

Corporate Governance

To get a circuit board working, various components will have to be installed in the right place and connected strategically by wiring. Similarly, our governance framework lays down a clearly defined management structure and effective system of checks and balances.



As the statutory regulator of Hong Kong's securities and futures markets, we place great importance on accountability and transparency. We exercise our statutory powers under the Securities and Futures Ordinance (SFO) and are committed to meeting high standards of corporate governance.

The cornerstones of our governance framework include a clearly defined management structure, high conduct standards, comprehensive operational and financial control procedures and independent checks and balances. Such a framework enables us to fulfil our mandates more effectively and efficiently.

Board

The Board is charged with setting the SFC's overall direction and policies, providing strategic guidance to senior management, and overseeing the executive functions.

The Board delegates a number of regulatory powers and functions to the executive directors (EDs) and other senior staff, while retaining the non-delegable functions under the SFO. Board meetings are held at least once every month.

Constitution

The SFO requires that the majority of our Board members be made up of non-executive directors (NEDs), who can bring to this core governance body a good mix of experience and expertise as well as independent and informed perspectives on regulatory and policy issues. Since the enactment of the Securities and Futures (Amendment) Ordinance 2006, the posts of chairman and chief executive officer (CEO) have been segregated to strengthen checks and balances.

The Board comprises a non-executive chairman, a CEO, EDs and NEDs. All Board members are appointed for a fixed term by the Chief Executive (CE) of the Hong Kong Special Administrative Region (HKSAR), or the Financial Secretary (FS) under delegated authority.

Practices outlined below also help the Board maintain high corporate governance standards.

- Members are entitled to seek additional information about policy proposals where necessary. Members have access to the advice and services of the Commission Secretary.
- Members receive adequate information before the scheduled Board meetings to enable constructive consideration at meetings.
- Minutes of Board meetings are circulated to members for comments and are kept by the Commission Secretary.
- All newly-appointed members are informed of the SFC's work and are provided with relevant documents, including the staff code of conduct.
- NEDs chair the Audit Committee, the Budget Committee and the Remuneration Committee established by the Board. The Board is apprised of all decisions made by these committees.

Year in review

During the year, Dr Eddy Fong was re-appointed as non-executive chairman for a term of one year to October 2012. In addition, three NEDs were re-appointed: Mr Wong Kai-man for a term of two years to May 2013; The Hon Mr Chan Kam-lam and Mr Lawrence Lee Kam-hung for a term of two years respectively to November 2013.

In early June 2011, Mr Martin Wheatley left the post of CEO of the SFC. Following an extensive global search commissioned by the Government, Mr Ashley Alder took up the top executive job on 1 October 2011 for a three-year term.

The Board is of sufficient size to ensure that the requirements of the business are met. At year-end, the Board had a membership of 13, namely, a chairman, seven NEDs and five EDs (including the CEO). (Please see pages 20-22 for membership details.)

Last year, 16 Board meetings were held.