

**Bills Committee on
Financial Reporting Council Bill**

Fifth meeting on 17 November 2005

List of follow-up actions to be taken by the Administration

1. Composition of the Financial Reporting Council (FRC)

On the proposal to set out explicitly in clause 7(1)(c)(iv) the backgrounds and disciplines that the Chief Executive (CE) shall consider in the appointment of the four to six other members of the FRC, the Administration undertakes to finalize the draft proposed Committee Stage amendment (CSA) for consideration of the Bills Committee in due course (paragraph 4 of LC Paper No. CB(1)286/05-06(02)). In this connection, the Administration is requested to take into account a member's view that some of the words in the Chinese text of the draft proposed CSA appear to be superfluous (e.g. “因而行政長官覺得適合獲委任”).

2. Written directions of CE

The Administration agrees to consider the request set out in item 3(c) of the “List of follow-up actions to be taken by the Administration” after the fourth meeting on 31 October 2005 (LC Paper No. CB(1)286/05-06(01)), i.e. to incorporate in the Secretary for Financial Services and the Treasury's speech resuming the Second Reading debate on the Bill the gist of paragraphs 13 and 14 of the paper on “Appointment to and Checks and Balances on the Proposed Financial Reporting Council” (LC Paper No. CB(1)166/05-06(02)).

3. Interface between the investigation and disciplinary proceedings

The Administration is requested to consider members' views and suggestions, as follows:

- (a) Noting that the Administration maintains its proposal that FRC's function should be purely investigatory and it will be empowered to refer cases to the Hong Kong Institute of Certified Public Accountants (HKICPA) for disciplinary action, some members suggest that administrative arrangements should be put in place for the HKICPA to inform the FRC of the follow-up actions taken on the cases and the outcome.
- (b) Noting that the Disciplinary Committee of the HKICPA may conduct its own investigation into a case referred by the FRC, a member is

concerned that the Disciplinary Committee may arrive at a conclusion which is different from that of the FRC if the two bodies adopt different principles in conducting their investigations and/or the relevant parties provide fresh evidence to the Disciplinary Committee after referral of the case. The member suggests that the relevant parties should be required to submit fresh evidence, if any, to the FRC to enable the FRC to review the case.

Council Business Division 1
Legislative Council Secretariat
21 November 2005