A Sharper Lens on Emerging Risk — and the Leadership Habits that Reduce Surprise

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Good morning, ladies and gentlemen.

Thank you for the kind introduction, and thank you to the organisers for inviting me to speak at this opening session.

It is a genuine pleasure to be here among so many friends and colleagues from across the legal, regulatory and financial communities.

Occasions like this matter deeply. They do more than bring us into the same room. They bring together people who may approach the same issue from different vantage points — lawyers, regulators, compliance professionals, business leaders and policymakers.

And in a world that is becoming more complex by the day, that exchange is not simply valuable. It is essential.

This is because sound judgment is rarely formed in isolation. It is shaped by experience, strengthened through challenge, and refined through the discipline of listening carefully — especially to those who see the world differently from us.

That, in many ways, is what legal leadership is really about.

It is not simply about knowing the law. It is about understanding risk in context. It is about weighing competing considerations. It is also about knowing when to escalate, when to press for more information, and when to stand firmly behind a decision that may be unpopular but necessary.

Today, I speak to you from the perspective of a financial regulator who spends a great deal of time thinking about how legal judgment, regulatory expectations and institutional resilience come together in practice.

In my role overseeing the Securities and Futures Commission's (SFC) Legal Services Division, I see first-hand how quickly the ground can shift beneath even the most established institutions.

And I also see how important it is for legal teams and leaders to remain vigilant, adaptable and firmly anchored in governance.

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

That brings me to the central theme of my remarks today: **emerging risk**, and more specifically, the leadership habits that help reduce surprise.

This topic has particular resonance for Hong Kong.

Our market is sophisticated, globally connected and dynamic. Those are strengths we should celebrate. But they also mean that legal, regulatory, technological and geopolitical developments can converge in ways that are difficult to foresee and even harder to manage if we are unprepared.

In such an environment, leadership is not simply about reacting well when a problem arrives.

It is about anticipating wisely.

It is about governing responsibly.

It is also about building habits, systems and culture that reduce the likelihood of surprise — and reduce the damage when surprise does arrive.

Today, I would like to share three reflections:

1. **How the risk landscape is changing**
2. **Which leadership habits help reduce surprise**
3. **And what a resilient governance mindset looks like in practice**

But before I turn to those themes, let me make one broader point.

The purpose of legal leadership is not to eliminate uncertainty. That would be impossible. The purpose is to create institutions that can absorb uncertainty without losing direction; institutions that can make decisions under pressure without losing judgment; institutions that can respond to the unexpected without losing integrity.

1. How the risk landscape is changing

Let me begin with the risk landscape.

Hong Kong stands at a remarkable intersection with global capital, cross-border businesses, market innovation and a robust regulatory framework at play. That position gives us enormous opportunities. But it also means that risk does not usually arrive in a single, neat category.

That is why one of the most important shifts for legal leaders today is to move beyond thinking in silos. The old model assumed that risk could be divided neatly into separate boxes: legal risk, compliance risk, operational risk, market risk, technology risk, reputational risk. In practice, of course, those boxes often overlap. Indeed, they now overlap so frequently that the very attempt to separate them can create blind spots.

Let me give you three examples that many of us in Hong Kong will recognise.

Example 1: Virtual assets and the lesson of investor protection

A few years ago, virtual assets were often discussed mainly as an innovation story.

There was excitement about tokenisation, new platforms, digital assets and new ways to access investment opportunities.

Some saw a market opening, whilst others saw disruptions. And both reactions were understandable.

The attraction of innovation is obvious. It promises efficiency, access, speed and scale. It can open up new channels of participation and new forms of market activity.

But as the market developed, it became clear that innovation always comes with responsibility.

In Hong Kong, regulatory attention naturally turned to whether investors — particularly retail investors — were being treated fairly, whether risks were being disclosed clearly, whether platforms understood the standards expected of them, and whether the claims made in the marketplace matched the realities of the product.

That was an important lesson.

If a platform presents a highly volatile product to investors in a way that downplays risk, or if marketing materials create a sense of simplicity where complexity actually exists, then the issue is no longer just innovation. It becomes a question of conduct, transparency and investor protection.

And that is the reality of emerging risk: it does not always arrive looking dangerous. Sometimes it is presented to us as an exciting opportunity.

