

Hong Kong & Mainland China News – Jun-2013

Professionalising the board secretary in Taiwan

by The journal of The Hong Kong Institute of Chartered Secretaries

June, 2013

The operation of the corporate board is fundamental to corporate governance. In Taiwan, many companies lack professional and full-time board secretaries to assist boards of directors which damages the interests of shareholders if the boards fail to perform their duties in corporate governance and the companies fail to comply with regulations. In order to ensure the performance of boards and corporate compliance, the establishment of a company secretary is a critical issue.

There are laws and regulations that require companies to appoint a qualified corporate secretary in a number of jurisdictions including the UK, the US, Hong Kong, Singapore, and mainland China. The Institute of Chartered Secretaries and Administrations (ICSA) was established in 1902 in the UK and it conducts its 'International Qualifying Scheme' (IQS) to ensure that Chartered Secretarial professional standards are maintained. There are ICSA divisions in Singapore, South Africa, Canada, mainland China, Malaysia, New Zealand, Australia, Zimbabwe and Hong Kong.

In Taiwan there are regulations concerning the need for board support. For example the Financial Supervisory Commission (FSC), Taiwan's financial markets regulator, has set out in *Regulations Governing Procedure for Board of Directors Meetings of Public Companies* that public companies must appoint a designated unit responsible for board meetings. The functions of this designated unit are similar to the typical corporate secretarial board support functions, but there are no rules setting out the required qualifications and training of those working in the designated unit, which may result in deficiencies in board meetings.

Highlights

- in the current business environment it is more important than ever for corporate boards to have professional and full-time board secretaries
- the role and responsibilities of board secretaries should be defined more explicitly in legislation and regulation
- professional training courses and certificates are essential to maintain the professional standards of board secretaries in Taiwan

Building China's rule of law

by The journal of The Hong Kong Institute of Chartered Secretaries

June, 2013

A consensus is rapidly emerging within China that the rule of law is the single most important precondition for inclusive, sustainable, and long-term peace and prosperity. So it is worth considering how the rule of law differs from China's current institutional arrangements.

The rule of law has been defined in a variety of ways, but most authorities agree on certain key characteristics. As Kenneth W Dam of the University of Chicago formulates it in his book *The Law-Growth Nexus*, the rule of law excludes secret law and legal impunity, while protecting individuals from legal discrimination and enforcing rules that favour them to their benefit.

Thomas Bingham, former Lord Chief Justice and Senior Law Lord in the UK, proposed a somewhat more expansive, though clearly compatible, definition. For Bingham, the law must be accessible and – insofar as possible – intelligible, clear, and predictable. Everyone should be governed according to law, insulated from the personal discretion of those in power, and legal disputes should be resolved without prohibitive cost or inordinate delay. There should be equality before the law, together with adequate protection of fundamental human rights.

Moreover, state power should be exercised reasonably, in good faith, and for the purposes for which it was conferred, with independent courts and judicial review of legislation ensuring that government does not exceed the limits of its authority. The courts and other official adjudicative bodies should provide fair procedures. And the state must comply with its obligations in international law.

Highlights

- over the last few decades, the Chinese Communist Party has succeeded in building the hard physical infrastructure of a modern state, but the creation of the soft infrastructure – institutions and practices consistent with the rule of law and representative government – is only beginning
- in the absence of an independent judiciary, legal disputes in China are often resolved administratively, which means that discretion and lack of due process are a constant danger
- reform in China involves changing the oldest, largest and most complex bureaucracy in the world

Residential unit sales up 24.8%

by news.gov.hk, Hong Kong

Tuesday, June 4, 2013

The Lands Registry recorded 4,276 sale and purchase agreements for residential units in May, up 24.8% on April, but down 48.8% year-on-year, with a total consideration of \$24 billion.

There were 5,288 agreements for all building units in May, up 20.5% on April, but down 54% year-on-year.

The total consideration for these agreements stood at \$31.1 billion, down 2.4% on April and 52.4% year-on-year.

The public made 389,550 land-register searches during the month, 3.5% down on April, and 17.3% less year-on-year.

China media: US summit

by bbc.co.uk, United Kingdom

Friday, June 7, 2013

Media expect the two-day summit between the Chinese and US presidents to set rules for a "new great powers relationship".

Chinese President Xi Jinping will hold informal talks with US President Barack Obama in California from 1600 US time on Friday (0700 Beijing time on Saturday), followed by a private dinner on Friday evening and private discussions on Saturday morning.

Xinhua news agency, **People's Daily** and many other state media say Sino-US relations are at a "new historical starting point" and the meeting will be an "opportunity to outline a blueprint for building a new great powers relationship" that is not based on confrontation between an established power and a rising power.

A bilingual **Global Times** editorial says China's growing power is causing disquiet and says the two countries must build trust in bilateral relations that are "far from stable".

"The question of whether the two countries will step out of the box and create a new era of peaceful competition instead of tragic confrontation has become a major test for both countries and even the rest of the world," the editorial comments.

Beijing-backed Hong Kong newspapers **Wen Wei Po** and **Ta Kung Pao** both say the US must respect China's territorial interests and accuse its re-engagement with Asia-Pacific of emboldening China's neighbours in territorial disputes.

On a warier note, Hong Kong nationalist tabloid **Oriental Daily News**, and its sister newspaper, **The Sun**, say Mr Xi will be cautious as China is well aware of a looming threat from a "tiger".

They speculate that the US deliberately leaked informal arrangements for the meeting, including walks around the estate and private breakfast meetings, as "psychological warfare" to fathom Mr Xi's bottom line and ideology.

