

# Feb 18 Legal and Regulatory Update

## Top stories

### Directors' duties as HKEX enforcement focus

(i) **HKEX published its Enforcement Newsletter**, covering full-year 2017.

(Click: [full report](#))

**Directors' duties are the main enforcement focus.** Other important areas, as reflected in enforcement statistics, are: inaccurate/incomplete/misleading **disclosure in corporate communications**, and failure to comply with **procedural requirements regarding notifiable/connected transactions**.

The enforcement cases cited are blatant breaches involving ignorance of Listing Rules; or individual directors entering into transactions without prior board approval.

Some general observations, as summarized below, are noteworthy.

### *What you should know/watch out for:*

- (“Compliance Highlights”, P.16) **Directors taking an active interest in the issuer**

- (i) Issue: there are cases involving directors who failed to attend any board meetings and did not possess adequate knowledge about the issuers' affairs
- (ii) HKEX reminder:
  - directors are collectively and individually responsible for the issuer's Listing Rule compliance
  - **not only pay attention to the issuer's affairs at formal meetings**
  - **(at a minimum) take an active interest** in the issuer's affairs and obtain a **general understanding of its business**
  - must **follow up** anything untoward that comes to their attention
  - permissible to **delegate**; but **does not absolve directors from responsibilities** or applying the required levels of **skill, care, and diligence**

(ii) SFC’s “Enforcement Reporter” set out 2018 enforcement priorities

(Click: [full report](#); [press release](#))

**Corporate fraud** is at the top of the list; and SFC also monitors **issuance of false or misleading financial statements**. For listed issuers, other priorities are **insider dealing** and **market manipulation**.

The regulator also reminded issuers of its updated “**Guidance Note on Co-operation with SFC**”. (Click: [Dec 17 legal update](#))

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## Hot Trends

**For your company’s macro risks discussion:**

***-The Global Risks Report 2018 (World Economic Forum)***

- In light of global economic recovery, the top risks are environmental (climate change/natural disasters), and cyber attacks!!
- Yet, there are risks behind such economic recovery — growing income inequality; and populist politics...
- Inter-connectivity of risks makes risk management difficult!

[Link](#): Useful executive summary!

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