be only the start of such actions and convictions
- the case highlights the need for data users to provide full cooperation and respond honestly to any enquiries made by the Privacy Commissioner
- data users should carry out periodic audits and put in place mechanisms and procedures that ensure that their policies and practices are in full compliance with the provisions of the PDPO at all times

- the disclosure caused psychological harm to the data subject.

An example of when a person may be in breach of Section 64 was given in an information leaflet issued by the Privacy Commissioner (see *Offence for disclosing personal data obtained without consent from the data user*, September 2012). The example concerns the sale by an employee of customers' personal data in return

for money, without the consent of his employer. In such circumstances, it would be the employee, rather than the employer, who would be guilty of an offence under Section 64, and liable to a maximum fine of HK\$1,000,000 and five years imprisonment.

As no written judgment is available in respect of the insurance agent's conviction, it is not clear whether or not his actions could have amounted to an

offence under Section 64 of the PDPO. So far, no person has been charged under Section 64 of the PDPO.

Conclusion

This is the first time a prison sentence has been issued for a breach of the PDPO, and is likely to be only the start of such actions and convictions. We anticipate that the Hong Kong courts will start to take a more hard-line approach to

Personal data protection in cross-border data transfers

Section 33 of the Personal Data (Privacy) Ordinance provides stringent and comprehensive regulation of transfer of data to outside Hong Kong. It expressly prohibits the transfer of personal data to places outside Hong Kong except in circumstances specified in the Ordinance. This ensures that the standard of protection afforded by the Ordinance to the data under transfer will not be reduced as a result of the transfer. However, Section 33 of the Ordinance is not yet in operation.

Privacy Commissioner Allan Chiang commented, 'the situation of global data flows is markedly different today than in the 1990s when the Ordinance was enacted. Advances in technology, along with changes in organisations' business models and practices, have turned personal data transfers into personal data flows. Data is moving across borders, continuously and in greater scales. Organisations, including small and medium-sized enterprises, are enhancing their efficiency, improving user convenience

and introducing new products by practices which have implications for global data flows. They vary from storing data in different jurisdictions via the 'cloud' to outsourcing activities to contractors around the world. Electronic international data transfers in areas such as human resources, financial services, education, e-commerce, public safety, and health research are now an integral part of the global economy.'

'Against this background, the issue of regulating cross-border data flows is becoming more acute than ever before. Countries worldwide are adopting a range of mechanisms to protect the personal data privacy of individuals in the context of cross-border data flows. It is high time for the administration to have a renewed focus on the implementation of Section 33 to ensure that the international status of Hong Kong as a financial centre and a data hub will be preserved.'

In December last year, the Office of the Privacy Commissioner published

guidance in this area. The *Guidance on Personal Data Protection in Cross-Border Data Transfer* seeks to assist organisations to prepare for the eventual implementation of Section 33 and enhance privacy protection for cross-border data transfer. It helps organisations understand their compliance obligations under Section 33. In particular, the PCPD has prepared a set of recommended model data transfer clauses to assist organisations in developing their cross-border data transfer agreement with the overseas data recipients. Organisations are encouraged to adopt the practices recommended in the guidance as part of their corporate governance responsibility even before Section 33 takes effect.

The 'Guidance on Personal Data Protection in Cross-Border Data Transfer' is available on the website of the Office of the Privacy Commissioner for Personal Data: www.pcpd.org.hk.

Source: The Office of the Privacy Commissioner for Personal Data

offenders under the PDPO, not only in respect of Section 50B(1)(b)(i), but also other provisions, for example Section 35E (which makes it an offence to use an individual's personal data for direct marketing without their consent), Section 50A (which makes it an offence to breach an enforcement notice issued by the Privacy Commissioner) and possibly Section 64 discussed above.

The amendments made to the PDPO in 2012, the latest suite of guidance notes issued by the Privacy Commissioner, the

fact that the Privacy Commissioner is recommending an increasing number of cases for prosecution and that the courts are willing to impose custodial sentences serve to emphasise the increased attention that the protection of personal data is receiving in Hong Kong.

In addition to providing full cooperation and responding honestly to any enquiries made by the Privacy Commissioner, it is vital that all data users carry out periodic audits and put in place mechanisms and procedures that ensure that their policies

and practices are in full compliance with the provisions of the PDPO at all times.

Gabriela Kennedy and Karen Lee
Mayer Brown JSM

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More information on compliance with the PDPO and privacy management issues can be found on the website of the Office of the Privacy Commissioner for Personal Data: www.pcpd.org.hk.*







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日期	2015年4月16日 (星期四)
	2015年6月25日 (星期四)
時間	晚上7時30分至8時30分
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開課日期	2015年9月
截止日期	2015年7月中

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Get ahead of cybercrime

EY has been conducting a yearly Global Information Security Survey (GISS) for 17 years. The key observations and views from the latest survey are shared in this article.

Cyber threats are increasing in their levels of persistence, sophistication and organisation. The damage caused by a cyber attack can severely impact a business. Even if you have not experienced an attack yet, you should assume that your organisation will be targeted, or that your security has already been breached.

You could be under cyber attack now

Cybersecurity attacks have increased exponentially in the last few years. As the evolution of technology marches forward, more complex cyber risks emerge, threatening significant harm to an organisation's brand and bottom line. The infiltration could have occurred days, weeks or even months ago without the organisation being aware of it. When the knowledge and magnitude of the breach does surface, the associated costs to the organisation may be staggering.

The disappearing perimeter

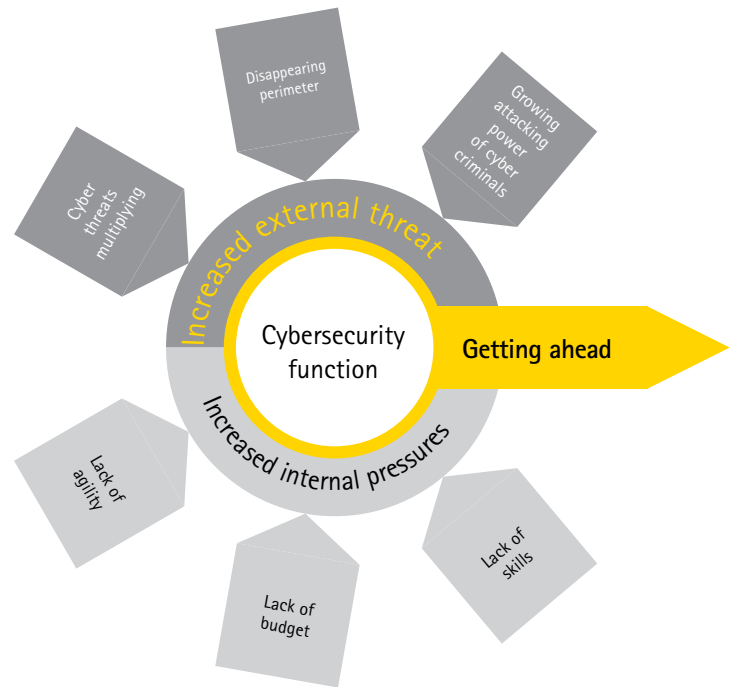
Cyber threats will continue to multiply. The advent of the digital world, and the inherent interconnectivity of people, devices and organisations, opens up a whole new playing field of vulnerabilities. The short summary below highlights the top five reasons why effective cybersecurity is increasingly complex to deliver: they illustrate that the security defences of organisations are under increasing pressure, further eroding the traditional perimeter and, in turn, creating more motivation for threat actors.