Very often, the first question legal leaders should ask is: “Has the novelty changed the risk, and has the institution changed its control accordingly?” Because when innovation runs ahead of governance, institutions can find themselves vulnerable in ways that were not apparent at the outset.

Example 2: Cloud adoption and the risk of hidden dependency

Another example is cloud adoption, which has become increasingly common across financial institutions in Hong Kong. The promise is obvious: efficiency, scalability and resilience.

Cloud adoption can improve access to systems, reduce infrastructure costs, support business continuity, and increase agility.

But cloud adoption also creates legal and operational questions that are easy to underestimate.

Suppose a firm migrates critical records to a cloud environment hosted outside Hong Kong. On paper, the arrangement may look efficient.

But if the firm cannot access records promptly when needed, or if the outsourcing structure creates ambiguity over control, supervision or jurisdiction, then what began as a technology decision becomes a governance and compliance issue.

And that issue may only become visible when something goes wrong — when records are needed urgently, when a regulator requests information, when a dispute arises, or when an internal incident requires rapid investigation.

In practice, this is often where surprise begins — not with a dramatic failure, but with a quiet assumption that a third-party arrangement will always work exactly as intended. That is a dangerous assumption.

Cloud adoption reminds us of a broader truth: in modern institutions, resilience is not just about ownership of infrastructure. It is about visibility, access, accountability and oversight. The more we rely on external systems, the more we must understand the hidden dependencies they create.

Example 3: Cross-border enforcement and the risk of fragmented responsibility

A third and increasingly important example is cross-border enforcement.

Institutions today operate in a deeply connected regional and global environment. That connectivity is a tremendous advantage. But it also means that regulatory and enforcement risks can extend far beyond a single jurisdiction.

Consider a situation where a Hong Kong-based institution supports business activities involving clients, products or personnel across multiple markets.

One team may assume the matter is being handled offshore. Another may assume local counsel is managing it. A third may think that the issue is purely commercial and will not attract regulatory attention.

But if conduct, disclosure or supervisory questions arise later, fragmented responsibility can quickly become a serious problem.

A firm may discover that it has not clearly identified:

- which entity approved the arrangement;
- which jurisdiction's rules apply;
- who is responsible for record retention;
- where key communications were stored; or
- who should respond if an enforcement inquiry arrives.

That is where surprise becomes dangerous. Because in a cross-border enforcement context, delay and uncertainty can be as damaging as the underlying issue itself.

In a market like Hong Kong, where international connectivity is one of our great strengths, institutions must be especially alert to the reality that enforcement risk is not constrained by organisational charts or geographic boundaries.

The blurring of traditional risk categories

Taken together, these examples show that traditional boundaries between legal, operational, conduct and technology risks are becoming increasingly blurred.

In the past, a legal team might have been able to say: "that is for compliance", "that is an operational matter", or "that is the business side's responsibility".

Today, that kind of compartmentalisation is much more difficult — and much more dangerous.

That is why legal leaders need to see the whole system, not just the issue immediately in front of them. It is also why the role of legal counsel in a modern institution has become more strategic.

Legal teams are not just interpreters of rules. They are often the early warning system. They are often the translators between business and institutional risk. They are often the function that can spot when a technical issue is about to become a governance issue.

2. Leadership habits that reduce surprise

That brings me to the second theme: the leadership habits that reduce surprise.

If there is one idea I hope to leave with you today, it is this: **surprise is often the product of weak signal detection, slow escalation and overconfidence in assumptions.**

Major issues rarely emerge from nowhere.

More often, they are preceded by signals:

- a concern that was raised but not pursued;
- a control that was never properly tested;
- an assumption that was repeated often enough to feel true; or
- a warning sign that was seen but not acted upon quickly enough.

So what habits help reduce surprise?

I would suggest five.

First: ask the right questions early.

Good legal leadership starts with disciplined curiosity.

Before an investment product is launched, before a new service is rolled out, before a cross-border structure is approved, before an outsourced agreement is signed off, the right questions must be asked and asked early:

- Has this been considered from both regulatory and commercial perspectives?
- Could this create cross-border implications?
- What would this look like to a regulator, a client, a board member or the media?
- Are we confident in the disclosure process?
- Do we know whether the control works in practice, not just on paper?

