



Your future, your views

At forums held in June and July this year, HKICS members debated their future relationship with the Institute of Chartered Secretaries and Administrators.

Relations between the Institute of Chartered Secretaries and Administrators (ICSA) in the UK and ICSA divisions globally are less than cordial at present. The immediate sources of tension are various (see 'What the dispute is about' on page 35), but there is now a real possibility that the current delegation agreements which guarantee the divisions a degree of autonomy within the ICSA may be revoked. The ICSA (UK) management has proposed to completely restructure the ICSA by de-delegating the divisions; centralising and controlling examinations, admissions to membership and professional standards; and setting and receiving all member and student subscriptions.

The ICSA divisions are reluctant to change the current structure which gives them a degree of autonomy together with the benefits of international affiliation. They do, however, wish to see a fairer, more inclusive, approach to ICSA affairs. This led to a request in July this year by ICSA division members for a general meeting of ICSA members to amend the ICSA's by-laws to introduce a fairer, proportional representation on the ICSA international Council.

What do HKICS members think about these latest developments? How should the ICSA be structured and funded?

Should it be seen as a UK body with overseas divisions, or an international body which was founded and is based in the UK? If the delegation agreement is withdrawn, how should the HKICS respond – accept the loss of its autonomy or become a separate professional body? To assess HKICS members' views of these issues, two focus group forums (on 27 June and 5 July), and two open forums (on 7 July and 13 July) were held to give HKICS members the opportunity to question the secretariat and Council members about the current status of the dispute and to express their opinions on the best way forward.

What do HKICS members think?

Which membership is more important to you, your HKICS or ICSA membership? Or are they equally important? Please give reasons for your answer.

About half of the attendees of the 27 June focus group forum considered both memberships to be equally important, citing ICSA's international status and the current exam exemption arrangements between the HKICS and the ICSA as their reasons. All participants at the 5 July focus group forum considered both memberships to be equally important, citing ICSA's international image and the local recognition of the HKICS qualification as their main reasons. Having HKICS membership, one attendee said, signals that you are 'strong in local knowledge', while holding ICSA membership implies more 'international exposure'.

Participants at both focus groups stressed that statutory recognition of the local qualification is crucially important. Many participants discussed the relationship between the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA) to illustrate the importance of having a locally-recognised qualification.

Participants of both the focus groups pointed out that the value members attach to their membership of the HKICS and the ICSA depends on a number of different factors.

1. Stage of career. Members at a relatively advanced stage of their career might tend to focus on their local work – thus weighting their HKICS over their ICSA membership. Members in an earlier stage of their career might prefer the opportunities that affiliation to an international professional body can bring – the current arrangements ensure portability of members' qualification meaning that their qualification will be recognised by the other ICSA divisions. Such members may therefore weight their ICSA

membership as equally, if not more, important than their HKICS membership. Some participants observed, however, that very few HKICS members have actually transferred their membership to another ICSA division. Most members practice in local businesses or in businesses linked to mainland China.

2. Type of employer. Some participants suggested that members who work for local companies may weight their HKICS over their ICSA membership, and members who work for multinational companies may regard their ICSA membership as more important.

Do you think your future career opportunities will be more likely to be in Hong Kong and/ mainland China or other markets?

About half of the 27 June focus group participants said that their future career opportunities will be in Hong Kong and mainland China. All of the 5 July focus group participants agreed with this conclusion. Participants in both groups attributed this to the robust economic growth in Asia, and particularly in mainland China. Nevertheless, some pointed out that many practitioners in mainland China are keen to pursue their career outside of China, and an international membership could therefore serve as a springboard for overseas opportunities.

A teacher from a local tertiary institution commented that, from his interaction with graduates and students pursuing company secretary studies, he believes they anticipate their future job opportunities will be not just local but will also come from mainland China and other countries.

If you had to complete different procedures and pay separate fees for your HKICS and ICSA memberships (as a result of the HKICS and ICSA becoming separate professional bodies), would you keep both memberships? If you would choose only one, which one would you choose?

The overwhelming majority of participants in

What is the dispute about?

The HKICS stresses that it 'does not seek to change its longstanding relationship with ICSA' and would like to maintain the status quo. However, there are a number of issues which have been straining relations between the ICSA (UK) and ICSA divisions globally.

The current dispute surfaced in February this year when the then ICSA international president requested the membership register of all divisions to be sent to London. The reluctance of the divisions to respond in full until suitable legal advice regarding local privacy laws had been obtained was not considered a good reason for delay in sending the information demanded. Several ICSA divisions (including the HKICS) were subsequently threatened with de-delegation if the situation was not remedied.

