

**Draft**  
**(as at 14 January 2019)**

Financial Reporting Council (Amendment) Bill 2018

**Committee Stage**

Amendments to be moved by the Secretary for Financial Services and the Treasury

<u>Clause</u>	<u>Amendment Proposed</u>
1	By deleting subclause (2) and substituting— <p style="margin-left: 40px;">“(2) This Ordinance comes into operation on a day to be appointed by the Secretary for Financial Services and the Treasury by notice published in the Gazette.”.</p>
4(13)	By deleting paragraph (a) and substituting— <p style="margin-left: 40px;">“(a) before the definition of <i>audit</i>—</p> <p style="margin-left: 80px;"><b>Add</b></p> <p style="margin-left: 80px;">“<i>2019 Amending Ordinance</i> (《2019 年修訂條例》) means the Financial Reporting Council (Amendment) Ordinance 2019 ( of 2019);</p> <p style="margin-left: 80px;"><i>2019 Ordinance commencement date</i> (《2019 年條例》生效日期) means the day on which section 23 of the 2019 Amending Ordinance comes into operation;”.</p>
4(13)(b)	In the proposed definition of <i>transitional period</i> , by deleting paragraphs (a) and (b) and substituting— <p style="margin-left: 40px;">“(a) beginning on the 2019 Ordinance commencement date; and</p> <p style="margin-left: 40px;">(b) ending on 31 December of the same year;”.</p>
7(4)	By deleting “2018” and substituting “2019”.
7(8)	By deleting “2018” and substituting “2019”.
7(13)	By deleting “2018” and substituting “2019”.
7(14)	By deleting “2018” and substituting “2019”.

- 7(16) In the proposed section 4(5), by deleting “2018” and substituting “2019”.
- 9 In the proposed section 7(1)(a), by deleting “and a non-practitioner”.
- 9 By deleting the proposed section 7(2) and (3) and substituting—
- “(2) All members of the FRC must be non-practitioners appointed by the Chief Executive.
  - (3) Among the members of the FRC, the number of non-executive directors must exceed the number of executive directors.”.
- 9 In the proposed section 7(4)(a), by deleting “2” and substituting “one-third”.
- 11(3) In the proposed section 9(b)(iv), by deleting “accounting,”.
- 19 By deleting the proposed section 17(2) and substituting—
- “(2) The first financial year of the FRC after the commencement of section 23 of the 2019 Amending Ordinance (*first financial year*)—
    - (a) begins on the 2019 Ordinance commencement date; and
    - (b) ends on the 31 March immediately after the first anniversary of that commencement date.”.
- 19 By deleting the proposed section 17(3)(a) and (b) and substituting—
- “(a) for the first financial year—as soon as practicable after the 2019 Ordinance commencement date;
  - (b) for the second financial year—before the 31 December immediately before the end of the first financial year; or”.
- 23 By deleting the proposed section 20J(2)(a) and substituting—
- “(a) 31 December of the first calendar year after the 2019 Ordinance commencement date;”.
- 23 In the proposed section 20ZF(2)(b)(ii), by adding “and” after “FRC;”.
- 23 By deleting the proposed section 20ZF(2)(c).

- 23 By deleting the proposed section 20ZJ(2)(a) and substituting—  
“(a) 31 December of the first calendar year after the 2019 Ordinance commencement date;”.
- 26 In the proposed section 21A(1), by deleting “who is a certified public accountant;”.
- 26 In the proposed section 21A, by adding—  
“(1A) An inspector must be—  
(a) a certified public accountant; or  
(b) a member of an accountancy body that is a member of the International Federation of Accountants.”.
- 26 In the proposed section 21A(2), by deleting “the appointed” and substituting “an”.
- 26 In the proposed section 21B(1), by deleting “2018” and substituting “2019”.
- 26 In the proposed section 21C(1)(b), by deleting “2018” and substituting “2019”.
- 31 In the proposed section 23(1)(a), by deleting “2018” and substituting “2019”.
- 33(2) In the proposed section 24(1)(b), by deleting “2018” and substituting “2019”.
- 48 In the proposed section 37A(d), by deleting “2018” and substituting “2019”.
- 48 In the proposed section 37B(c), by deleting “2018” and substituting “2019”.
- 62 In the proposed section 50C, by adding—  
“(1A) A PIE auditor must provide the HKICPA or the FRC, as the case requires, with the information or document that the HKICPA or the FRC reasonably requires for ascertaining the levy payable by the auditor.”.

