Corporate Governance of
<u>Locally Incorporated Authorized Institutions</u>

A Guideline issued by the Monetary Authority
under section 7(3) of the Banking Ordinance

PART I : OVERVIEW

1. Introduction

1.1 Corporate governance involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders. As far as the banking industry is concerned, corporate governance relates to the manner in which the business and affairs of individual banks are directed and managed by their board of directors and senior management. It also provides the structure through which objectives of the institution are set, the strategy of attaining those objectives is determined and the performance of the institution is monitored.

1.2 The rapid changes brought about by globalisation, liberalisation of financial markets, innovations in financial products and technological advances have the effect of increasing risks in the banking sector. Unlike other companies, most of the funds used by banks to conduct their businesses belong to their creditors, in particular to their depositors. Also unlike other companies, the failure of a bank not only affects its own stakeholders but may have systemic impact on the stability of the banking system as a whole. This means that the quality of corporate governance expected of banks is high. As set out at section 7(1) of the Banking Ordinance, the principal function of the Monetary Authority ("MA") shall be to promote the general stability and effective working of the banking system. The MA therefore has a strong interest in ensuring that there is effective corporate governance in authorized institutions ("institutions").

1.3 This Guideline applies to all institutions which are incorporated in Hong Kong and whose boards of directors are therefore located here. The Guideline sets out the minimum standards which the MA expects such institutions to adopt in respect of their corporate governance. The Guideline does not have the force of law. However, failure to adhere to the standards set out in the Guideline may call into question whether the institution continues to satisfy the minimum criteria for authorization contained in the Banking Ordinance. Such failure may also cast doubt on the fitness and propriety of individual directors and shareholder controllers of the institution. Where the standards set out in the Guideline are not met, it may nonetheless be acceptable for the institution to demonstrate that it has put in place alternative measures which have the equivalent effect of ensuring sound corporate governance.

2. The board's responsibilities

2.1 The board of directors is ultimately responsible for the operations and the financial soundness of the institution. In meeting its overall responsibilities to shareholders, depositors, creditors, employees and other stakeholders, such as the banking supervisor, the board of an institution should:

a) Ensure competent management

Competent management is perhaps the single most important element for ensuring a soundly and efficiently run institution. The board's main responsibilities are to:

i) appoint a chief executive with integrity, technical competence, and experience in banking business which enables him/her to administer the institution's affairs effectively and prudently;

ii) oversee the appointment of other senior executives such as the chief financial officer, division/department heads and the head of internal audit and ensure that such executives possess the necessary skills to manage and supervise the business and staff under their supervision;

iii) approve the management succession policy of the institution; and

iv) effectively supervise senior management's performance on an ongoing basis. The board should clearly define the authorities and key responsibilities of both directors and senior management and should provide checks and balances to senior management. Senior managers should in turn exercise adequate oversight with respect to line managers in specific areas and activities, and should ensure that clear lines of reporting are in place.

b) Approve objectives, strategies and business plans

An institution should clearly establish its objectives and draw up a business strategy for achieving them. Consistent with the institution's objectives, business plans should be established to direct the on-going activities of the institution. The board must approve these objectives, strategy and business plans, and ensure that performance against plan is regularly reviewed, with corrective action taken as needed. The annual budgeting exercise is an integral part of the short-term planning and performance monitoring process. The board should also approve annual budgets and review performance against these budgets.

c) Ensure that the operations of the institution are conducted prudently, and within the framework of laws and policies

While the management is responsible for running the institution on a day-to-day basis, the board should ensure that the internal control systems of the institution are effective and that the institution's operations are properly controlled and comply with policies approved by the board as well as with laws and regulations. Merely establishing internal control systems is not enough. The board and senior management have to demonstrate consistently through their actions and behaviour that they have a strong commitment to implementing an effective control environment throughout the institution.