Another source of contention is the fact that the UK Committee – the committee of international Council that runs the affairs of the ICSA for the UK, Republic of Ireland and Associated Territories – has an in-built majority on international Council. This led to a request in July this year by ICSA division members for a general meeting of ICSA members to amend the ICSA's bye-laws to introduce a fairer, proportional representation on the ICSA international Council.

It remains to be seen how the current dispute plays out, but the HKICS has stressed that, should ICSA (UK) decide to withdraw the delegation agreement, it will conduct a general meeting to let members decide how the Institute should respond.

both focus groups said they would prefer to keep both their HKICS and ICSA memberships to continue to enjoy both the international status of the ICSA and the local recognition of the HKICS. However, almost all participants also said they would keep their HKICS membership if they had to choose between the two.

Again, participants anticipated a difference between members at a more advanced stage of their careers and those new to the profession. They suggested that the former would generally consider paying separate fees to be acceptable if retaining an international qualification was worth the fee. A younger participant said that, among his peer group, the membership fee level would be an important consideration. He noted that they would be looking for 'value for money' in terms of what the institution would

provide its members. He commended the HKICS for providing publications such as *CSJ* and organising professional seminars for members. He also expressed doubts as to whether the ICSA would be able to provide similar benefits to local members.

'Value for money' was interpreted differently by another member. He pointed out that the current HKICS membership fee brings with it two memberships and exam exemptions to the ICSA qualification. He said that his decision in the future would depend on the difference between current level and the combined fees in the future. If the HKICS were to become a separate professional body, he would expect its membership fees to fall or for the value of its services to rise.

What would a break with the ICSA mean for HKICS members?

The HKICS enjoys the greatest degree of autonomy of all the ICSA divisions, it is the only division with its own qualification and post-nominals, the establishment of which dates back to 1994. The loss of that autonomy would clearly have major implications for HKICS members, nevertheless the focus groups held earlier this year clearly indicate a nervousness about what a break with the ICSA might mean. Two principal areas of concern emerged from the discussions.

1. International affiliation and the portability of members qualifications.

While de-delegation would not affect the local recognition of HKICS members' qualifications, it would, of course, have implications for their international portability. The HKICS is therefore liaising with other ICSA divisions on the possibility, in the event of a break with ICSA (UK), of maintaining recognition of their respective qualifications via mutual recognition agreements. Another development which will help maintain international links is the creation of the Corporate Secretaries International Association (CSIA), which

the HKICS joined in March 2010. This global trade body represents over 70,000 company secretaries, corporate secretaries and other governance professionals around the world. In fact, the CSIA has an even more global reach than the ICSA – it covers the US, Sri Lanka and India which are outside the ICSA. Although not a professional body, it does have professional bodies as members and the HKICS could seek to leverage the CSIA network to gain greater international recognition of HKICS membership.

2. Name change. Another concern which emerges from the focus groups is the anticipated name change that would follow any break with the ICSA. It is likely that the HKICS would need to remove the term 'Chartered' from its name and HKICS members would no longer be 'Chartered Secretaries'. Again, the HKICS has stressed that it will consult members on this issue, but it points out that, since Hong Kong legislation refers to 'company secretaries', the impact of changing 'Chartered' to 'company' would be minimal.

Under a bye-law passed in 1999, members resident in the UK and the Republic of Ireland have a majority at the ICSA international Council of two representatives more than the total representatives of members living elsewhere. Are you aware of this representation set-up? Do you have any views about the set-up?

Many participants of both focus groups were unaware of the current voting arrangements on the ICSA international Council. They were surprised to learn about such arrangements and described them as 'grossly unfair' and 'undemocratic'. Participants described ICSA (UK)'s controlling stake as 'unreasonable' and 'inappropriate', and pointed out that it reflected badly on the reputation of the institution.

Some participants expressed concern that ICSA (UK)'s controlling stake may jeopardise or slow down the development of fast-growing divisions such as Hong Kong/ mainland China, about which the UK has little knowledge. The participants agreed that the current arrangements should be reformed to give a proportional representation to all ICSA divisions.

Are you aware of the distribution of worldwide ICSA membership, and the make-up of members from the UK/ Republic of Ireland and other ICSA divisions (especially Hong Kong)? Are you aware of the respective rates of membership growths in UK/ Republic of Ireland and other divisions (especially Hong Kong)?