- 64 By deleting subclause (7) and substituting—  
“(7) Section 52(6)(a)—  
**Repeal**  
“Council, the Investigation Board”  
**Substitute**  
“FRC, an investigator”.”.
- 64 By deleting subclause (9) and substituting—  
“(9) Section 52(6)(b)—  
**Repeal**  
“Council, the Investigation Board”  
**Substitute**  
“FRC, an investigator”.”.
- 75 In the proposed section 87, in the definition of *pre-amended Ordinance*, by deleting “2018” and substituting “2019”.
- 75 In the proposed Part 7, in Division 2, in the heading, by deleting “2018” and substituting “2019”.
- 75 In the proposed section 88, in the heading, by deleting “2018” and substituting “2019”.
- 75 In the proposed section 88(1), by deleting “2018” and substituting “2019”.
- 75 In the proposed section 89, in the heading, by deleting “2018” and substituting “2019”.
- 75 In the proposed section 89(1), by deleting “2018” and substituting “2019”.
- 75 In the proposed section 90, in the heading, by deleting “2018” and substituting “2019”.
- 75 In the proposed section 90(1), by deleting “2018” and substituting “2019”.

- 75 In the proposed Part 7, in Division 3, in the heading, by deleting “2018” and substituting “2019”.
- 75 In the proposed section 92, in the heading, by deleting “2018” and substituting “2019”.
- 75 In the proposed section 92(1) and (2), by deleting “2018” and substituting “2019”.
- 75 In the proposed section 93, in the heading, by deleting “2018” and substituting “2019”.
- 75 In the proposed section 93(1) and (2), by deleting “2018” (wherever appearing) and substituting “2019”.
- 78 In the proposed Schedule 2, in section 2, by deleting “who is a non-practitioner”.
- 78 In the proposed Schedule 2, by adding before section 6(1)(a)—  
“(aa) has ceased to be a non-practitioner;”.
- 78 In the proposed Schedule 2, in section 7(2)(a), by deleting “who is a non-practitioner or (if no non-practitioner is available for designation) a practitioner”.
- 78 In the proposed Schedule 2, in section 7(4)(a), by deleting “who is a non-practitioner or (if no non-practitioner is available for designation) a practitioner”.
- 85 In the proposed Schedule 7, by deleting section 3(1) and substituting—  
“(1) Subject to subsection (2), the levy payable by a PIE auditor for a calendar year is the sum of—  
(a)  $\$6,155 \times N$ ; and  
(b) 0.147% of TR,  
where—  
N = the number of PIEs for which the auditor is carrying out, as at 31 December of the preceding calendar year, an engagement specified in item 1 of Part 1 of Schedule 1A (*specified engagement*); and

TR = the total remuneration paid to the auditor, in the preceding calendar year, by the PIEs for which the auditor carried out specified engagements.”.

- 85 In the proposed Schedule 7, in section 3, by adding—
- “(2A) For ascertaining N and TR, the HKICPA or the FRC (as the case requires) may refer to—
- (a) the annual financial statements of the PIEs submitted to the HKEC under the Listing Rules; or
  - (b) any information or document provided by the PIE auditor to the HKICPA or the FRC under section 50C(1A).”.

- 87 In the proposed section 32BA(2), in the definition of *commencement date*, by adding “section 23 of” after “on which”.

New In Part 3, in Division 1, by adding—

**“89A. Section 52 amended (Council may delegate)**

Section 52(1)—

**Repeal**

everything after “on the Council”

**Substitute**

“under—

- (a) this Ordinance (except section 51); or
- (b) the Financial Reporting Council Ordinance (Cap. 588).”.