1. **Change.** New product launches, mergers, acquisitions, market expansion, and introductions of new technology are all on the rise: these changes invariably have a complicating impact on the strength of an organisation's cybersecurity.
 2. **Mobility and consumerisation.** The adoption of mobile computing has resulted in blurring organisational boundaries, with IT getting closer to the user and further from the organisation. The use of the internet, smartphones and tablets (in combination with personal devices) has made organisations' data accessible everywhere.
 3. **Ecosystem.** We live and operate in an ecosystem of digitally connected entities, people and data, increasing the likelihood of exposure to cybercrime in both the work and home environment.
 4. **Cloud.** Cloud-based services, and third-party data management and storage, has opened up new channels of risk that previously did not exist.
 5. **Infrastructure.** Traditionally closed operational technology systems are now being given IP addresses so that cyber threats are making their way out of the back-office systems and into critical infrastructures such as power generation and transportation systems, and other automation systems.
- The roadblocks facing today's organisations**
- Concerns over cybersecurity have been increasing and attracting more attention at all levels within organisations. While they are taking actions to address cybersecurity risks, there are a number of roadblocks which need to be removed before organisations can successfully get ahead of cybercrime.
1. **Lack of agility.** There are known vulnerabilities in organisations' cyber defences. In other words, it is understood that there is a clear and present danger, but organisations are not moving fast enough to mitigate the known vulnerabilities. Due to the lack of real time insight on cyber risks, organisations are lagging behind in establishing foundational cybersecurity.
 2. **Lack of budget.** The lack of budget is one of the most challenging roadblocks. We see more organisations reporting that their budgets on cybersecurity will remain flat. Although we are experiencing ever greater attention to cybercrime in the boardroom and from non-executive directors around the globe, it seems that this interest doesn't translate into additional money.
 3. **Lack of cybersecurity skills.** The most important roadblock is the lack of cybersecurity skills. While the need for specialists deepens, the lack of specialists is a growing

Highlights

- early warning and detection of breaches is key to being in a state of readiness
- incorporating or establishing a cyber threat intelligence capability can help get organisations ahead of cybercrime
- at least once a year, organisations should rehearse their crisis response mechanisms to complex cyber attack scenarios

“ Given how much attention recent cyber attacks have received, no one can claim they do not know the dangers. There can be few excuses for organisations that are still not putting basic cybersecurity systems and processes in place. ”



issue. Also, there is the need to build skills in non-technical disciplines to integrate cybersecurity into the core business. Sophisticated organisations not only defend themselves against cyber attacks; they use analytical intelligence to anticipate what could happen to them and have the confidence in their operating environment to know they are prepared. Organisations find it difficult to hire the specialists necessary to perform the analysis on threat intelligence data, draw relevant and actionable conclusions, and enable decisions and responses to be taken.

How to make vital improvements

So what are the areas that need specific and increased attention? What 'low hanging fruit' would allow organisations

to make progress easily? Below we outline four areas of improvement that need specific and increased attention.

1. Improve the Security Operating Centre (SOC)

A well functioning SOC is an important asset to get ahead of cybercrime. If there is one security function in the organisation that should be aware of the latest threats, it is the SOC. In our latest GISS, we noted an alarming result where organisations felt that their SOC was not keeping up to date with the latest threats. One of the root causes is that SOC's are overly focused on the technology. Although the features of the technology are important, the starting point should be the business. The SOC will not be able to focus on the right risks (and changing risks) if the business is not connected to the SOC on a regular basis.

2. Create a core cybersecurity team

By establishing cybersecurity knowledge in a core team, organisations will be able to adapt to new threats more easily. This core team can be organised centrally or distributed across functions/borders depending on the size and the requirements of the organisation.

The core team should also focus on training, skills and awareness, and make the practice of information security part of everyday life for every employee.

3. Establish accountability

Greater accountability and performance measurement are key ways to achieve behaviour change. If employees understand that their own job security is under threat because the security of the organisation is under threat, and that cybersecurity is a performance metric,



58%

of organisations do not have a role or department focused on emerging technologies and their impact on information security.



56%

of organisations say that it is unlikely or highly unlikely that their organisation would be able to detect a sophisticated attack.



43%

of respondents say that their organisation's total information security budget will stay approximately the same in the coming 12 months and a further 5% said that their budget will actually decrease.

this will encourage a permanent change in awareness and behaviour.

Breaches of information security protocols should be taken very seriously. In addition to informing employees about cyber threats, find ways to make them the 'eyes and ears' of the organisation and ensure there is a clear escalation process everyone can follow in the event of an employee noticing something suspicious. Forensics support and social media could be the first way of spotting that the organisation is at risk of an attack.

4. Go beyond borders

With a transformation cycle in place, organisations can start to look beyond their own borders, and begin to assess the impact of a cyber attack on their business partners, suppliers and vendors

– a community that can be described as their business 'ecosystem'. Their own effective transformation will reveal leading practices, and these practices can be communicated to the ecosystem so that suppliers and vendors can be contractually obliged to conform.

Get ready to anticipate

No organisation or government can ever predict or prevent all attacks; but they can reduce their attractiveness as a target, increase their resilience and limit damage from any given attack.

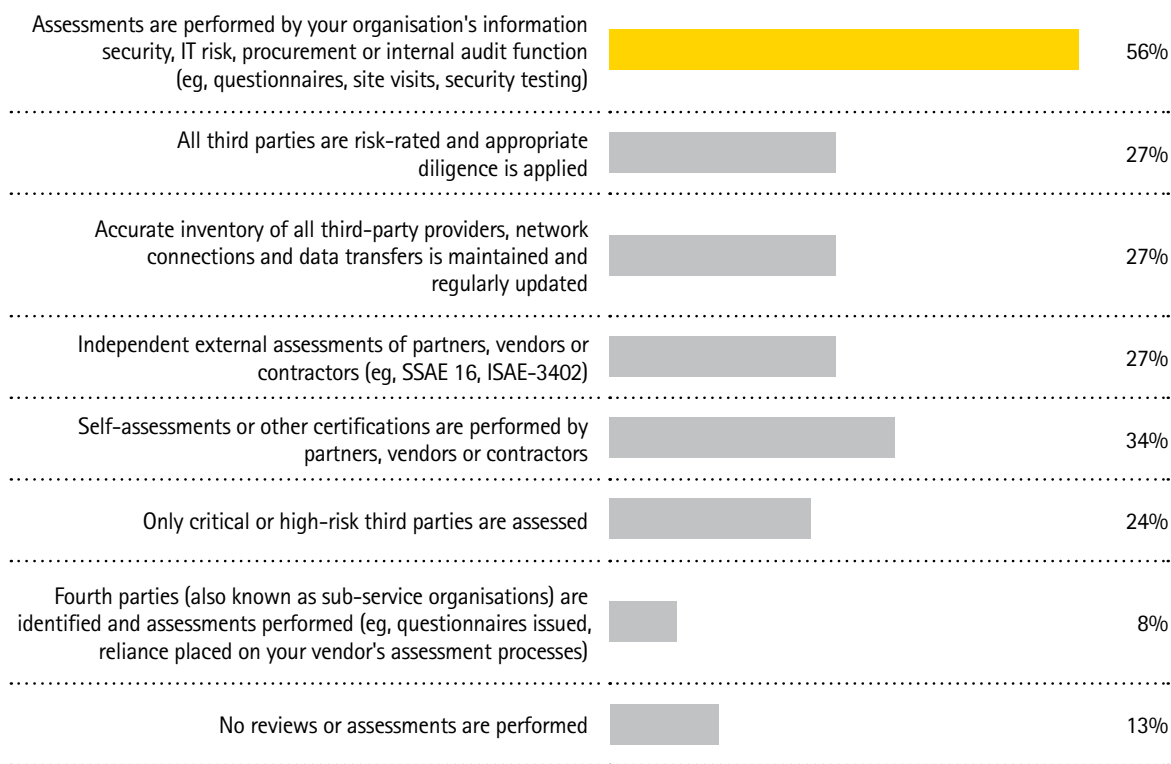
Learning how to stay ahead is challenging and takes time but the benefits for organisations are considerable. They will be able to exploit the opportunities offered by the digital world while minimising exposure to risks and the cost of dealing with them.