Many participants at both focus groups were unaware of the distribution of worldwide ICSA memberships. One participant criticised the UK Council's decision to restrict ICSA membership to graduates, saying that it was leading to a fall in ICSA (UK)'s influence, size and the growth of its membership. Another participant expressed concern that the declining membership in UK would lead to funds from other divisions being used to 'subsidise' the UK operation as income from membership fees decreases.

There are two different views about the nature of the ICSA. The majority of the UK Committee are of the view that the ICSA is a UK body that has overseas members. The divisional representatives on the international Council are inclined to see the ICSA as an international body that was founded and is based in the UK. Do you hold one of these two views? Or do you have your own views about the nature of ICSA?

Participants at both focus groups disagreed that the ICSA should be seen as a UK body with overseas members. Some commented that this approach 'would lead nowhere' and is counter to the global trend for professional bodies to internationalise their operations. Another participant commented that this approach might hinder the HKICS' future development in mainland China. Participants unanimously agreed that the ICSA should be seen as an international body that was founded and is based in the UK.

The ICSA (UK) management has proposed to completely restructure the Institute by de-delegating the divisions; centralising and controlling examinations, admissions to membership and professional standards; and setting and receiving all member and student subscriptions. What is your view of these proposed changes?

All focus group participants expressed concern about this proposed restructuring, fearing that it might jeopardise local recognition of their qualification. Several members doubted ICSA (UK)'s ability to fight for local recognition as the HKICS has done. Some questioned whether the UK body would have the local understanding due to their distance from Hong Kong and their inclination to centralise matters rather than accommodate the needs of each local market. Some participants cited the HKICS' growing influence in mainland China as another reason it should not to agree to this proposal, since ICSA (UK) would be less able to take this work forward.

The majority of participants expressed confidence in the capability and experience of

the HKICS in handling local affairs. Some said it would be 'impractical' for the UK to exert control over the HKICS – how, for example, would they ensure that local elements are included in the local IQS examinations? A participant who was a council member of a UK chartered body warned that, after that body transitioned to an arrangement similar to the one currently proposed by ICSA (UK), the concentration of power and control over local finances and membership gave rise to many arguments and disagreements.

Are you aware of the financial situations of ICSA (UK) and HKICS respectively?

After reading a brief overview of the finances of ICSA (UK) and the HKICS, some members expressed concern over the allocation of resources – in particular whether membership fees paid to the HKICS would be used to fund the UK's deficit rather than to benefit local members. Participants were briefed on the percentage of HKICS income currently channelled to support the operation of the ICSA international Council. Many participants said that they consider 'divorce' to be an option for the HKICS, provided that mutual recognition agreements are in place with other jurisdictions for members who wish to retain an international qualification by sitting one conversion exam.

What would you recommend the HKICS to do in the event of de-delegation – submit to the new ICSA arrangements, become a separate professional body, or pursue a different course of action of your suggestion?

While some participants asked to receive more details about the implications of submitting to the ICSA's proposals, most of them expressed preference for becoming a separate professional body. Many expressed confidence in the competence of the HKICS and a wish to avoid the same problems from arising again in the future.

Some participants noted that the HKICS should be 'very careful' with any separation from the ICSA, however, expressing concern

about the possible decline of the international status of the HKICS. Other members added that the Institute should also consider the position of the PRC authorities since they have an influence on the development of the HKICS in mainland China.

One participant suggested that the time and attention of the HKICS management should be invested in serving the interests of its members rather than getting entangled with ICSA membership issues. He suggested that the HKICS should focus on boosting the Institute's influence, in particular its recognition from regulators in Hong Kong and mainland China.

The possibilities arising from other alliances or federations of company secretaries, such as the Corporate Secretaries International Association (CSIA), was also discussed. Many participants said that an alliance with other ICSA global divisions guaranteeing mutual qualification recognition would be beneficial. One participant suggested that this would give HKICS members a sense of continued international affiliation and a sense of community with other governance professionals around the world.

Do you have other concerns, in terms of qualifications, recognitions, members' services, the status of the profession, etc?

Many focus group participants enquired whether the name and title of the HKICS and the official title of their qualification – 'Chartered Secretary' – will have to change if the delegation agreement is revoked. Many commented that there is already confusion between the different terminologies used for the company secretarial role – for example, 'Chartered Secretary', 'company secretary' or 'board secretary'? As members have their own preferences among these names, they said they would like to be consulted on any proposed changes. 🗨️

More information, along with a frequently-asked-questions section, can be found on the Institute's website at www.hkics.org.hk.