Management of risk is particularly vital for institutions. Detailed guidance on this is provided in Part II of this Guideline. (Please refer to paragraphs 6.1 to 6.10 for details.)

d) <u>Ensure and monitor that the institution conducts its affairs with a high degree of integrity</u>

An institution is entrusted with the public's monies. Its reputation is probably its most valuable asset. Therefore, it is in the institution's commercial interest to ensure that in its dealings with the public it observes a high standard of integrity. This means that particular care should be taken to comply with laws and regulations such as the Personal Data (Privacy) Ordinance, Prevention of Bribery Ordinance, money laundering legislation, industry standards such as the Code of Banking Practice, and regulatory guidelines such as the Code of Conduct issued by the MA and other relevant regulatory authorities. Institutions which are exempt dealers or MPF intermediaries should ensure in particular that their securities or MPF related activities are conducted honestly, fairly, and with integrity at all times, and in close adherence to the standards prescribed under the respective codes of conduct issued by the Securities and Futures Commission and the Mandatory Provident Fund Schemes Authority. There should also be controls to prevent directors or employees from benefiting from the improper use of confidential information, or otherwise from advantages offered to them which may lead to unfair, improper, or in the extreme illegal behaviour.

Listed institutions should also adopt a policy on insider trading no less comprehensive than that provided for in the model code for listed companies issued by the Stock Exchange of Hong Kong ("SEHK"). The institution should have adequate procedures and systems in place to enable the board to monitor compliance with these policies and to ensure that deviations are reported to an appropriate level of management.

The board of an institution should ensure that its remuneration policy is consistent with the institution's ethical values, objectives, strategies and control environment. Failure to link financial incentives to the business strategy of the institution may cause or encourage employees to book business based on volume or short-term profitability with little regard for long-term risk consequences. Over-reliance on short-term performance, e.g. short-term trading gains, may provide an incentive for excessive risk-taking, and at worst, deliberate falsification of positions and concealment of losses.

The board should approve a set of ethical values which are communicated throughout the institution, for example in the form of a code of conduct, to educate and guide its staff in discharging their duties. Such values should stress the importance of standards of conduct and integrity. In particular, it is important that corruption and bribery are prohibited in corporate activities, both in internal dealings and external transactions.

Institutions should establish policies and procedures to ensure compliance with ethical values. For example, in relation to the Code of Conduct issued by the MA, it is recommended that at least one senior officer should be appointed to handle queries from staff and other members relating to the Code. This may also be supplemented by specific training for staff on ethical issues.

2.2 The full board is ultimately responsible for the conduct of an institution's affairs. However, instead of involving the full board in handling every matter, it may be beneficial for supervision of major functional areas to be handled by certain specialised committees (e.g. audit and credit committees) of the board while ensuring that the full board remains ultimately responsible for the committees' decisions. It is important that all committees should be established with clearly defined objectives, authorities, responsibilities and tenure and report regularly to the full board. The board should ensure that the structure of each committee is suitable having regard to the institution's size and business, the board's composition and individual directors' expertise. Typical specialised committees are described in **Annex 1**.

3. Legal obligations of directors

3.1 Directors (including the non-executive directors), as members of the board, jointly share responsibility for the proper direction and management of their institution. Operational functions will be delegated to management, but the directors remain accountable for ensuring that these functions are discharged by the management in a prudent, professional, and competent manner, which includes conformity with the law. Directors have many legal obligations, either imposed by common law or statutes. Some of these are highlighted below.

Common law

3.2 Basically, the common law imposes two main duties on a director: fiduciary duty and duty of care. The fiduciary duty, in practical terms, means:

a) a director shall act honestly and in good faith for the benefit of the institution;

b) a director must not act beyond the power conferred by the institution;

c) a director must guard against a conflict of interests in dealing with the institution;

d) a director shall not use the property of the institution or any privileged access to information (by virtue of his/her position) for his/her personal advantage; and

e) a director must apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience.

3.3 In terms of duty of care, directors are expected to administer the affairs of the institution diligently.

Banking Ordinance

3.4 Directors are ultimately responsible for ensuring that their institution complies with all laws and regulations, in particular the Banking Ordinance. Areas that merit special attention include:

a) limitations on loans by and interests of the institution;

b) capital and liquidity ratios;

c) unsafe and unsound banking practices; and

d) reporting requirements.

3.5 Related to a), directors' attention is drawn specifically to section 83 of the Ordinance which limits unsecured connected lending to directors and their relatives. The prudential reason for putting statutory limits on connected lending is that such transactions tend, or are often seen, to be not at arms-length. The MA regards compliance with this section as of utmost importance and more detailed guidance is provided in Part II of this Guideline. (Please refer to paragraphs 7.1-7.2 for details).