These are simple questions. But simple questions, asked early, can prevent very expensive mistakes later.

And the earlier they are asked, the more useful they are. Because once a decision is already set in motion, it becomes much harder to change. By then the commercial momentum has built. Expectations are hardened. That is why legal leaders add so much value at the front end of a decision. The best legal advice is one that arrives early enough to shape the decision before the decision becomes irreversible.

Second: strengthen the escalation culture.

A strong institution is one where people do not wait for permission to raise concerns.

Escalation should not be seen as an act of disloyalty or pessimism. It is an act of responsibility.

If employees believe that bad news will be unwelcome, they will delay it. If they believe concerns will be dismissed, they will stop speaking up.

And once that happens, leadership loses one of its most valuable assets: early visibility.

The truth is that many institutional failures are not caused by a total absence of awareness. They are caused by partial awareness that never travelled far enough or fast enough.

For example, if a team notices repeated delays in a third-party reporting process, each delay may seem minor. But if those delays are never escalated, the institution may eventually find itself facing a filing failure, a client complaint or a regulatory issue.

That is how small problems evolve into large ones.

A healthy escalation culture says something different: **raise it early, examine it seriously and respond before it becomes a crisis.**

Third: understand the market and the regulator's perspectives

Legal teams add the most value when they can see beyond the immediate interests of the institution.

That does not mean thinking like the regulator in every respect. But it does mean understanding the standards of prudence, fairness, transparency and accountability that shape confidence in a leading international financial centre like Hong Kong.

A transaction may be commercially attractive. But if the structure would be difficult to explain, difficult to defend or difficult to reconcile with expected standards of conduct, then the legal team must be ready to say so clearly.

That requires more than technical knowledge. It requires the ability to step back and ask: if this issue were presented externally, how would it appear? What would be the concern? What would be the question? What would be the point of weakness?

Fourth: build real tech literacy

Technology is now inseparable from legal and regulatory risks.

Artificial intelligence (AI), tokenisation, cloud services, digital assets, automation, cybersecurity — these are not niche issues. They are mainstream governance issues, and yet one of the recurring challenges for legal teams is that technology often advances faster than institutional familiarity.

That gap creates vulnerability.

Legal leaders do not need to be technical specialists. They do not need to code. They do not need to design the systems themselves.

But they do need enough tech literacy to ask the right questions:

- What data is the system using?
- What are its limitations?
- Where is the human oversight exercised?
- What happens when the system fails?
- How quickly can the institution explain its decision making if challenged?

That means legal and governance functions must be capable not only of understanding what the technology does, but also understanding what risks the technology introduces — including the risks of bias, opacity, overreliance and failure of oversight.

Fifth: build teams that combine expertise with judgment

Finally, institutions need teams that can do more than apply rules. They need people who can think, interpret and adapt.

Technical skill matters enormously. But so does judgment — the ability to recognise when an issue is no longer just a legal point, but a business or regulatory risk, a governance question or a reputational concern.

This is where leadership becomes especially important. Because judgment is not just an individual quality. It is something institutions develop over time through hiring, training, mentoring, exposure and culture.

A strong team is not one that always speaks first. It is one that speaks with clarity, insight and courage when it matters most. It is one that can disagree constructively. It is one that can identify trade-offs without becoming paralysed by them. It is one that can help the institution act with confidence, even when certainty is incomplete.

That is the kind of team that can navigate uncertainty without becoming overwhelmed by it. And that is increasingly the hallmark of effective legal leadership.

3. The governance mindset that supports resilience

If leadership habits help reduce surprise, then governance is what allows an institution to respond effectively when the unexpected does arrive.

In Hong Kong's regulatory landscape, resilience means more than operational continuity. It is the ability to preserve trust, maintain credibility, and demonstrate integrity under scrutiny.

A strong governance mindset has five characteristics: **clarity, proportionality, accountability, learning, and calmness under pressure.**

Clarity

Everyone must know their role.

When roles and responsibilities are clear, decisions are faster and escalation is more effective.

When they are not, confusion spreads at precisely the moment when clarity is most needed.

Clarity matters at every level: who owns the issue, who approves the response, who communicates internally, who speaks externally, who monitors the next steps, and who ensures that the decision is implemented.

