



消費者委員會 CONSUMER COUNCIL
香港 • HONG KONG

LC Paper No. CB(1)687/17-18(11)

國際消費者聯會
執委會及理事會成員
EXECUTIVE AND
COUNCIL MEMBER OF
CONSUMERS
INTERNATIONAL

來函檔號 YOUR REF.

本函檔號 OUR REF.

CC 1/257/PTPD

9 March 2018

By email:

bc_04_17@legco.gov.hk

Clerk to Bills Committee

Legislative Council

Attn: Mr. Hugo Chiu

Dear Mr. Chiu,

Re: Bills Committee on Financial Reporting Council (Amendment) Bill 2018

Meeting to be held on Tuesday, 20 March 2018

Thank you for your email dated 21 February 2018 inviting the Council's views on the captioned Bill.

Please find attached the view from the Consumer Council for consideration of the Bills Committee.

Yours sincerely,

Gilly WONG

Chief Executive

Consumer Council

CONSUMER COUNCIL

Submission on the Financial Reporting Council (Amendment) Bill 2018

1. The Consumer Council (the Council) is pleased to submit its views to the Legislative Council's Bills Committee on the Financial Reporting Council (Amendment) Bill 2018 (the Bill). The Bill introduces a new regulatory regime for auditors of listed entities which are regarded as public interest entities (PIE), and enables the Financial Reporting Council (FRC) to become an independent oversight body responsible for the inspection, investigation and disciplinary functions with regard to PIE auditors.
2. The Council in general supports the reform which aims to enhance the existing regulatory regime for auditors of PIEs, thereby providing better protection to investors and ensuring that the regime will be on par with international standards and practices.
3. As regards the proposal of increasing the current annual budget of the FRC to three-folds to cover its expanded functions after the reform, the Council recognises the need of providing adequate funding support to FRC but is also aware of the further burden to consumers as half of the funding of the post-reform FRC is to be collected from securities investors (under the current proposal the contributions from sellers and purchasers in securities transactions, PIEs and PIE auditors to the funding of the post-reform FRC will be in the ratio of 50:25:25; instead of the original proposed funding ratio that 1/3 from securities investors, 1/3 from PIEs and 1/3 from PIE auditors). It is also noted in the Government's related public consultation paper in 2014 that in some developed overseas jurisdictions such as UK, US and Canada, the independent PIE auditor regulatory bodies there are primarily funded by PIEs and/or PIE auditors.
4. Given the current funding proposal involves considerable consumer contributions (i.e. amount to half of \$90 million a year), the Council is of the view that justification on the contribution ratio is imperative. In addition, for both public governance and accountability reasons, it is recommended that measures and targets should be devised for effective development, management and operation of the post-reform FRC with regard to regular reporting to the public to ensure prudent use of the funding money from stakeholders.