Understand your threat environment and establish early detection

It is not enough to just know that there are threats. Organisations need to understand the nature of those threats and how these might manifest themselves, and assess what the impact would be. Early warning and detection of breaches is key to being in a state of readiness. However, the majority of organisations are only able to detect fairly simple attacks, meaning they may not know they have already been breached by a more sophisticated attack and they will not be able to detect future attacks of this nature.

Incorporating or establishing a cyber threat intelligence capability can help get organisations ahead of cybercrime. At a tactical level, this capability will sit in the SOC, but the reach of this function will

How do you ensure that your external partners, vendors or contractors are protecting your organisation's information?



extend into the strategic level and the C-suite, if done well.

Take a view of the past, present and future

The organisation's ambition needs to encompass efforts to look into the future, as well as learning from the past and being prepared for the now. Organisations should be kept informed of new/different trends in attack types and in the methods, tools and techniques to deal with them. It is vital to be kept informed about emerging technologies, and to keep exploring the opportunities for the business to exploit these, while keeping a firm eye on the new risks and weaknesses they may introduce.

Get involved and collaborate

Information and intelligence sharing platforms exist in many forms. Governments and major organisations have started to take a leading role in establishing the policy and practice frameworks that support the development of resilient cyber ecosystems.

Collaboration provides organisations with greater awareness of their partners and supply chains, and the ability to influence and learn from the whole ecosystem.

Larger organisations need to understand that their security capabilities are often far more mature than those of some of their suppliers, so knowledge-sharing

around cybersecurity, or coordinating cybersecurity activities with suppliers can be much more effective than going it alone. A shared solution tightens the protective layers in and around your ecosystem. However, it would require an organisation to develop a 'trust model' based around authentication, assurance agreements, etc. Any incident response exercises should include third parties and other players in your wider ecosystem.

Cyber economics

Organisations are using these four questions to assess the impact of a cyber attack in real-world terms, to understand the impact on the bottom line and the organisation's brand and reputation.



“ Learning how to stay ahead is challenging and takes time but the benefits for organisations are considerable. They will be able to exploit the opportunities offered by the digital world while minimising exposure to risks and the cost of dealing with them.

”

1. How would the share price be affected?
2. Would customers be impacted?
3. Will this translate into reduced revenues?
4. What will the costs be of having to repair damage to all internal systems and/or replace hardware because the organisation was not prepared for an attack?

Cyber economic techniques are being developed to help organisations convert this into tangible figures.

Conduct cyber incident exercises

Is the organisation confident that everyone knows what to do if an attack takes place? If not, then the damage from the attack will be far greater than expected.

Poor handling of cyber incidents have led to harsh impacts on many companies. Once a breach is detected, then having thorough knowledge of your critical assets and associated ramifications will allow your organisation to set in motion the appropriate handling mechanisms. Stakeholders, customers, employees, PR, regulators – all these parties play a part in

determining how well your organisation weathers an attack.

Being in a state of readiness requires that an organisation will have already rehearsed many different attack scenarios. At least once a year, organisations should rehearse their crisis response mechanisms to complex cyber attack scenarios. Regulators in some areas are now requiring that such rehearsals are undertaken and the results reported.

What organisations need to do

Every day, cyber attacks become more sophisticated and harder to defeat. No one can tell exactly what kind of threats will emerge next year, in five years' time, or in 10 years' time. It is inevitable that these threats will be even more dangerous than those of today.

Despite this uncertainty, organisations need to be clear about the type of cybersecurity they need. To get cybersecurity right, the first step is to get the foundations right. Given how much attention recent cyber attacks have received, no one can claim they do not know the dangers. There can be few excuses for organisations that are still not putting basic cybersecurity systems and processes in place.

Once the foundation has been mastered, the next stage is to make your cybersecurity more dynamic and better aligned and integrated into key business processes. Without taking this crucial step, organisations remain vulnerable since they, their environment and the cyber threats they face are all changing.

By focusing your cybersecurity on the unknowns – the future and your business's broader ecosystem – you can start building capabilities before they are needed and begin to prepare for threats before they arise. Organisations should take the initiative and make cybercrime far less profitable and a far less effective use of time and resources than it is today. In other words, take away the power of the hacker and get ahead of cybercrime.

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网络犯罪，未雨绸缪

安永每年一度的全球信息安全调查 (Global Information Security Survey, GISS), 至今为止已经进行了17年。本文与您分享其最新调查结果与看法。

网络威胁的持续性、复杂性和组织化程度不断加剧，网络攻击对企业造成的影响也越发严重。即使您的企业从未遭遇过网络攻击，您也应当假设您的企业将会成为攻击对象，或者已经遭受攻击。

也许你正处于网络攻击之下

网络安全攻击在过去数年急剧增加。随着科技的快速发展，网络上出现更为错综复杂的风险，给企业的品牌和利润造成重大伤害。入侵可能于企业毫不察觉情况下，已在数天、数周甚至数个月前悄然发生。一旦意识到所存在的破坏及其规模时，企业所蒙受的损失可能已无法弥补。

逐渐消失的边界

网络威胁将继续蔓延。数字世界的到来，以及人们、设备和企业之间的内在互联互通，为发动网络攻击提供了一片新土壤。下述摘要主要阐述妨碍采取有效网络安全措施的五项最重要因素，而这些因素表明，企业的安全防御面临着日益增加的压力，并进一步侵蚀传统的防线，从而加速了威胁的蔓延。这些因素包括：

1. **变化。**新产品的推出、合并、收购、市场扩张和新技术的引进，均呈上升趋势，而这些变化总会企业的网络安全产生一定的影响。
2. **移动设备与促进消费。**移动通讯设备的普及导致企业界限模糊不清，并使得信息科技与用户的

距离越来越近，同时与企业的距离却越来越远。互联网、智能手机和平板电脑（加上个人通讯设备）的使用，使人们可从任何地方取阅企业的资料。

3. **生态系统。**我们生活及处于一个机构、个人和资料互联的生态系统中，从而增加了在工作和家庭环境中遇到网络犯罪的风险。
4. **云端服务。**云端服务及第三方数据管理与存储，衍生了新的风险入侵途径。
5. **基础设施。**以往封闭的营运技术系统，现今已经配置了互联网协议地址，因此网络安全威胁已经从办公室后勤系统走入重要基础设施，例如电力和运输系统以及其他自动化系统。

当今企业面临的障碍

企业的各个级别都对网络安全越来越关注。企业在应对网络安全风险的同时，也需要清除一些障碍，才能有效遏止网络犯罪的出现：

1. **反应欠敏捷。**企业的网络防御存在已知漏洞。换言之，即是尽管企业了解目前明确存在的危险，但未能采取迅速行动来作出补救。由于企业对网络风险缺乏实时监控，因此在构建基础网络安全方面显得滞后。
2. **预算不足。**预算不足是其中一

项最难克服的障碍。我们看到有更多企业表示其在网络安全方面的预算将不会有所加增。虽然董事会和全球非执行董事对网络犯罪的关注超过以往任何时候，但此等关注似乎并没有转化成额外的资金投入。

3. **缺乏网络安全技能。**网络安全技能的缺乏是最重要的障碍。尽管对专业人士的需求越来越强烈，但专业技能人才缺乏的问题则越趋严重。此外，还需要培养的，是如何将网络安全纳入核心业务范畴的非技术性技能。成熟的企业不仅会做好免遭网络攻击的防御工作，还会使用分析智能来评估可能发生的情况，并对其运行环境抱有已做好充分准备的信心。企业很难聘用到所需的专业人才来对威胁智能数据进行分析，得出准确且可付诸行动的结论，并作出适当的决定和回应。

