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Hong Kong needs industries where it has a competitive advantage compared to other cities in order to thrive economically. Its traditional economic drivers of trading, retail and real estate are losing their edge compared to competing cities like Shanghai and Shenzhen. The biggest remaining economic driver is the financial sector. The advantage of the financial sector is its the rule of law and high quality standards compared to its regional competitors. High quality standards for listed companies on the stock exchange is fundamental to extending and keeping this advantage as the Mainland exchanges improve. The strategic choice for Hong Kong's future is clear - implement the Expert Group recommendation of 2003, fully separating Regulation from the for-profit Hong Kong Exchange. There is no compromise possible to resolve this conflict of interest. As a first step, approving the current proposal is the minimum signal that Hong Kong can give the financial world that it is committed to creating a high quality investor environment in Hong Kong and will not let fundamental principles be eroded by short term special interests. As a Professor teaching strategy in a leading Hong Kong University, I can see how rejection of this proposal would become a future business school case of short sighted leadership leading to long term failure.

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