

LN090-E

L. N. 90 of 2000

Securities (Accounts and Audit) (Amendment) Rules 2000

(Made by the Securities and Futures Commission under section 146 of the Securities Ordinance (Cap. 333))

1. Commencement

These Rules shall come into operation on 12 June 2000.

2. Interpretation

Rule 2 of the Securities (Accounts and Audit) Rules (Cap. 333 sub. leg.) is amended---

- (a) by repealing the definition of "authorized institution";
- (b) in the definition of "liquid capital", by repealing "Financial Resources Rules (Cap. 24 sub. leg.)" and substituting "financial resources rules".

3. Forms of profit and loss account and balance sheet

Rule 3 is amended---

- (a) by adding---

"(1A) The profit and loss account required to be prepared by a registered financier under section 121AI(1) of the Ordinance shall contain the particulars set out in Form 3 in the Schedule. ";

- (b) in subrule (2), by repealing "their liquid capital" and substituting "its liquid capital for the purposes of the financial resources rules";

- (c) by adding---

"(2A) The balance sheet required to be prepared by a registered financier under section 121AI(1) of the Ordinance shall contain the particulars set out in Form 4 in the Schedule, and shall be accompanied by a computation of its liquid capital for the purposes of the financial resources rules. ".

4. Auditor's report

Rule 4 is amended---

- (a) by renumbering it as rule 4(1);

- (b) in subrule (1)---

- (i) by adding---

"(ab) he has audited the accounts of the dealer or the dealing partnership in accordance with the Statements of Auditing Standards issued by the Hong Kong Society of Accountants; ";

- (ii) in paragraph (b)---

- (A) in subparagraph (i)---

- (I) by adding "or the dealing partnership" after "dealer";

- (II) by adding "or it" after "by him";
 - (B) in subparagraph (iii), by adding "or the dealing partnership" after "dealer";
 - (C) by repealing subparagraph (iv) and substituting---
 - "(iv) the balance sheet gives a true and fair view of the state of affairs of the dealer or the dealing partnership as at the end of the financial year and the profit and loss account gives a true and fair view of the profit or loss of the dealer or the dealing partnership for the financial year;";
 - (iii) in paragraph (c)---
 - (A) by adding "of the financial resources rules" after "contravention";
 - (B) by repealing everything after "report" and substituting "; and";
 - (iv) by repealing paragraph (d) and substituting---
 - "(d) the dealer or the dealing partnership has properly kept all securities to which section 83(3)(a)(vi) of the Ordinance applies in accordance with section 81 or 81A, as the case may be, of the Ordinance. ";
 - (c) by adding---
 - "(2) An auditor's report under section 121AI(1) of the Ordinance shall contain a statement by the auditor as to whether---
 - (a) he has obtained all the information and explanations which to the best of his knowledge and belief are necessary for the purpose of the audit;
 - (b) he has audited the accounts of the registered financier in accordance with the Statements of Auditing Standards issued by the Hong Kong Society of Accountants;
 - (c) in the auditor's opinion---
 - (i) the registered financier has properly kept the records required to be kept by him under section 121AG of the Ordinance;
 - (ii) the profit and loss account and the balance sheet are in accordance with the records kept under section 121AG of the Ordinance and comply with the requirements of these rules;
 - (iii) the registered financier has properly kept all trust accounts in accordance with sections 121AJ to 121AP of the Ordinance;
 - (iv) the balance sheet gives a true and fair view of the state of affairs of the registered financier as at the end of the financial year and the profit and loss account gives a true and fair view of the profit or loss of the registered financier for the financial year; and
 - (v) the computation of liquid capital is correctly compiled from the books and records of the registered financier and if such is not correctly compiled, the nature and extent of the incorrectness;
- (d) there appears to the auditor to have been any contravention of the financial resources rules by the registered financier during the financial year covered by the

auditor's report; and

(e) the registered financier has properly kept all securities to which section 121AG(4)(g) of the Ordinance applies in accordance with section 121AB of the Ordinance. "

5. Schedule amended

The Schedule is amended---

(a) by adding before the heading "NOTES TO THE ACCOUNTS"---
"FORM 3

.....
(Name of registered financier)

Profit and Loss Account for the year ended

.....

