

**Concluding Remarks by Dr Timothy TONG Hin-ming,  
Commissioner, Independent Commission Against Corruption,  
Hong Kong Special Administrative Region  
at the Conference on Corporate Governance in the Financial Sector  
8 December 2008**

**(Translation of original Chinese speech as delivered)**

Thank you, Dr Cheng.

Ladies and gentlemen,

On behalf of the co-organisers, I would like to thank you for the active role you have played in today's thematic conference covering our three jurisdictions.

We have been treated throughout to speeches that were both insightful and practical and I regret that shortage of time prevents me from recapitulating them all.

- Professor the Honourable KC Chan, SBS, JP, in his opening statement pointed specifically to the importance of good corporate governance in maintaining Hong Kong's leading position as a financial market. Indeed, he noted, lapses in corporate governance had been one of the major causes of the recent failure of a number of financial institutions on Wall Street.
- Vice Minister Yao in his keynote speech shared with us the measures taken by his country since its opening up in order to strengthen the framework of ethical governance in the financial sector, together with the insights that had been gleaned from the past and current financial crises. In a vivid metaphor he pointed out that the legal system is the beating heart of the financial sector and integrity is its soul. May I add that I could not agree more with Vice Minister Yao on the importance that he attaches to the full cooperation of Hong Kong, the Mainland and Macao.
- The Honourable John Tsang, JP, in his luncheon speech opined that corporate governance is a continuously evolving process. While different markets needed different corporate governance frameworks to suit their unique characteristics, he said, one important thread ran through them all — ethical governance.
- The heads of the financial regulatory bodies in Hong Kong and the Mainland, Mr Paul Chow, Mr Martin Wheatley, Mr YK Choi and Mr Ouyang Jiansheng, described both the current regulatory framework of their respective jurisdictions and further measures to be carried out.

To round off today's deliberations, I would like to draw on the ICAC's past experience of investigating corruption and fraud cases in order to pinpoint the three root causes of such types of crimes. They are greed, fraud, and hesitation. My sense is that these traits are amply reflected in world literature, history and philosophy, and I am sure that all of you who have witnessed performances of great works like *Macbeth* will recognise that they lie at the very heart of Shakespearean tragedy. These human flaws have always seemed to thrive within the very darkest recesses of our being. If they are allowed to lurk within the management of a company, they will inevitably have a deleterious effect on its corporate governance and its operations.

## How human flaws breed crime

### *Greed*

All corruption can be traced back to greed. One hundred percent of the corruption cases that the ICAC handles involve greed. Now, greed in itself is not illegal. But greed breeds crime when anyone uses illicit means to satisfy it. More than half of the cases we have handled have arisen from greed because management has either been directly involved in illegal activities related to it or has tolerated such goings-on in its subordinates.

### *Fraud*

I turn next to the prevalence of fraud. More than 70 percent of the cases the ICAC has handled have involved crimes other than corruption, because people resorted to corruption to facilitate or cover up fraudulent strategies and tactics. The most common of these include inflating the performance of companies, price rigging, false bank loans, embezzling company funds, and so on. Defendants who are alleged to have contravened Section 9 of the Prevention of Bribery Ordinance will more than likely be found to have also committed other crimes such as theft and conspiracy to defraud.

### *Hesitation*

Finally comes hesitation. Many crimes start with less serious activities such as breaches of a company's rules and regulations. Very often, these breaches are known to insiders who waver over whether they should reveal them, and who in the end choose not to report what they are fully well aware of. Fully half of these irregular activities would not have developed into illicit ones if only the board and management had encouraged their staff to speak up without hesitation. Naturally, if a company is deaf to advice and persists in not weeding out corruption and other crimes, we encourage these insiders to report to the ICAC.

### *Conclusion*

What then should we do to address the above causes amid the onslaught of the financial tsunami? According to the ICAC's 34 years of experience in fighting corruption, corporate governance problems rarely go beyond the people and the system. The crux of the problem, as Dr Cheng rightly pointed out earlier today, is the failure of individuals to manage their personal integrity. Although we all see the need to refine the existing regulatory framework in order to plug possible loopholes, we also have to ensure that the people in place behave with integrity and conduct their activities ethically.

Practically speaking, we must enhance the integrity of the individual, as well as setting up and strengthening control systems. To this end, I would like to draw your attention to two guidebooks that we at the ICAC have just produced for the use of listed companies.

Entitled "*Ethics: the Core Value of Leadership*" Toolkit on Directors' Ethics, the first guidebook provides company directors and their professional advisors with a handy reference on how to manage their personal integrity and practise ethical leadership. The title of the second guide, "*Good Governance and Internal Control: a corruption prevention guide for listed companies*" spells out the book's objectives very clearly. Both are available in English and in traditional and simplified Chinese. You may obtain copies at the reception table outside later on.

Ladies and gentlemen, as a law enforcement agency, the ICAC cannot of course itself create wealth directly. Today's conference will not bring about an immediate surge in tomorrow's share prices! But if all of us adhere steadfastly to ethical governance even as we brave the financial tsunami, we can do more than just free ourselves from the fear of breaking the law. We can also help our companies operate more smoothly and develop more steadily. Moreover, when the economy revives, good corporate governance will help us recover more surely.

Many speakers, facilitators and participants in today's conference have stressed the importance of integrity training in fostering an ethical governance culture. It is on this note, then, that I would like to end, encouraging you all to make use of the free integrity training services of the ICAC to help your companies build an ethical corporate culture.

Thank you. 🙏