如何作出显著改善

那么哪些领域需要给予具体及更多的





关注呢？哪些是能够使企业容易取得进展的“可行目标”呢？以下为四个值得给予具体及更多关注的改善领域：

1. 改善安全运营中心 (Security Operations Center, SOC)

运转良好的安全运营中心是防范网络犯罪的重要资产。企业如有一项能觉察到最新威胁的安全职能，那么它必然是指安全运营中心。在我们的最新 GISS 中，我们察觉到有一项值得给予警惕的结果，就是受访企业认为其安全运营中心未能不断更新以应对最新的威胁，而根本原因之一，是安全运营中心过于注重技术。尽管技术特点十分重要，但起点应是业务本身。如果有关业务并没有恒常与安全运营中心联系，那么安全运营中心将无法聚焦于真正（且不断变化）的风险。

2. 建立核心网络安全团队。

通过在核心团队中建立网络安全知识库，企业将能够更加容易地适应新威胁。这一核心团队可以在集中建立或分散在各职能/跨界中，视乎该企业的规模和要求而定。

该核心团队应将重点放在培训、提升技能和安全意识方面，并将信息安全实践落实到每个员工的日常生活中。

3. 建立问责制。

更完善的问责制和绩效评价，是实现行为改变的关键。如果员工意识到企业安全受到威胁的同时，也意味着其工作安全也将同样遭受威胁，并且意识到网络安全是一项业绩指标，这将激励员工在意识和行为上的永久改变。

除此之外，还应当以严肃态度看待对信息安全协定的违反。除了告知员工网络威胁之外，还应积极寻找方法使

其成为企业的“耳目”，确保在某员工注意到可疑之处时，所有人都能够遵循明确的向上提报程序。取证支持和社交媒体可以是识别企业面临网络攻击风险的首项方法。

4. 超越边界。

随着转型周期的到来，企业可以超越其边界，开始评估网络攻击对其业务伙伴、供应商和卖方（一个可被称为其业务“生态系统”的群体）所产生的影响。企业自身的有效转型揭示了主导性的运作方式，而当此等运作方式被输送往“生态系统”后，供应商与卖方将须按照合约规定予以遵守。

预备作出评估

没有任何企业或政府能够预计或预防所有攻击；但它们可以减少其作为被攻击目标的吸引力，提升复原力，并减少遭受攻击所蒙受的损失。

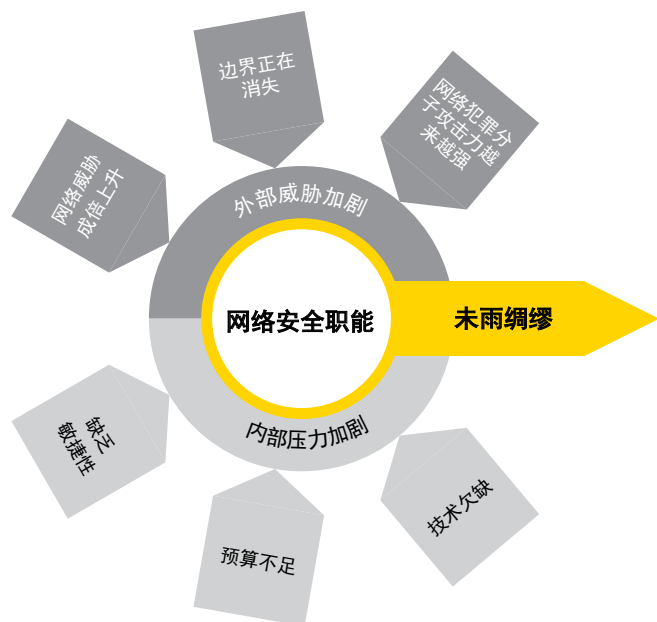
要学习如何保持领先并不容易，且需假以时日，但企业从中的得益亦非浅。企业一方面得以把握数字世界所提供的机遇，另一方面可将所面对的风险及所需的成本降至最低。

了解所面对的威胁环境并确立早期检测

只知道威胁的存在是不够的。企业需要了解该等威胁的性质，它们会如何出现，以及评估其会造成什么影响。对破坏作出及早警报和侦测，是做好充分准备的关键。然而，大多数

摘要

- 对可能的破坏进行预早警报和侦测，是做好充分准备的关键。
- 建立网络威胁情报收集机制，有助企业防止网络犯罪的发生。
- 企业应当针对复杂的网络攻击状况，每年至少进行一次危机反应机制的演练。



2014财年 = 2015财年

\$ = \$

43%

的受访者表示其所在企业2014年信息安全预算总额将与未来12个月基本持平，另有5%的受访者表示他们的预算将有所下降。

“基于最近的网络攻击事件深受关注，任何人都不能说不该等危险的存在。所以，那些尚未建立基本网络安全系统与流程的企业，再没有拖延下去的借口。”



贵公司如何确保外部合作伙伴、供应商或承包商正在保护贵公司的信息？

由公司的信息安全、IT风险、采购或内部审计职能开展评估（如问卷、实地考察、安全测试）	56%
所有第三方都进行风险评级并且对其进行尽职审查	27%
维护并定期更新所有第三方供应商的准确库存、网络连接和数据传输	27%
对合作伙伴、供应商或承包商进行独立外部评估（如，SSAE16 ISAE-3402）	27%
合作伙伴、供应商或承包商开展自我评估或其他认证	34%
只评估关键或高风险第三方	24%
识别并评估第四方（也被称为次级服务企业，如发放问卷、依赖供应商的评估流程）	8%
不进行审查或评估	13%

58%

的企业不具备注重新兴技术及其对信息安全的影响的角色或部门



56%

的企业称无法或极难检测到复杂攻击

企业只能侦测到较为简单的攻击，这意味着它们可能并不知道自身已被更为复杂的攻击入侵，并且也无法侦测未来所出现的此类性质的攻击。

建立网络威胁情报收集机制，有助企业防止网络犯罪的发生。就策略层面而言，这项职能由安全运营中心行使，但倘若情况理想，它可以延伸至战略层面和最高管理层。

审视过去、现在和未来

企业要实现其抱负，便需要展望未来、学习过去，及为现在做好准备。对于各种攻击类型，以及应对它们的方法、工具和技术，企业应当时常了解其最新或不同的趋势。但至关重要的，是了解新兴技术，并持续探索企业利用这些技术的机遇，同时密切关注其可能形成的新风险和脆弱之处。

参与和协作

信息和情报共享平台以许多形式存在。政府和主要企业在建立支持具复原力网络生态系统之发展的政策和实践框架方面，均开始扮演主导的角色。

协作提高企业对合作伙伴和供应链的了解，以及影响和学习整个生态系统的能力。

大型企业需要理解其信息安全能力通常比某些供应商成熟得多，因此对网络安全的知识共享，或与供应商协作进行网络安全活动，比单独进行要有效得多。共享解决方案可使生态系统内外的保护层更为紧密。然而，这需要企业建立以认证和保证协议等举措作为基础的“信任模式”。任何事故应变演练，都应当包含第三方和你的更广泛生态系统中的其他参与者。

网络经济

企业使用以下四项问题来评估网络攻击对现实世界的影响，及了解对利润、企业的品牌和声誉的影响。

1. 股价受到怎样的影响？
2. 客户是否受到影响？
3. 是否会导致收益下降？
4. 如因企业未对攻击做好准备，而需修复对各个内部系统所造成的破坏，和/或替换硬件，其成本将是多少？

