

Independent Directors as Corporate Guardians in Navigating Market Shifts

Opening remarks at Hong Kong Independent Non-Executive Director Association's Annual Conference 2025

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Distinguished guests, ladies and gentlemen, good morning.

It is my honour to speak at the Annual Conference of the Hong Kong Independent Non-Executive Director Association.

As a financial regulator, the Securities and Futures Commission (SFC) is committed to safeguarding the interests of all shareholders, which closely aligns with the core duty of independent non-executive directors (INEDs).

The theme today concerns INEDs' changing roles in the context of, first, Hong Kong's listing market growth and, second, financial innovation. Therefore, I will share with you our regulatory expectations in these two areas.

INEDs' key roles in governance both before and after listing

First of all, we expect INEDs of public companies to serve as a critical line of defence for the integrity and resilience of Hong Kong's listed market. As an independent voice on a company's board, you play pivotal roles in upholding corporate governance and overseeing business performance.

In today's fast-evolving global landscape, your unwavering commitment to your fiduciary duties is imperative to empower boards and also Hong Kong's world-leading initial public offering (IPO) market.

Therefore, INEDs of potential listing applicants must contribute tremendously to a solid governance track record for their firms well before the IPO. This includes embedding accountability firmly into the company's governance framework, therefore ensuring its IPO readiness.

It is especially important that INEDs of listed companies with weighted voting rights (WVR) structures put their independent judgment fully to work. As exclusive members of the corporate governance committee, you must rigorously ensure fair treatment for all shareholders and compliance with WVR safeguards.

To uphold listing market integrity, the SFC remains steadfast in working with the Stock Exchange of Hong Kong to hold directors responsible for misconduct. Recent cases involved

Note: This is the text of the speech as drafted, which may differ from the delivered version.

failure to procure the disclosure of material information in the prospectus and properly manage conflicts of interest.

Importance in driving responsible innovation

My second point is about INEDs' role in bolstering the governance of business innovations. While they hold promising potential in driving efficiency, we must address the new risks to investors' interests and market stability.

We expect INEDs to ensure firms deploy new technology both safely and responsibly, rather than recklessly pursuing growth. Responsible technology governance frameworks and their regular reviews are essential; to ensure implementation, robust processes must also be in place.

For those INEDs serving pre-revenue listed companies in innovative sectors, you should strive to foster a culture of accountability and transparency. You must also leverage your financial and industry expertise to scrutinise firms' growth strategies, financial health and business sustainability.

On the digital asset front, we must stay vigilant against irresponsible disclosure practices by some listed firms seeking to ride on Hong Kong's increasingly vibrant ecosystem. These undesirable practices may drive widespread speculation and market volatility, often to the detriment of retail investors.

We therefore demand listed companies to exercise high levels of responsibility in public communications, and INEDs to prevent any misleading public statements through robust oversight.

Most importantly, any major shifts in core business must be made public in no time. Audit committees must also play a decisive role in validating new business exposure and identifying inconsistencies in public statements.

Closing

Finally, I shall encourage all INEDs to beat the regulators to identifying red flags and resolving governance issues within your firms.

Your proactive, independent oversight will solidify the bedrock of trust in Hong Kong's financial ecosystem. This trust is just like oxygen in the air, which we often take for granted but cannot afford to lose to sustain normal functioning.

Therefore, let's strive together to step up our governance efforts and breathe more fresh air into our ecosystem. Thank you.