3.6 The Ordinance is so worded that directors are personally held accountable for non-compliance with many of its requirements. Breaches may lead to prosecution and to penalties of imprisonment or fine. These obligations are listed in **Annex 2.** To discharge these responsibilities, many institutions have appointed compliance officers or committees to develop management systems and controls to ensure compliance with the requirements under the Ordinance, assess the impact of new laws and regulations on operations and procedures, and provide guidance on compliance issues as new products are developed. Institutions which have not done so should consider doing the same. Section 126(1) of the Ordinance provides that in proceedings for an offence under the Ordinance it shall be a defence for the person charged to prove that he took all reasonable precautions and exercised all due diligence to avoid the commission of such an offence by himself or any person under his control. It should however be noted that this defence is not available in relation to all offences provided for in the Ordinance. Section 126(2) contains a list of offences in respect of which the defence is not available. Directors' attention is specifically drawn to section 72A on knowingly providing the MA with false information. An offence under section 72A(4) is not subject to the protection of section 126.

3.7 The Banking Ordinance has vested in the MA the power of approving directors under section 71 of the Ordinance. The fitness and propriety of directors is also an authorization criterion under the Seventh Schedule of the Ordinance. This means that if a director fails to satisfy the MA that he is fit and proper for the position, one or both of the following could ensue:

a) consent granted under section 71 may be withdrawn; and/or

b) the power to revoke an institution's authorization may become exercisable.

Other laws and regulations

3.8 In addition to the Banking Ordinance, directors should also be aware of their legal obligations under all other applicable laws and regulations. Examples include but are not limited to, the Companies Ordinance, Securities Ordinance, Personal Data (Privacy) Ordinance, Drug Trafficking (Recovery of Proceeds) Ordinance, Organized and Serious Crimes Ordinance, Prevention of Bribery Ordinance, etc. Directors should ensure that they fulfil the relevant obligations in exercising their directorship.

4. The use of auditors

4.1 All institutions must have an external auditor and an internal audit function. External auditors play an important role in the corporate governance structure. Apart from fulfilling a legal obligation to give a statutory opinion on financial statements, external auditors can provide the board with a third party opinion on the adequacy of management systems, accounting controls and financial information.

4.2 Internal auditors also have an important role to play. They are probably more familiar with the operations of the institution than external auditors and will be available to assist the board on an on-going basis. They should review operating procedures to ensure that they incorporate adequate controls and comply with policies approved by the board. They should review and test operations regularly to ensure that internal controls are functioning properly, and help management develop appropriate solutions to problems. Internal auditors should have a direct reporting line to the chairman and unfettered access to the board or its audit committee so that they can directly report their findings. The board should also approve the appointment, the resignation or the dismissal of the head of internal audit.

4.3 The board should recognise the importance of the audit process and communicate this throughout the institution. It should also review carefully and make use of, in a timely and effective manner, the findings of both the internal and external auditors. The deliberations of the board should be documented, whether or not the auditors' recommendations are accepted. This will help to ensure that audit recommendations are properly dealt with. Where the review is carried out by an audit committee, key issues should be brought to the full board's attention. Management should be required to report periodically on the institution's progress in resolving problems raised by auditors.

PART II : DETAILED GUIDELINES

5. In addition to the responsibilities and obligations of the board of directors outlined in the previous section, the MA expects the boards of all locally incorporated institutions to adhere to the following detailed guidelines.

6. The board should ensure that the institution establishes policies, procedures and controls to manage the various types of risk with which it is faced (including at a minimum the risks identified by the MA for the purposes of risk-based supervision).

6.1 As banking becomes more complex, it is all the more important that institutions have in place a comprehensive risk management process to identify, measure, monitor and control the various types of risk with which the institution is faced and, where appropriate, to hold capital against these risks. It is the responsibility of the board to approve and periodically review the risk management strategies and policies of the institution. Senior management is responsible for implementing the strategies approved by the board and for developing the policies and procedures for managing the various types of risk. Institutions should ensure that the risks of new products and activities are identified and subject to adequate procedures and controls before being introduced.

6.2 Specialised board committees (such as the audit committee or a risk management committee) may have a role to play in reviewing the adequacy of risk management policies and systems and the extent to which these are operating effectively. Such committees should report regularly to the full board.