网络经济技术现时正在不断发展，以协助企业将这些转化为实在的数字。

进行网络事故演练

企业是否有信心当攻击发生时，所有人都懂得如何应对？如果答案为否，那么该等攻击所造成的损失，将会比预期高出许多。

对网络事故处理欠佳，会对许多公司造成恶劣影响。一旦检测到漏洞，那么对你的关键资产和相关后果有完全了解，将会使你的企业能够启动合适的应对机制。利益关联方、客户、员工、公关、监管者——上述各方在决定你的企业能如何有效抵挡攻击方面，均发挥一定的作用。

要作好充分的应对准备，需要企业就许多不同的攻击状况进行演练。企业应当针对复杂的网络攻击状况，至少每年演练一次其危机反应机制。某些

领域的监管机构现时规定必须进行该等演练并汇报演练结果。

企业如何自处

每一天，网络攻击都变得愈加复杂和越难抵御。没人能够准确预知明年、未来5年或者10年会出现什么样的威胁。我们只能说，这些威胁会比今天的更加危险。

尽管存在这样的不确定性，企业必须知悉其所需的网络安全防护类型。要建立适当的网络安全防护，首先要建立适当的基础。基于最近的网络攻击事件深受关注，没有人可以说不知道相关危险；所以那些尚未建立基本的网络安全系统与流程的企业没有借口拖延。

一旦掌握了基础，下一阶段是使企业的网络安全防护更有动力，并与关键业务流程更加匹配和整合。当企业、企业环境与企业所面临的网络威胁都在不断变化时，假如不采取上述这一关键步骤，企业仍将继续易受攻击。

将企业的网络安全防护专注于未知——未来及你的更广泛业务生态系统——企业可以在需求产生前预先建立力量，并在威胁出现前预先做好应对准备。企业应当采取步骤，使网络犯罪的得益，及使其在时间与资源的运用效益，远较今天为差。换句话说，就是废去黑客的武功，从而将网络犯罪有力铲除。

阮祺康，安永中国信息安全咨询服务合伙人

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Professional Development

Seminars: February to March 2015

6 February
**New connected
transaction rules
(re-run)**



Chair: Polly Wong FCIS FCS(PE), Education Committee Chairman, HKICS, and Company Secretary and Financial Controller, Dynamic Holdings Ltd
Speaker: Daniel Wan, Technical Consultation Panel Member, HKICS, and Partner, Francis & Co, in association with Addleshaw Goddard (Hong Kong) LLP

9 February
**新公司法例下如何更有效
率地开设中国公司
(re-run)**



Chair: Richard Law FCIS FCS, Principal Consultant, Robinson's Legal Training Ltd
Speaker: Joe Zou, Managing Director, China Tax and Business Consultants Ltd

13 February
**New Companies
Ordinance: directors'
duties and risk
management in the
cyber context**



Chair: Jack Chow FCIS FCS, Professional Development Committee Chairman, HKICS, and Managing Director, Private Equities, VMS Investment Group
Speakers: Dominic Wai, Partner, and Aaron Bleasdale, Associate, Baker and McKenzie

26 February
**Whose brand is it anyway?
Strategies for dealing
with brand hijacking in
greater China**



Chair: Susan Lo FCIS FCS(PE), Professional Development Committee Member, HKICS, and Executive Director, Director of Corporate Services and Head of Learning & Development, Tricor Services Ltd
Speaker: Gabriela Kennedy, Partner, Head of Asia IP & TMT Group, Mayer Brown JSM

4 March
**Court-free amalgamation
– opportunities and
challenges**



Chair: Edmond Chiu ACIS ACS, Professional Services Panel Member, HKICS, and Director, Corporate Services, VISTRA Hong Kong
Speakers: Joanne Wong, Senior Manager, and Eugene Yeung, Senior Manager, PricewaterhouseCoopers

Symposium on the new Companies Ordinance

On 9 March 2015, the Institute held the 'Symposium on the new Companies Ordinance – first anniversary review'. This joint seminar, held in association with Hong Kong Institute of Certified Public Accountants (HKICPA) and Law Society of Hong Kong, gave attendees a valuable update on the new Companies Ordinance one year after its implementation in March 2014.

The seminar, which was attended by over 600 people and chaired by Gordon Jones FCIS FCS, Former Registrar of Companies, had a very practical focus. The first speaker, April Chan FCIS FCS(PE), HKICS Past President and Company Secretary, CLP Holdings Ltd, took a look at whether the new Companies Ordinance has started to deliver on its stated aims – in particular the aims to enhance corporate governance and facilitate business.

In her presentation, Natalia Seng FCIS FCS(PE), HKICS Past President and Chief Executive Officer – China & Hong Kong, Tricor Group/Tricor Services Ltd, reviewed the impact of the new Companies Ordinance on company administration practices.

Ms Seng was followed at the podium by Ernest Lee FCIS FCS, HKICS Professional Development Committee Member and Partner, Assurance, Professional Practice, EY. He addressed a topic that has been high on companies' compliance agendas since the new Companies Ordinance came into force – the new requirement for a business review in companies' directors' reports.

Professor David Donald, Faculty of Law, The Chinese University of Hong Kong, looked at five 'ambiguities' which have not yet been resolved in terms of how the courts in Hong Kong will interpret the new Companies Ordinance. Finally, Professor Gordon Walker, Emeritus Professor of Commercial Law, La Trobe University, looked at the design of Hong Kong's new Companies Ordinance in the context of companies law in the Asian region.

Ernest Lee's article on the requirement for a business review in the new Companies Ordinance is available in the March edition of this journal (see pages 6–11).



HKICS President Dr Maurice Ngai FCIS FCS(PE) (second from left) and Chairman of the symposium, Gordon Jones (third from left) together with the speakers



At the symposium

Professional Development (continued)

2015 Regional Board Secretary Panel meetings in Beijing and Shanghai

The Institute organised Regional Board Secretary Panel (RBSP) meetings in Beijing on 12 March and Shanghai on 13 March 2015. In total, 31 Affiliated Persons, members and officials from the China Securities Regulatory Commission, China Association for Public Companies, Beijing Listed Companies Association, Shanghai Stock Exchange, Shanghai Bureau of State-owned Assets Supervision and Administration Commission and Shanghai Listed Companies Association, attended the two meetings.

Institute President Dr Maurice Ngai FCIS FCS(PE) gave a presentation at both meetings briefing participants on the latest amendments to the Corporate Governance Code in Hong Kong with regard to risk management and internal



Group photo

control. Participants discussed and shared their views and experience in relation to these topics. Institute Vice-President Dr Gao Wei FCIS FCS(PE) also joined the meeting in Shanghai.

Participants in Beijing visited the office and production facilities of Goldwind Science and Technology Co Ltd, and learned about the latest developments in the wind power industry. At the Shanghai meeting, Liao Mingshun, Vice-President and CFO of Powerlong Real Estate Holdings

Ltd, updated participants on the latest developments in the commercial real estate industry and shared his company's practices and experiences in risk management and internal supervision and control.

Additionally, dinner gatherings were arranged after the meetings for networking purposes. The Institute would like to express its sincere thanks to the sponsors, namely Goldwind Science and Technology Co Ltd, Powerlong Real Estate Holdings Ltd and Equity Group.

ECPD and MCPD

Forthcoming seminars

Date	Time	Topic	ECPD points
14 April 2015	2.30pm – 4.30pm	Riding the wind: regulating the new capital markets	2
15 April 2015	6.45pm – 8.15pm	Board representation of minority investors in Hong Kong companies	1.5
16 April 2015	6.45pm – 8.45pm	The NCO – directors' liabilities and responsibility – selected themes	2
23 April 2015	6.45pm – 8.15pm	Regulator dawn raids – the roles of the company, its directors and the company secretary (re-run)	1.5
29 April 2015	6.45pm – 8.45pm	Business review and financial reporting updates for the new Companies Ordinance	2
5 May 2015	6.45pm – 8.15pm	BVI business companies – overview and practical issues	1.5

For details of forthcoming seminars, please visit the ECPD section of the Institute's website: www.hkics.org.hk.

