

7 September 2005

The Hon Tam Heung-man  
Chairman  
Bills Committee on Financial Reporting Council Bill  
c/o Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Madam Chairman,

**Proposals for Establishing a Financial Reporting Council**

The Hong Kong General Chamber of Commerce fully agrees that it is of paramount importance that we maintain an effective regulatory regime for the accounting profession. The integrity of our accounting and auditing procedures is paramount to maintaining and improving our global competitiveness.

The underlying assumption in this consultation paper is that Hong Kong Exchanges and Clearing Limited, the Hong Kong Institute of Certified Public Accounts and the Securities and Futures Commission are not adequately able to oversee the audit of listed companies. If this is indeed the case, the specific shortcomings within each of these institutions should be addressed directly. We do not, however, see how the establishment of new statutory body will improve the regulatory regime.

Moreover, we are concerned that the composition of the FRC – to include a majority of lay persons – is inappropriate. Audits are highly technical, and investigations of irregularities in audits even more so. We believe investigation as to whether there were irregularities in an audit should be made by professionals.

Yours faithfully

Kenneth Ng  
Chairman  
HKGCC Legal Committee