6.3 In moving increasingly towards a risk-based supervisory approach, the MA will focus more attention on the quantity of the various types of risk faced by institutions and the quality of the systems used for managing these risks. For this purpose, the MA has identified the following major categories of risks: Credit, Interest Rate, Market, Liquidity, Operational, Reputation, Legal and Strategic. A brief description of these key risks is given in **Annex 3**. The MA will expect institutions to have in place policies, procedures and controls to manage these risks (and any other risks with which the institution considers itself to be confronted). The board should be responsible for approving the relevant policies, and this should not be done merely for form’s sake (i.e. simply to satisfy the requirements of the regulator). Rather, the institution’s risk management policies should dictate how the day-to-day operations of the institution are actually managed in practice.

6.4 Major functional areas for which policies must be established include balance sheet management, including capital adequacy and liquidity, lending, and trading and investments.

6.5 Management of the institution’s balance sheet is critical to its well being. The policies approved by the board should at least include:

a) the composition of assets and liabilities, including those off-balance sheet;

b) maintaining an appropriate minimum capital adequacy ratio;

c) maintaining adequate liquidity to meet expected and unexpected cash needs;

d) limiting exposure to maturity mismatch, and to interest rate, foreign exchange rate and other market risks; and

e) limiting concentrations of exposures, both to individual borrowers, and to economic sectors.

6.6 The Banking Ordinance imposes limits for many of these risks. Directors should be fully aware of these and update themselves on any changes. However, statutory limits are absolute minima or maxima (depending on the nature of the limit) and are not necessarily indicative of the level of risks an institution should take[1]. A prudently managed institution will set norms which are appropriate for its own particular circumstances, and require exceptional justifications before these norms are breached. Excesses should be reported to the board with reasons. The board should regularly review the development of the balance sheet and other financial indicators of the institution against performance and the established risk targets.

6.7 Investments in assets other than in the ordinary course of banking business, such as property, subsidiaries or affiliates, must be sanctioned by the board, where these exceed predetermined minima. Similarly, proposals to open branches overseas or establish or acquire overseas subsidiaries or associates should be approved by the board. Management should provide appropriate justification and information to enable these decisions to be properly taken by the board. Again, the board should be familiar with the limits set in the Banking Ordinance.

6.8 Where the institution is also a holding company, many of the areas set out above should be directed by the institution's board on a group basis. An institution may have to support its subsidiaries over and above its direct legal liability. The institution's capital adequacy, liquidity and risk exposures should all be considered with this in mind.

6.9 It is recognised that the board of an institution, which is a subsidiary of another banking institution, may operate in an environment which is different from that of an independent institution. Key functions and policies may be determined and centralised at the holding company level. However, as the subsidiary institution is a separate legal entity, its directors are not absolved from the responsibility for policies and actions which are applied by the holding company to the institution. The board should be ultimately responsible for the approval and monitoring of the implementation and effectiveness of all group policies applied to the institution. The board should therefore review such policies as if they were its own. If the board is not

[1] For example, a statutory minimum capital adequacy ratio of 8% does not mean that such a ratio is appropriate for a particular institution. Nor does a statutory large exposure limit of 25% mean that such an exposure would be appropriate in relation to a particular counterparty.

satisfied that the policies are appropriate to its circumstances, it should notify the holding company and discuss appropriate modifications.

6.10 The board's primary responsibility is to protect the interests of the institution which it serves. Therefore, if the holding company is engaging in practices which may harm the institution in the board's opinion, or the holding company does not respond adequately to the concerns raised by the board, the board should dissent on the record and consider actions to protect the institution and, more importantly, its depositors. In such a situation, the board may consider seeking independent professional advice and/or raising the issue with the MA.

7. The board should ensure that the institution fully understands the provisions of section 83 of the Banking Ordinance on connected lending and establishes a policy on such lending.

7.1 Section 83 of the Banking Ordinance limits the unsecured advances of institutions to connected parties. This is a very important provision which was introduced having regard to the problems encountered by the banking sector in the 1980s in Hong Kong. The Asian Financial Crisis demonstrated again the damage that such lending can do to banks in countries where the control on such lending is inadequate.