Annual Corporate Regulatory Update (ACRU) 2015

The Institute once again brings together leading regulators from the Companies Registry, Hong Kong Exchanges and Clearing Ltd, Hong Kong Monetary Authority and Securities and Futures Commission at its 16th ACRU to be held on Wednesday 3 June 2015. Attendees will receive up to 7 ECPD points.

Please register at www.hkics.org.hk/ACRU2015.

Corporate Governance Conference 2014 broadcast

The Institute's Corporate Governance Conference 2014 will be broadcast by The Open University of Hong Kong on its teaching channels, and on the 'Open for Learning' television programme of TVB Pearl at the following dates and times.

Session	Date/Time
1. Long arm of the law Main speakers: Professor Gilles Hilary and Anthony Neoh	Sunday 5 April 2015 11.30am – 11.55am
2. Competing to win Main speakers: Anna Wu Hung-yuk and Clara Ingen-Housz	Sunday 12 April 2015 11.30am – 12.05pm
3. Board shoulders, broad shoulders Main speakers: Ashley Alder and Ada Chung	Sunday 19 April 2015 11.25am – 12.15pm
4. Winds of reporting changes Main speakers: David Graham and John Barnes	Sunday 26 April 2015 11.20am – 11.55am

What you should know about the MCPD requirements

All members who qualified between 1 January 2000 and 31 July 2015 are required to fulfil 15 CPD points, of which three points have to be enhanced CPD (ECPD) points subject to mandatory CPD requirements. Members are reminded to maintain their training records for at least five years for random audit checking of compliance.

CPD year	Members who qualified between	MCPD or ECPD points required	Point accumulation deadline	Submission deadline
2014/2015	1 January 2000 - 31 July 2014	15 (at least 3 ECPD points)	31 July 2015	15 August 2015
2015/2016	1 January 1995 - 31 July 2015	15 (at least 3 ECPD points)	31 July 2016	15 August 2016

New MCPD requirement to extend to Graduates

Effective from 1 August 2015, all Graduates are required to comply with the Institute's MCPD requirements.

Abolition of Practitioner's Endorsement fee

From the 2014/2015 year onwards new applicants for the Practitioner's Endorsement (PE), or existing PE holders, are not required to pay the annual renewal fee or application fee.

Policy on seminar enrolment

No cancellation is permitted once a seminar enrolment has been confirmed. Substitution of an enrollee is eligible with a HK\$100 administration fee together with the 'Transfer of Enrolment Form' received by the Institute at least two clear working days prior to the event date.

Membership

New Graduates

Congratulations to our new Graduates listed below.

Chan Choi Fong	Gao Keying	Lam Kei Chun	Lun Ka Chun	Wong Yu Sun
Chan Ka Cheong	Ho Siu Wing	Lam Yuet King, Josephine	Poon Wai Sze, Grace	Wong Yuen Sze
Chan Man, Grace	Ho Tsz Tat	Lao Qingxia	So Cheuk Yee	Wu Guokan
Chan Wai Kit, Ricky	Hui Yuen Ling	Lau Pik Shan	So Yui Ki, Karen	Wu Jinfeng
Chan Yun Tong	Hung Lai Shan	Lee Kin Chung	Tang Cheuk Yin	Yeung Lee
Cheng Ka Ying	Koo Mei Ling	Leung Siu Chi	Tang Kam Man	Yeung Wai Yan
Cheng Sze Wai	Kwok Shu Lam	Liu Sha, Michele	Tsang Pui Man, Janet	Yeung Wing Chong
Chow Ka Li	Kwong Fung Lin	Lu Lijuan	Tsang Wing Tai	Yu Yan
Chow Wan Shan	Lai Chi Kin, William	Luk Ching Laam	Wong Chow Sim	Yung Pui Shan
Chuang Yik Ting	Lai Kin Wa	Luk Chun Yin	Wong Pui Yee	Zhao Yanhui
Fong Lai Yan	Lai Po Ying	Luk Tak Lam	Wong Sze Wai	

Membership activities

Drinks with new Fellows

To congratulate newly elected Fellows, the Institute held a cozy Chinese New Year gathering on 27 February 2015. Dr Maurice Ngai FCIS FCS(PE), Institute President; Fellows elected between 1 January 2014 and 31 January 2015; and Council and Membership Committee members attended the gathering. The attendees enjoyed the gathering and the occasion was also an opportunity for the Institute to get a better understanding of members' needs and for Fellows to learn about new developments at the Institute.

More photos are available at the Gallery section of the Institute's website: www.hkics.org.hk.



Dr Maurice Ngai FCIS FCS(PE), HKICS President (left), and Susie Cheung FCIS FCS(PE), HKICS Council Member and Membership Committee Chairman (second right), welcoming the new Fellows at the secretariat



Group photo

YCPG joint professional networking party 2015 – 'the Gatsby glam'

The Young Coalition Professional Group (YCPG) of The Hong Kong Coalition of Professional Services will hold a vintage-themed evening on Friday 17 April 2015 inspired by the 1920s golden days. Members and Graduates are welcome to join for a night of sparkle and glitter, and forge links with professionals from fellow associations. For details, please visit the Events section of the Institute's website: www.hkics.org.hk.

Institute Membership Committee member and representative at YCPG, Edmond Chiu ACIS ACS, is the co-chairman of the task force for this networking party.

Notice of disciplinary determination

The Institute reprimands four members for MCPD non-compliance/professional misconduct

The Institute's Disciplinary Tribunal (DT) recently considered cases brought against the following members regarding non-compliance with the ICSA and HKICS Mandatory Continuing Professional Development (MCPD) requirements or professional misconduct.

Lau Chi Ming ACIS ACS

Nature of disciplinary issue:

MCPD non-compliance for 2011/2012

Decision of DT:

As referred by the Investigation Group (IG), Mr Lau has been found to have failed to comply with MCPD requirements for 2011/2012 before the final deadline of 28 February 2013. A DT hearing was held on 27 October 2014. Mr Lau provided documents and explanations to HKICS and was present at the hearing. The DT resolved that Mr Lau be reprimanded with publicity to be given in the Institute's journal, website and/or official channels.

Ma Mei Yuk ACIS ACS

Nature of disciplinary issue:

MCPD non-compliance for 2011/2012 and 2012/2013

Decision of DT:

Ms Ma was reprimanded for her failure to comply with MCPD requirements for 2011/2012. Subsequent to that, Ms Ma has also been found to have failed to comply with MCPD requirements for 2012/2013. As referred by the IG, the DT met on 18 June 2014 and decided that Ms Ma be given the final deadline of 31 December 2014 to fulfil the MCPD requirements for 2011/2012 and 2012/2013 provided that she should sign and return an undertaking. Ms Ma did not sign and return the undertaking. A DT hearing was held on 27 October 2014 and Ms Ma did not attend, nor did she provide any written explanation. The DT resolved that Ms Ma be reprimanded with publicity to be given in the Institute's journal, website and/or official channels, and that her membership be suspended until she provides documentary proof of compliance with all MCPD requirements. Ms Ma will be required to continue to pay her membership subscription during the membership suspension.

Pui Siu Ling ACIS ACS

Nature of disciplinary issue:

MCPD non-compliance for 2012/2013

Decision of DT:

As referred by the IG, the DT met on 18 June 2014 and decided that Ms Pui be given the final deadline of 31 December 2014 to fulfil the MCPD requirements for 2012/2013 and be required to sign an undertaking. Ms Pui did not sign and return the undertaking. A DT hearing was held on 27 October 2014 and Ms Pui did not attend, nor did she provide any written explanation. The DT resolved that Ms Pui be reprimanded with publicity to be given in the Institute's journal, website and/or official channels.