Current Year Last Year

REVENUE

Gross revenue arising from provision of securities margin financing---

(a) from director's account and the accounts of associated companies or companies within the group in which the registered financier is a member---

- (i) Interest income
- (ii) Service income
- (iii) Other income

(b) from clients---

- (i) Interest income
- (ii) Service income
- (iii) Other income

Exchange difference

Other revenue (supply details) _____ _____

.....

EXPENSES

Directors' emoluments---

- (a) fees
- (b) other emoluments

Salaries and allowances

Interest to---

- (a) clients
- (b) authorized institutions
- (c) others

Rent and rates

Audit fee

Professional fees
 Bad and doubtful debts
 Depreciation or amortization
 Other expenses (supply details) _____

NET PROFIT (LOSS) FOR THE YEAR

TAXATION _____

NET PROFIT (LOSS) FOR THE YEAR AFTER
 TAXATION

BALANCE BROUGHT FORWARD _____

PROFIT AVAILABLE FOR DISTRIBUTION

Proposed dividends _____

BALANCE CARRIED FORWARD =====

FORM 4

.....
 (Name of registered financier)

Balance Sheet As At

Current Year Last Year

Depre-

Cost ciation Balance

FIXED ASSETS

Immovable property---

(a) in Hong Kong

(b) outside Hong Kong

Other fixed assets _____
 =====

Unlisted investments

Other assets (supply details) _____

CURRENT ASSETS

Notes 2 Amounts receivable arising
 and/or 3 from the ordinary
 course of business of
 provision of securities
 margin financing---

(a) clients

(b) brokers and dealers

LESS: Provision for bad and doubtful debts

Other amounts receivable---

Notes 2

and/or 3

(a) secured

(b) unsecured

LESS: Provision for bad and doubtful debts

Payments in advance

Utility, rent and other

deposits

Cash at bank---

(a) general account

(b) trust account

Other current assets

(supply details)

DEDUCT: CURRENT LIABILITIES

Notes 2

Amounts payable arising

and/or 3

from the ordinary

course of business of

provision of securities

margin financing---

(a) clients

(b) brokers and dealers

Other amounts payable---

Notes 2

and/or 3

(a) secured

(b) unsecured

Bank loans and overdrafts---

Notes 2

and/or 3

(a) secured

(b) unsecured

Other loans and advances---

Notes 2

and/or 3

(a) secured

(b) unsecured
 Accrued expenses
 Proposed dividends
 Taxation
 Other liabilities (supply
 details)
 NET CURRENT ASSETS/
 (LIABILITIES) _____
 TOTAL ASSETS
 LONG TERM LIABILITIES
 Notes 2
 and/or 3
 (supply details) _____
 Representing =====

SHARE

CAPITAL---Authorized Issued and fully paid-up
 CAPITAL RESERVES
 OTHER RESERVES
 PROFIT AND LOSS
 ACCOUNT _____
 ===== ";

(b) under the heading "NOTES TO THE ACCOUNTS"---

(i) in Note 2---

(A) by adding "or a registered financier" after "corporation";

(B) in paragraph (b), by adding "or registered financier" after "dealer";

(ii) by repealing Note 3(b) and substituting---

"(b) Where there are any margin accounts, specify the particulars stipulated in Schedules 8, 9 and 10 of the financial resources rules in respect of the credit facilities, margin clients and collateral deposited by margin clients.";

(iii) in Note 8---

(A) by adding "or registered financier" after "dealer";

(B) in paragraph (a), by adding "or registered financier's" after "dealer's";

(iv) by repealing Note 9 and substituting---

"9. Total liabilities referred to in section 6(1) (b) (i) or (2) (b) (i) of the financial resources rules, as the case may be".

Andrew SHENG

Chairman,
Securities and Futures Commission
30 March 2000

Explanatory Note

The main purposes of these Rules are to prescribe---

- (a) the particulars and forms of the profit and loss account and balance sheet required to be prepared by a registered financier;
- (b) the statements to be contained in an auditor's report of a registered financier.