7.2 A breach of section 83 is a serious offence. The board should ensure that the institution fully understands its legal obligations and establishes a policy on connected lending. Such policies should cover, at a minimum, the following:

a) the types of lending[2] that the institution considers to be "connected" in nature (at a minimum these should comprise the categories specified in section 83(4) of the Ordinance, but an institution may wish to include other types of lending for its own purposes);

b) the application of the policy to loans booked in subsidiaries of the institution;

c) the maximum limits that apply to individual connected loans and connected loans in aggregate, on a secured and on an unsecured basis (taking into account the limits specified in section 83 of the Ordinance);[3]

d) the interest rates and other terms and conditions that apply to the various types of connected lending. In general, these should not be more favorable than loans granted to non-connected borrowers under similar circumstances;

---

[2] Other types of financial exposure which give rise to credit risk should be included within the definition of "connected lending" (see the definition in section 83(3) of the Ordinance, although institutions should not necessarily regard this as exhaustive for their own purposes).

[3] Section 83 applies only to unsecured lending. However, the MA considers that institutions should also establish their own internal limits on secured lending to connected parties. This is consistent with prudent credit management practices.

e) the authority and procedures for approving connected loans, including the extent to which such loans should be subject to board approval and to review by the board or audit committee. Lending officers and directors who are connected with the borrowing party should be restricted from taking part in the loan approval process;

f) the arrangements for reporting connected lending to the MA and for ensuring the accuracy of such reports;

g) the policy and procedures for the taking of collateral in respect of connected lending, including the types of collateral which are considered acceptable and the arrangements for valuing that collateral. In this connection, all marketable securities should be marked to market on a daily basis, and external valuations should be obtained, and regularly updated, for properties; and

h) the arrangements for ensuring compliance with the institution's policy on connected lending, including the specific officers responsible for this.

The policies, and any changes thereto, should be submitted to the MA.

8. The board should ensure that it receives the management letter from the external auditor without undue delay, together with the comments of management.

8.1 In addition to the external auditor's statutory opinion on the financial statements, the board should ensure that it receives the management letter from the external auditor without undue delay, together with the comments of management. Normally this should be received within four months from the financial year end. If prolonged delay is experienced, the board should ask for an explanation from the management.

8.2 Detailed consideration of the management letter may be delegated to the audit committee which should report material areas of concern to the full board. The board and/or the audit committee should also ensure that appropriate action is taken to deal with control or other weaknesses identified in the management letter. A copy of the letter should also be given to the MA so that he can monitor follow-up actions.

9. The boards of banks, whether listed or unlisted, should maintain an appropriate level of checks and balances against the influence of the management and/or the shareholder controllers, in order to ensure that decisions are taken with the institution's best interests in mind.

9.1 Independent non-executive directors play an important role in corporate governance. They help to provide the necessary checks and balances to ensure that banks operate in a safe and sound manner and that the interests of the institution are protected. Independent directors can assist in this respect by bringing in outside experience and providing an objective third party perspective. They are particularly useful in a monitoring role, e.g. as members of the audit committee.

9.2 In order to provide a sufficient pool of independent directors for this purpose, the MA considers that the board of directors of banks should include at least three independent non-executive directors. It is recognised that some banks may not be able to meet this requirement immediately, but they should do so by end-June 2001.

9.3 The general criterion for an independent director is that he or she should be independent of management and free from any business or other relationship which could materially interfere with the exercise of his/her independent judgment. Banks should notify the MA of the names of the directors who are considered to be independent. In assessing the independence of such directors, the MA will take into account various factors such as their direct or indirect financial or other interest in the business of the institution[4] and their relationship, if any, with significant shareholders of the institution, taking into account relevant international standards and local rules such as the Listing Rules of the SEHK.

9.4 The roles of the chairman and chief executive of an institution are distinct. In cases where the chairman is also the chief executive of the institution, there should be a strong independent element on the board. This may require more than three independent non-executive directors.

9.5 The MA may require the institution to appoint additional directors who can more fully be regarded as independent if he is not entirely satisfied that there is a sufficient independent element on the board.

9.6 The above requirements will not apply to locally incorporated deposit-taking companies and restricted licence banks. Such institutions will be expected to include an appropriate number of independent, or at least non-executive, directors on their boards. The appropriate number of such directors will vary on a case-by-case basis, depending on the size of the institution, the total number of directors on the board and whether the institution is majority-owned by a bank incorporated in or outside Hong Kong. Institutions should notify the names of their independent directors to the MA.

