

**Bills Committee on Financial Reporting Council (Amendment) Bill 2018**

**List of follow-up actions arising from the discussion  
at the meeting on 13 February 2018**

Financial arrangement of the Financial Reporting Council

1. Some members have expressed concern about the increase in the annual budget of the reformed Financial Reporting Council ("FRC") from the current some \$30 million to around \$90 million (at 2016 price level) upon implementation of the proposed new regulatory regime for auditors of public interest entities ("PIE auditors"). The Administration is requested to explain the reasons involved and whether the increase is due to expected increases in the remuneration of the senior staff of FRC.
2. Some members are concerned about the proposal of imposing a levy on investors of securities transactions for funding the reformed FRC. The Administration is requested to provide information on:
  - (a) the funding sources of PIE auditors oversight bodies in major member jurisdictions of the International Forum of Independent Audit Regulators ("IFIAR") (including the United States, the United Kingdom, Australia, Singapore and Canada); and
  - (b) whether the jurisdictions concerned have imposed any levies on investors in their funding mechanisms.

Regulatory work of the Financial Reporting Council

3. The Administration is requested to address some members' concerns about:
  - (a) how FRC can maintain consistency in the regulation of registered PIE auditors (local auditors to be registered by the Hong Kong Institute of Certified Public Accountants) and recognized PIE auditors (overseas auditors to be recognized by FRC);
  - (b) how FRC can ensure the proper carrying out of audit work by PIE auditors on overseas companies listed in Hong Kong; and
  - (c) the regulatory powers of FRC as compared to those of PIE auditors oversight bodies in major financial markets.

Benefits and impacts of the proposed new regulatory regime for auditors of public interest entities on Hong Kong

4. The Administration is requested to provide information on the anticipated benefits for Hong Kong to become a member of IFIAR, such as increase in job opportunities for local auditors and increase in the number of entities applying for listing in Hong Kong.
5. Some members are concerned about the high compliance cost of the proposed new regulatory regime for PIE auditors on small and medium-sized accounting/audit firms in Hong Kong, and the possibility that the PIE auditors sector would be dominated by the "Big Four" accounting firms as a result. In this connection, the Administration is requested to provide information on the scale of PIE auditors taking up PIE engagements in the major member jurisdictions of IFIAR including the United States and Singapore.

Council Business Division 1  
Legislative Council Secretariat  
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