In the absence of clarity, organisations often fall into one of two traps: either too many people assume someone else is dealing with it, or too many people get involved without a clear decision-maker.

Neither is healthy.

Proportionality

Not every issue requires the same response.

Good governance calibrates the response to the risk.

That may sound straightforward, but it is one of the most difficult disciplines in practice.

Fast-moving markets reward agility, but they also punish overreaction. The challenge is to respond firmly without becoming brittle.

Proportionality requires judgment. It requires the ability to distinguish between noise and signal, between a minor administrative matter and an indicator of deeper weakness, between an isolated event and a pattern.

That is difficult, especially when information is incomplete. But it is precisely in those circumstances that strong governance matters most.

Accountability

Accountability must be visible, not theoretical.

When an issue arises, there should be no ambiguity about ownership.

But accountability should also be present long before a crisis. It should be embedded in the way decisions are made, monitored and reviewed.

It is easy to say that accountability exists. It is harder to show it in practice. It must be reflected in committee structures, reporting lines, escalation paths, documented decisions and follow-up mechanisms.

And crucially, accountability should not end with the issue itself. It should extend to the lessons drawn afterwards.

Learning

Resilient organisations learn quickly.

They do not hide mistakes. They study them.

They do not fear near misses. They mine them for insights.

A near miss is not a failure to be embarrassed about.

It is an opportunity to strengthen the system before the system is tested again.

This is a point worth emphasising because some organisations still treat learning as a retrospective exercise, rather than a strategic one.

The best organisations build learning into their governance. They review incidents rigorously. They look for patterns. They compare actual outcomes with expected outcomes. They ask whether the issue was truly exceptional or whether it exposed a weakness that had been overlooked.

That kind of learning is not about blame. It is about strengthening resilience.

Calmness under pressure

Finally, legal and governance teams must remain calm when scrutiny intensifies.

When pressure rises, people look to legal leaders not just for legal analysis, but also for steadiness.

They look for judgement, for balance, for the confidence that the organisation is responding with integrity and discipline.

That kind of calmness is not passive.

It is a form of leadership.

It allows others to think clearly. It prevents panic from spreading. It creates the space in which the right response can be developed.

Calmness is not the absence of urgency. It is the ability to stay purposeful within urgency.

What this means for the year ahead

So as we look ahead, my message is simple: **do not wait for the next crisis to reveal your vulnerabilities.**

Instead, ask the right questions:

- Where are we most vulnerable to surprise?
- Which risks are evolving faster than our controls?
- Are our escalation routes really working?
- Are we paying enough attention to external (eg, regulatory expectations), not just internal objectives?
- Do our teams have the judgment, confidence and access to information needed to act early and decisively?

These are practical leadership questions.

And in today's environment, they are questions that determine institutional resilience.

Because resilience is not built in the heat of crisis.

It is built through the everyday habits, systems and culture that are tested long before a crisis arrives.

That means legal leaders should think not only about how their institutions respond when something has gone wrong, but also about how they behave in the run-up to that moment:

- Do we reward curiosity?
- Do we encourage challenge?
- Do we test assumptions?
- Do we speak plainly about risk?
- Do we connect the dots across functions and jurisdictions?
- Do we equip our teams with the capabilities to think, not just to process?

Closing

Let me close with this: Hong Kong's financial market continues to demonstrate remarkable strength, sophistication and resilience.

That strength is not accidental. It is the product of high standards, strong institutions and a shared commitment to legal and regulatory integrity.

To sustain that position, legal and governance leaders must do more than advise on individual issues as they arise.

We must help our institutions anticipate risks earlier, respond more decisively, and govern with greater foresight and responsibility.

That means asking better questions.

It means encouraging early escalation.

It means building tech literacy and judgment together.

It means understanding how legal, regulatory and operational issues intersect.

And it means creating the conditions in which surprises become less frequent, less severe, and less damaging.

We may never eliminate uncertainty entirely. But we can improve our preparedness and reduce the element of surprise by building strong leadership habits and resilient governance frameworks.

In a world as complex and unpredictable as ours, that is exactly the kind of resilience that will protect our institutions and help us navigate whatever comes next.

Thank you very much.