

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

**List of follow-up actions arising from the discussion  
at the meeting on 20 March 2018**

Financial arrangement of the Financial Reporting Council

1. The Administration is requested to consider members' suggestion that the Government should bear part of the expenditure of the Financial Reporting Council ("FRC") under the new regulatory regime for auditors of public interest entities ("PIE auditors"), including a member's proposal that the Government should provide a seed money of around \$600 million to support FRC's operation in the initial years and to subsidize part of the proposed levies payable to FRC.
2. According to the Administration, contributions from sellers and purchasers of securities transactions, PIEs and PIE auditors for funding the post-reform FRC have been changed from equal sharing among the parties as proposed in the public consultation in 2014 to the ratio of 50:25:25 in the Financial Reporting Council (Amendment) Bill 2018 ("the Bill"). The Administration is requested to explain the rationale for the change and confirm whether and how the securities industry and local investors have been consulted on the change.

Disciplinary mechanism of and pecuniary penalty imposed by the Financial Reporting Council

3. The Administration is requested to explain FRC's disciplinary processes including the factors to be considered by FRC before initiating the disciplinary processes, and the parties (e.g. PIE auditors and their responsible persons) to be subject to the disciplinary processes.
4. Under the Bill, FRC is statutorily required to issue guidelines to indicate the manner in which it exercises its power to order a PIE auditor or responsible person to pay a pecuniary penalty ("the Guidelines"). The Administration is requested to provide information on:
  - (a) the progress in preparing the Guidelines including whether FRC will issue the Guidelines prior to the proposed commencement of the Bill on 1 August 2019; and

- (b) outlines of the Guidelines.
5. The Administration is requested to provide information on the pecuniary penalty (including the maximum limit if applicable) imposed by overseas PIE auditor oversight bodies including the major member jurisdictions of the International Forum of Independent Audit Regulators (such as the United States, the United Kingdom, Australia, Singapore and Canada).

Council Business Division 1  
Legislative Council Secretariat  
9 April 2018