Wong Cho Lim ACIS ACS

Nature of disciplinary issue:

Professional misconduct

Decision of DT:

As referred by the IG, Mr Wong has been found to have committed professional misconduct by the Hong Kong Institute of Certified Public Accountants' Disciplinary Committee (HKICPA-DC) on 7 January 2014. Three complaints against him were proved by the HKICPA-DC, including his (a) failure to or neglect to observe, maintain or otherwise apply professional standards; (b) making statements which were material and which he knew to be false or did not believe to be true; and (c) by virtue of (a) and (b) as aforesaid, being guilty of professional misconduct.

Mr Wong provided documents and explanations to HKICS. A DT hearing was held on 27 October 2014 and Mr Wong did not attend. The DT resolved that Mr Wong be reprimanded with publicity to be given in the Institute's journal, website and/or official channels.

Advocacy

ICSA Council meeting in London

Institute Immediate Past President and ICSA Vice-President and Executive Committee member Edith Shih FCIS FCS(PE), together with Council Member Paul Stafford FCIS FCS and Chief Executive Samantha Suen FCIS FCS(PE), attended the Institute of Chartered Secretaries and Administrators (ICSA) Council Meeting in London on 13 and 14 March 2015.

ICSA UKRIAT Division's annual conference

On behalf of Edith Shih FCIS FCS(PE), Institute Chief Executive Samantha Suen FCIS FCS(PE) spoke on the corporate governance trends observed in Hong Kong and Mainland China at the Corporate Governance Conference organised by the UK, Republic of Ireland and Associated Territories (UKRIAT) Division of ICSA held in London on 12 March 2015.

Company Secretaries Panel lunch with Registrar of Companies

Edith Shih FCIS FCS(PE), Chair of the Institute's Company Secretaries Panel (CSP), and Dr Maurice Ngai FCIS FCS(PE), Institute President, welcomed Ada Chung FCIS FCS, Registrar of Companies and her Companies Registry (CR) colleagues Karen Ho, Tim Chung and Hilda Chang at the first CSP lunch for 2015 held on 3 March. In addition to informal exchanges of views with the CR officials and attendees (comprising company secretaries from major listed issuers in Hong Kong), it was also a time for celebration. The occasion marked the exact anniversary of the coming into force of the new Companies Ordinance. In Ms Chung's words, it was a 'significant day' and we at HKICS were

most grateful to the CR for sharing the good news that there was close to 100% compliance with all filing requirements, and electronic filings became 'live' for all filing forms on that day.

HKICS serves for social good

In line with the Institute's policy to give back to the community by offering our professional knowledge for social good, Mohan Datwani FCIS FCS(PE), Senior Director & Head of Technical and Research, HKICS, served as a Chief Judge in the General Rounds of the 13th Red Cross International Humanitarian Law Moot – an inter-university competition for the Asia-Pacific Region organised by the Hong Kong Red Cross and the International Committee of the Red Cross in collaboration with The Chinese University of Hong Kong and The University of Hong Kong on 12 March 2015.

Congratulations

The Institute congratulates Professor Alan Au FCIS FCS on his appointment as the Dean of Lee Shau Kee School of Business and Administration of The Open University of Hong Kong from 9 March 2015. Professor Au was a Council member of the Institute from 2002 to 2006 and is currently a member of the ICSA Professional Standards Committee.

Earth Hour 2015

The Institute supported the WWF-Hong Kong Earth Hour on 28 March 2015 to promote environmental responsibility and care for our planet. As pledged, the secretariat switched off all lights in the office for the designated hour.



Group photo

Cooperation with Mainland insurance association

The Institute signed a Memorandum of Understanding (MoU) with the Insurance Association of China (IAC) in Beijing on 12 March 2015. Dr Maurice Ngai FCIS FCS(PE), HKICS President; Dr Gao Wei FCIS FCS(PE), HKICS Vice-President; Kenneth Jiang FCIS FCS(PE), BRO Chief Representative; together with Zhu Jinyuan, IAC President; Yu Xunsheng, Deputy Secretary-General and Assistant to Secretary-General Li Xiaowu; attended the MoU signing ceremony.

The signing of this MoU marks a deeper cooperation between the IAC and HKICS to encourage communication among members of the two associations and to foster collaboration in facilitating the professionalisation of board secretaries in Mainland China. With the support of professional associations such as the IAC, the Institute will further its efforts to promote the research and practices of corporate governance in the country.



Dr Maurice Ngai, HKICS President; Zhu Jinyuan, IAC President; and representatives from both associations at the signing ceremony in Beijing

'Passing the Torch' project with HKUST

The Chartered Secretaries Foundation Ltd (the Foundation), which was established by the Institute on 5 January 2012 as a company limited by guarantee under the Hong Kong Companies Ordinance, recently launched a new project. In line with one of the objectives of the Foundation, it has organised and sponsored the 'Passing the Torch – from values of business ethics and governance to actions project' (薪火相传之商业道德与治理之行动转化) for over 200 students of The Hong Kong University of Science and Technology (HKUST).

Senior HKICS members were invited by HKUST to share knowledge and real-life cases in maintaining ethical standards at both the

individual and corporate levels. Chief Executive Samantha Suen FCIS FCS(PE), Past President April Chan FCIS FCS(PE), Company Secretary of CLP Holdings Ltd, and Past President Natalia Seng FCIS FCS(PE), Chief Executive Officer – China & Hong Kong and Executive Director of Tricor Services Ltd, were the guest speakers from the Institute. They delivered lectures to the HKUST students on 4, 11 and 25 March respectively. The selected HKUST students will be led by one Institute member and will deliver interactive workshops on ethics and governance for the students of the Hong Kong Institute of Vocational Education (IVE) on 22 April 2015 and for high school students of selected Po Leung Kuk schools in May 2015. Further updates will be provided in due course.



Natalia Seng



April Chan



Samantha Suen

Advocacy (continued)

Meeting with representatives of Hang Seng Management College student association

HKICS supports the growth of young talent. Chief Executive Samantha Suen FCIS FCS(PE) met with Hang Seng Management College (HSMC) corporate governance and business administration student associations' representatives on 4 March 2015 to explore possible future collaboration opportunities.



Samantha Suen, Louisa Lau FCIS FCS(PE), Institute Registrar & Company Secretary and Carmen Wong, Assistant Manager, Education & Examinations with student representatives of HSMC

Secretariat office gets a facelift

The refurbishment of the Institute's secretariat office was completed in February. The work has resulted in a more efficient use of space and better opportunities for future development.



New face of the secretariat's lobby

Appointments

The Institute is proud of the following members' new appointments and reappointments by the government and the Securities and Futures Commission (SFC) in the spirit of service for the public good of Hong Kong and contribution to systemic financial and securities regulation.

Securities and Futures Appeals Tribunal (Independent Tribunal)	SFC (HKEC Listing) Committee	Takeovers and Mergers Panel (SFC)	Takeovers Appeal Committee (SFC)
Reappointment: Wendy Yung FCIS FCS	Reappointment: Eirene Yeung FCIS FCS	New Appointment: David Fu FCIS FCS(PE) – HKICS Council Member	New Appointment: David Fu FCIS FCS(PE) – HKICS Council Member
New Appointment: Mohan Datwani FCIS FCS(PE)			

The appointments take effect as of 1 April 2015, and the Institute will strive to continue to work and contribute to good governance by working with the government and regulators.