Sina and other mainland news portals have also highlighted how the US media and academics are calling Michelle Obama's decision to stay in Washington DC to help her daughter study instead of meeting Xi Jinping's wife, Peng Liyuan, a "diplomatic own goal".

RMB23b sovereign-bond issues set for HK

by news.gov.hk, Hong Kong

Sunday, June 9, 2013

The Ministry of Finance today announced it will issue RMB23 billion in sovereign bonds in Hong Kong this year - RMB13 billion to be issued on June 26 and RMB10 billion in the second half of the year.

Of the RMB13 billion to be issued on June 26, RMB10 billion will be issued to institutional investors using a tendering method on the Monetary Authority's Central Moneymarkets Unit and RMB3 billion to be placed to overseas Central Banks and monetary authorities.

Of the RMB10 billion to be issued in the second half of the year, RMB7 billion will be issued to institutional investors and RMB3 billion to retail investors.

Financial Secretary John Tsang said the Hong Kong Government welcomes the Ministry of Finance's renminbi sovereign bond issue in Hong Kong for the fifth consecutive year.

"Renminbi sovereign bonds will be issued twice this year, more frequently than before, in a move to regularise the issuance programme. This demonstrates clearly the Central Government's determination to make the issuance of renminbi sovereign bonds a long-term institutional arrangement in Hong Kong," he said.

Mr Tsang said the current issuance also offers for the first time renminbi sovereign bonds of a 30-year tenor for institutional investors, extending the benchmark yield curve for renminbi bonds in Hong Kong.

"It will increase the supply of long-term renminbi-denominated fixed-income products for institutional investors, including pension funds. This would be conducive to the Government's objective to develop Hong Kong's bond market."

HKMA chief promotes RMB in NY

by news.gov.hk, Hong Kong

Thursday, June 13, 2013

Hong Kong Monetary Authority Chief Executive Norman Chan said the renminbi's internationalisation is gaining momentum, and transactions with Mainland China previously conducted in other currencies are now increasingly conducted in renminbi.

Mr Chan was speaking to about 230 representatives from US corporate and financial institutions attending a June 11 seminar on offshore renminbi business in New York, presented by the authority and the Trade Development Council.

He said demand for offshore renminbi financial services and products will rise.

"The comprehensive, one-stop renminbi business platform in Hong Kong could serve to support renminbi business development in other parts of the world. Already, many US banks are participants in the renminbi foreign exchange market in Hong Kong and we have also seen US corporates issuing renminbi bonds in Hong Kong.

"There is certainly room for further participation by US businesses in the renminbi market in Hong Kong to take advantage of the wider use of renminbi in international transactions."

Progress made at CEPA meeting: CE

by news.gov.hk, Hong Kong

Thursday, June 20, 2013

Chief Executive CY Leung says the CEPA Joint Working Group held its first meeting in Guangzhou two days ago, and has made progress in five sectors - audiovisual, accounting services, construction services, medical, and property management.

Speaking to media today, Mr Leung said the Mainland & Hong Kong Closer Economic Partnership Arrangement (CEPA) was signed in 2003 and supplements have been signed each year since 2004. The agreement reflects the Central Government's care and support for Hong Kong's economic development.

He said CEPA enables Hong Kong's commercial, financial and professional service sectors to have more and better opportunities for development, but businesses have said that they, Mainland local governments and the Central Government, have a different interpretation of the provisions.

Mr Leung proposed forming the joint working group so businesses do not have to liaise between the Central Government, local governments, and the Hong Kong Government.

The Central Government attaches importance to his proposal and agrees to let the Hong Kong Government participate in the joint working group. The Central and Guangdong Governments have sent representatives from 13 units to attend the meeting.

He said Hong Kong businesses can better utilise the CEPA provisions and establish wider networks with this mechanism added on top of the existing CEPA documents and mechanisms.

China stocks tumble on credit tightening fears

by bbc.co.uk, United Kingdom

Monday, June 24, 2013

Chinese stock markets have fallen sharply as the country's central bank indicated its credit tightening policy would continue.

The Shanghai Composite SSE index fell 5.3% to 1,963.24 points, over 1,540 points below its 52-week high.

Traders reacted negatively to the People's Bank of China (PBOC) saying liquidity in the country was still "reasonable" and that the era of cheap cash was over.

Financial stocks fell more than 7%.

In Hong Kong, the Hang Seng index closed down 2.22%, while in Japan the Nikkei closed down 1.26%.

The news from China saw markets in the UK, Germany and France resume their slide downwards, although there were no signs of widespread panic selling.

Credit crunch

Recently, China's banks - mostly state-owned - had been charging each other some of the highest lending rates ever - over 25% in some cases - enforcing a kind of state-sponsored credit crunch.

This is because PBOC had temporarily turned off the flow of cheap money in an attempt to impose more discipline on its banks and reduce their reliance on credit.

There were fears that the money markets could freeze up completely and put smaller lenders out of business as a result of the central bank's drastic move.

But inter-bank lending rates eased on Monday as PBOC made it clear big commercial banks should do a better job of managing their cash reserves and keep lending to smaller players.

PBOC did not signal it was turning the taps back on, however, leading traders to speculate that borrowing costs would remain relatively high for medium-sized banks and potentially dent profits.

Stimulus measures

After the global financial crisis in 2008-09, China unleashed a huge monetary stimulus in an attempt to boost economic growth, but became concerned that too much cheap cash had flooded its financial system.

Last week, data suggested Chinese manufacturing activity for June had fallen to a nine-month low.

And with the World Bank lowering its 2013 growth forecast for China from 8.4% to 7.7%, the markets expected the government to apply economic stimulus measures again.

But Monday's statement from China's central bank has temporarily scotched such expectations, hence the market reaction.