10. The board of each bank should establish an audit committee with written terms of reference specifying its authorities and duties. The audit committee should be made up of non-executive directors, the majority of whom should be independent.

10.1 The audit committee is one of the most important committees of the board. It serves as the board’s "eyes and ears" in monitoring compliance with the board policies, and internal and statutory regulations. It provides oversight of the institution’s internal and external auditors and thereby assists the board in providing independent review of the effectiveness of the financial reporting process and internal control systems of the institution. These functions should be performed by non-executive (and preferably independent) directors to avoid conflict of interests and to

[4] Any banking relationship between an institution and a director of the institution (or company connected with such a director) should be on an arm’s length basis and on normal commercial terms. Where such a relationship is significant either to the institution or the director (or company connected with such director), the institution should consider whether that may be an impediment to that director being considered to be independent.

ensure impartiality. Therefore, each bank should have an audit committee made up of non-executive directors, the majority of whom should be independent[5].

10.2 The above requirement will not apply to locally incorporated deposit-taking companies and restricted licence banks which are majority owned by a bank incorporated in or outside Hong Kong and where the internal and external audit functions of the institution are subject to the direct supervision of the audit committee of its parent. In the case of other deposit-taking companies or restricted licence banks, the institution itself should have an audit committee made up of non-executive directors of which at least one should be independent.

11. Board meetings of an institution should be held preferably on a monthly basis but in any event no less than once every quarter. The board should ensure that it receives sufficient information from management to enable it to fulfil its responsibilities.

11.1 The board of directors is collectively responsible for the overall leadership and control of an institution. The board can only fulfil its responsibility if it meets frequently enough and receives sufficient information from its management to be able to monitor the financial condition and performance of the institution. Otherwise, a vacuum in leadership will be created. This vacuum may be filled by the major shareholders becoming directly involved in running the institution's affairs or by the executive management. In either case, the board of directors is bypassed and checks and balances are lost, in particular through the inability of independent directors to play an oversight role. Ideally, the board should meet on a monthly basis. Some institutions' circumstances may justify a lower meeting frequency. Nevertheless, board meetings should be held no less than once every quarter under any circumstances. An institution should keep full minutes of all board meetings for the purposes of record and future reference. Institutions should provide the MA no later than one month after each financial year end with a record of the number of board meetings held in the previous financial year.

12. Individual directors of an institution should attend at least half of board meetings held in each financial year.

12.1 Individual directors, including both executive and non-executive, are expected to contribute actively to the work of the board in order to discharge their responsibilities. The Banking Ordinance effectively requires individual directors to be fit and proper for the particular position that he or she holds. This requires that individual directors possess the necessary skills, knowledge, experience and soundness of judgment to properly fulfil their responsibilities. Diligence is also a factor and it is therefore important that each individual director should allocate adequate time and effort to discharge his/her responsibilities. This can only be achieved if the director attends a sufficient number of board meetings. The MA considers that each director should attend no less than half of the board meetings held in each financial year. In addition, directors should make every effort to attend board

[5] Where a bank is majority owned by an immediate holding company, the bank may appoint the audit committee of that holding company to act on its behalf, provided that the audit committee has the degree of independence specified above. Banks should consult the MA in such cases.

meetings where major issues are to be discussed. If necessary, the participation of directors in board meetings can be facilitated by means of video or telephone conferencing. In order to enable the MA to monitor the performance of individual directors, institutions should provide the MA no later than one month after each financial year end with the attendance records of individual directors in the previous financial year.[6]

13. The MA will meet the full board of directors of each bank every year.

13.1 The MA considers it important to establish a formal and direct channel for communicating with the board of directors of banks. The MA therefore proposes to meet the board of each bank each year to provide an assessment of the performance of the bank during the previous financial year, the bank's current financial position and the quality of the bank's risk management and internal controls and to communicate any major supervisory concerns. The board will also be able to provide its own views and concerns to the MA. It is not the intention that the MA should participate in board meetings. Rather, it will meet with the board with the aim of strengthening communication between the MA and the banks at the highest level. This will not replace the existing prudential interviews and tripartite meetings with banks.

Monetary Authority
May 2000

---

[6] Participation in board meetings by means of video or telephone conferencing will be regarded as attendance and should be recorded as such.