International Qualifying Scheme (IQS) examinations

June 2015 diet reminders

Examination timetable

	Tuesday 2 June 2015	Wednesday 3 June 2015	Thursday 4 June 2015	Friday 5 June 2015
9.30am - 12.30pm	Hong Kong Financial Accounting	Hong Kong Corporate Law	Strategic and Operations Management	Corporate Financial Management
2pm - 5pm	Hong Kong Taxation	Corporate Governance	Corporate Administration	Corporate Secretaryship

Syllabus and reading list updates

From the June 2015 examination diet onwards, the IQS examinations will be based on the new Companies Ordinance (Cap 622). Students are reminded that the old Companies Ordinance (Cap 32) has been retitled the 'Companies (Winding Up and Miscellaneous Provisions) Ordinance', and contains provisions relating to

prospectuses, winding-up, insolvency of companies and disqualification of directors.

Please note that the syllabus and reading list for the following subjects have been updated with the requirements under the new Companies Ordinance and will come into effect from the June 2015 examination diet:

- Hong Kong Corporate Law
- Corporate Governance, and
- Corporate Secretaryship.

For details, please refer to the 'Studentship' section of the Institute's website: www.hkics.org.hk.

HKICS examination technique workshops

The Institute will organise a series of three-hour IQS examination technique workshops. These workshops, commencing in mid-April, aim to help students improve their examination technique. Each workshop costs HK\$470. Students may download the enrolment form from the 'Studentship' section of the Institute's website: www.hkics.org.hk.

New IQS examination centre in Shanghai

The Institute is pleased to announce that there will be a new examination centre in Shanghai. From the June 2015 diet onwards, applicants can choose to sit the IQS examinations at any of the three examination centres located in Hong Kong, Beijing and Shanghai.

IQS information session

The upcoming IQS information session will include information on the IQS and an Institute member will share valuable working experience and advise attendees on the career prospects for Chartered Secretaries. Members and students are encouraged to recommend friends or colleagues who are interested in the Chartered Secretarial profession to attend this IQS information session.

Date	Wednesday 22 April 2015
Time	7pm - 8.30pm
Venue	Joint Professional Centre, Unit 1, G/F, The Center, 99 Queen's Road, Central, Hong Kong

For details, please contact Annis Wong at: 2830 6010, or Carmen Wong at: 2830 6019, or email: student@hkics.org.hk

International Qualifying Scheme (IQS) examinations (continued)

Tips from the top

Grace Yau Kar Yi, the subject prize winner of Hong Kong Corporate Law from the December 2014 IQS examination diet shares her study experience and gives tips to fellow students on the best way to prepare for the examination.

Grace graduated with a bachelor's degree in professional accountancy from The Chinese University of Hong Kong. She is currently working in the finance department of a listed company in Hong Kong. She achieved 'distinction' at her first attempt of the Hong Kong Corporate Law examination in the December 2014 examination diet.

Preparation takes time

Grace did not take any examination preparatory courses or technique workshops, but she started to prepare for the examination 10 weeks ahead. 'I did my revision after work, during weekends and even at lunchtime during work days,' she says. She also made good use of the Institute's recommended study materials. 'I studied the Institute's past examination papers from June 2004 to June 2014,' she says. She suggests that students should spend more time revising past examination papers and suggested answers. 'I spent sufficient time to revise the suggested answers and learnt the skill of deriving principles from various cases,' she says.

In addition to the Institute's past papers and suggested answers, Grace found the Institute's Hong Kong Corporate Law study pack very helpful. 'The study pack summarises the essence of various topics and provides useful analysis on different cases. The well-organised contents helped me memorise the key points!' Students should note that this study pack is mandatory for students who enrol for the Hong Kong Corporate Law examination.



Grace Yau receiving the subject prize certificate from Institute Education Committee Vice-Chairman, Alberta Sie FCIS FCS(PE)

Memory cards can help

Students often find it difficult to remember the case names and their implications; Grace was no exception. 'I used cue cards to help myself during the revision. I wrote down the case name on one side of the cue card and its implications on the other. Then, I studied the cases, flipped the cards and linked the case name with its implications.'

Grace says that her Chartered Secretarial qualification has given her a solid base of technical knowledge in company law, listing rules and company secretarial practice. 'The knowledge is important to strengthen my practical experience and in my pursuit of further career development in the company secretarial field,' she adds.

Examination preparation tips from subject prize winners are available in Appendix 9 of the online 'Student Handbook'. Students can log into the Institute's website: www.hkics.org.hk for details.

Studentship

HKICS professional seminars

Centennial College

The Institute organised a professional seminar to promote the Chartered Secretarial profession at Centennial College on 25 February 2015. Jerry Tong FCIS FCS, Financial Controller and Company Secretary of Sing Lee Software (Group) Ltd, delivered a talk on the 'Role of company secretary and corporate governance' to over 30 students.



Jerry Tong at the seminar

Graduate law students briefed on Chartered Secretarial profession

On 26 February 2015, Chief Executive Samantha Suen FCIS FCS(PE) was invited to a career-sharing session at the Graduate Law Students Association of The Chinese University of Hong Kong (CUHK) on careers in law and its alternatives. At the seminar, Ms Suen introduced the Chartered Secretarial profession and shared her work experience as a Chartered Secretary as well as the opportunities in the Chartered Secretarial profession. She also offered advice to CUHK law students interested in becoming Chartered Secretaries.



Samantha Suen (far right) at the career sharing session for CUHK graduate law students

HKICS supports HKU Student Union's Business Workshop

On 2 March 2015, Mohan Datwani FCIS FCS(PE), Senior Director and Head of Technical and Research, HKICS, assisted in pre-selecting law firm summer interns from 28 candidates under the Business Association University of Hong Kong (HKU) Student Union 34th Business Workshop entitled 'Beyond Infinity'. Mohan is a part-time law lecturer at HKU. HKICS is proud to be associated with this workshop which aims to inspire participants to explore their possible career paths and prepare them for the ever-changing business environment.



Group photo

Studentship (continued)

Student Ambassadors Programme

Seminar – Introduction to company secretarial practice and corporate governance

On 28 February 2015, Richard Law FCIS FCS, Principal Consultant of Robinson's Legal Training, introduced the key roles and duties of a company secretary, and the importance of corporate governance to over 30 student ambassadors.



At the seminar

Visit to Hong Kong Exchanges and Clearing Ltd

On 6 March 2015, the Institute organised a visit to Hong Kong Exchanges and Clearing Ltd (HKEx). Over 20 student ambassadors joined the visit. The Institute would like to thank HKEx for its generous support.



Group photo

New students orientation

The Institute organised a new students orientation on 12 March 2015. Information on the IQS examination, exemptions, and an array of student support services offered by the Institute, were provided to the participants. The IQS study packs were also displayed. In addition, eight subject prize winners and merit certificate awardees from the December 2014 IQS examination diet received their certificates from Alberta Sie FCIS FCS(PE), Education Committee Vice-Chairman.



Group photo

Payment reminders

Studentship renewal

Students whose studentship expired in February 2015 are reminded to settle the renewal payment by Wednesday 22 April 2015.

Exemption fees

Students whose exemptions were approved via confirmation letter on 29 January 2015 are reminded to settle the exemption fee by Wednesday 29 April 2015.

16th Annual Corporate and Regulatory Update

Date: Wednesday, 3 June 2015
Time: 8.45am - 6.20pm
Venue: Hall 5G, Hong Kong Convention
 and Exhibition Centre, Wanchai
 Hong Kong

Co-sponsors & speakers from:

- Companies Registry
- Hong Kong Monetary Authority
- Securities and Futures Commission
- The Hong Kong Exchanges and Clearing Limited

Please refer to our website for details: www.hkics.org.hk/ACRU2015

For ACRU enquiries, please call 2233 9348 or email to event@hkics.org.hk.

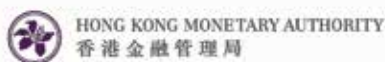
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