
INFORMATION NOTE

Supplementary Note on Registration Requirements for Remunerated Directorships in Selected Legislatures

1. Background

1.1 The Committee on Members' Interests, at its meeting on 29 September 2005, requested the Research and Library Services Division to provide supplementary information on the following items arising from the information note entitled "Registration Requirements for Remunerated Directorships in Selected Legislatures":

- (a) the rationale of the registration requirements for remunerated directorships in the House of Commons of the United Kingdom (UK) Parliament and the House of Commons of the Parliament of Canada; and
- (b) in which year the House of Representatives of the United States (US) Congress prohibited Members from taking up a remunerated directorship of any organization.

2. Rationale of registration requirements for remunerated directorships

House of Commons of the United Kingdom Parliament

2.1 In the House of Commons of the UK Parliament, a Member is not required to disclose the amount of remuneration of a directorship he or she holds in any company, unless such remuneration arises from the provision of services in his or her capacity as a Member, and the amount received or to be received exceeds 1% (about £ 591¹) of a Member's current annual parliamentary salary. The remuneration from the same source in the course of a year, which cumulatively exceeds 1% of the annual parliamentary salary, should also be registered.

2.2 According to the Registrar of Members' Interest of the House of Commons, the 1% threshold was set in 2002 upon recommendation by the Ninth Report of the Committee on Standards and Privileges 2001-02. The figure has been regarded by the Committee on Standards and Privileges as "*appropriate*" in that it can prevent interests in the Register of Members' Interests which are of substance from being obscured by the proliferation of relatively insignificant benefits.²

¹ Equivalent to HK\$7,871.

² Committee on Standards and Privileges (2002).

House of Commons of the Parliament of Canada

2.3 In the House of Commons of the Parliament of Canada, each Member is required to file with the Ethics Commissioner a disclosure statement, which includes, if any, the source, nature and amount of remuneration from directorships the Member received during the preceding 12 months and is entitled to receive during the next 12 months. Nevertheless, the amounts of remunerated directorships need not be disclosed to the public.

2.4 According to the Parliament of Canada, the 12-month rule is presumably based on convenience in that people are generally required to keep records and report income on an annual basis. For instance, income tax returns are required to be filed once a year. The disclosure statement needs to be kept up-to-date and current. If there are significant changes in a Member's income or benefits arising from a business or profession in the course of a year, the Member is required to file a Material Change Form with the Ethics Commissioner. Members can confirm annually their income or benefits arising from a business or profession. The purpose for requiring Members to register the amount of money is to provide the Ethics Commissioner with a full picture of their financial situation. The dollar amounts need not be made public because of the consideration of privacy. The thinking is that what is important is the nature of the income or benefit, not its value or actual amount.

3. Prohibition of Members from taking up remunerated directorships

3.1 In the House of Representatives of the US Congress, Members are not allowed to serve as a paid board member of any association, corporation or other entity. This restriction was introduced by the Ethics Reform Act of 1989,³ which took effect in late 1989, expressly authorizing all three branches of government to implement a system of confidential financial reporting. The Act made significant amendments to the Ethics in Government Act of 1978 which was enacted under the influence of the Watergate scandal.

Prepared by Thomas WONG
2 December 2005
Tel: 2869 9621

Information notes are compiled for Members and Committees of the Legislative Council. They are not legal or other professional advice and shall not be relied on as such. Information notes are subject to copyright owned by the Legislative Council Commission (the Commission). The Commission permits accurate reproduction of the information notes for non-commercial use in a manner not adversely affecting the Legislative Council, provided that acknowledgement is made stating the Research and Library Services Division of the Legislative Council Secretariat as the source and one copy of the reproduction is sent to the Legislative Council Library.

³ United States Code app. 4 §502 (a).

References

1. Committee on Standards and Privileges. (2002) *Ninth Report*. The United Kingdom Parliament. Available from: <http://www.publications.parliament.uk/pa/cm200102/cmselect/cmstnprv/763/76303.htm> [Accessed November 2005].
2. *Conflict of Interest Code for Members of the House of Commons, Standing Orders of the House of Commons of Canada*. Available from: <http://www.parl.gc.ca/information/about/process/house/standingorders/appal-e.htm> [Accessed November 2005].
3. *Ethics Manual*. Committee on Standards of Official Conduct of the United States Congress. Available from: <http://www.house.gov/ethics.htm> [Accessed November 2005].
4. Gilman, S. (1996) *The Management of Ethics and Conduct in the Republic Service: The United States Federal Government*. Organization of Economic Co-operation and Development. Available from: <http://www.oecd.org/dataoecd/30/22/2731902.htm> [Accessed November 2005].
5. *House of Commons Hansard debates for 6 November 1995*. The United Kingdom Parliament. Available from: <http://www.publications.parliament.uk/pa/cm199495/cmhansard/1995-11-06/Debate-2.html> [Accessed November 2005].
6. *Memorandum for All Members, Officials and Employees: Outside Earned Income Restrictions on Members and Senior Staff*. Committee on Standards of Official Conduct. 23 February 1998. Available from: http://www.house.gov/ethics/m_earned_income_022398.htm [Accessed November 2005].
7. *Rules of the 109th Congress*. Available from: <http://www.house.gov/rules/25RXXV.htm> [Accessed November 2005].
8. *The Guide to the Rules relating to the Conduct of Members*. The United Kingdom Parliament. Available from: <http://www.publications.parliament.uk/pa/cmselect/cmstand/841/84103.htm> [Accessed November 2005].