

Smart Tips for SMEs

Staying Resilient in Times of Adversity



The coronavirus pandemic has been a tremendous hit to SMEs and start-ups. While SME operators must strive to keep their businesses going by hook or by crook in face of the adverse economic environment, they also have to keep close tabs on the post-pandemic business environment for not losing out the chance to explore new markets and secure sustainable growth. Yet, among all careful planning and business calculations, you must not neglect the possible risks and costs that corruption and related malpractices may bring to your company.

Competing for Business

A frozen meat supplier offered regular bribe payments to the chefs or purchasing officers of a number of restaurants and hotels under the table for securing their orders and not complaining about the quality of the goods provided. This supplier and a number of restaurant and hotel staff involved were convicted of the Prevention of Bribery Ordinance (POBO) and punished by custodial sentence.



According to the POBO, both the offeror and the acceptor of a bribe are guilty of an offence. Any person, including company directors and employees, may breach an offence by offering an advantage to a staff of a company as a reward for or inducement to him/her performing an act in relation to the business of his principal, i.e. his employer, unless the involved staff has obtained the principal's permission. **The maximum penalty of committing such POBO offence is a fine of \$500,000 and an imprisonment for seven years.**

Applying for Bank Loans and Opening Accounts

Two SME company directors conspired to use false supporting documents for deceiving a bank to grant credit facilities of over \$10 million to two trading companies. Both directors were sentenced to imprisonment for committing conspiracy to defraud.

A director of a SME engaged in trading business submitted an application for opening a corporate account with a bank. Due to insufficient details to prove his business, the bank manager rejected his application. The director then offered HK\$100,000 to the manager and urged the latter to assist him in opening a bank account. The director was sentenced to imprisonment for committing a POBO offence.



Business operators must not use falsified documents to apply for bank loans or opening bank accounts, otherwise they may be liable for criminal offences like fraud or using false instruments. Moreover, if an advantage (including money or gift) is offered to a bank staff for approving or expediting an application, both the business operator and the bank staff concerned might commit a bribery offence under the POBO.

Economic Hardship and Ignorance are No Excuse!

As the economy may remain volatile, SME and startup operators should stay resilient in overcoming the challenges. Economic hardship and ignorance of the law should never be an excuse for corruption and malpractices. On the contrary, business leaders should firmly uphold the highest standards of ethical behavior at all times for achieving a healthy and sustaining development for their companies. In developing their abilities in facing up to adversity, business operators should also be mindful of strengthening the governance and internal control of their companies. Otherwise, corruption and malpractices may catch one off-guard and spread like virus, eventually eroding the hard-earned profit or even the reputation and growth of their companies.

Business ethics is the first line of defence against corruption and is essential in maintaining the level-playing business environment that we all cherish. SMEs and startups should stay alert to corruption risks for being able to overcome the current crisis and emerge stronger.

Smart Tips



Don't bribe
for business,
applying for bank
loans or opening
bank accounts



Don't use falsified
documents
to defraud
companies or banks



Strengthen
company's internal
control system
and assist employees
to understand the laws



Report corruption
to the ICAC to
safeguard
company's interest

Corporate Ethics Resources

Hong Kong Business Ethics Development Centre, under the auspices of the Community Relations Department of the ICAC, offers free ethics training and consultancy services for business organisations. To get more smart tips on business ethics, please subscribe to HKBEDC e-News.



Contact us for more information

Tel : +852 2826 3288
Email : hkbedc@crd.icac.org.hk
Website : <https://hkbedc.icac.hk>

Report Corruption

By Phone : 25 266 366 (24 hours)
In Person : ICAC Building, 303 Java Road,
North Point
By Mail : G.P.O.Box 1000, HK

To access full version of the Prevention of Bribery Ordinance, please visit Hong Kong e-Legislation website at <https://www.elegislation.gov.hk/hk/cap201>



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