

**Financial Reporting Council (Amendment) Bill 2018**  
**Debate and voting arrangements**

**Object of the Bill :** To amend the Financial Reporting Council Ordinance (Cap. 588) to:

- (a) enhance the independence of the regulatory regime for auditors of listed entities;
- (b) regulate those auditors through registration, recognition, inspection, investigation and disciplinary sanction;
- (c) provide for a review and appeal mechanism regarding decisions made against those auditors;
- (d) provide for the new composition and functions of the Financial Reporting Council (“FRC”);
- (e) provide for the levies payable to FRC; and
- (f) provide for transitional and related matters.

<b>First debate</b>	<b>: Clauses with no amendment</b>	<b>–</b>	<b>Clauses 2, 3, 5, 6, 8, 10, 12 to 18, 20, 21, 22, 24, 25, 27 to 30, 32, 34 to 47, 49 to 61, 63, 65 to 74, 76, 77, 79 to 84, 86, 88, 89 and 90</b>
<b>Voting</b>	<b>: To vote on the above clauses standing part of the Bill</b>		
<b>Second debate</b>	<b>: Clauses with amendments and new clause proposed by Secretary for Financial Services and the Treasury (“SFST”), and the clause with amendments proposed by Hon Kenneth LEUNG</b>	<b>–</b>	<b>Clauses 1, 4, 7, 9, 11, 19, 23, 26, 31, 33, 48, 62, 64, 75, 78, 85 and 87, and new clause 89A</b>
Joint debate on the original clauses and the amendments thereto and the new clause			
<b>Debate theme: Amendments to various matters</b>			
<b><u>SFST’s first group of amendments (which cover all the clauses with amendments)</u></b>			
<b>Clauses 1, 4, 19, 23 and 87</b>			
- To amend clause 1(2) to change the proposed commencement date of the Bill from 1 August 2019 to a day to be appointed by SFST by notice published in the Gazette, and to make consequential amendments to clauses 4, 19, 23 and 87.			

**Clauses 4, 7, 26, 31, 33, 48 and 75**

- Subject to its passage, the Bill will be enacted in 2019 instead of 2018. As such, technical or consequential amendments are made to the above clauses.

**Clauses 9 and 78**

- To amend the proposed section 7(1)(a) and 7(2) and (3) in clause 9 to revise the composition of FRC by stipulating that all FRC members must be non-practitioners, so as to remove an obstacle preventing FRC from seeking cooperation of overseas regulators, and to make consequential amendments to the proposed Schedule 2 in clause 78; and
- to amend the proposed section 7(4)(a) in clause 9 to increase the number of FRC members with “knowledge and experience in public interest entity (“PIE”) engagements” from “at least two” as proposed in the Bill to “at least one-third” of the total number of FRC members.

**Clauses 11 and 64**

- To make textual or technical amendments to the above clauses.

**Clause 23**

- To amend clause 23 by deleting the proposed section 20ZF(2)(c) to remove an unduly restrictive statutory requirement in recognizing overseas auditors by FRC.

**Clause 26**

- To amend the proposed section 21A in clause 26 to widen the qualification of inspectors appointed by FRC to cover overseas accountants.

**Clauses 62 and 85**

- On the levies payable by PIE auditors, amendments are made to section 3 of the proposed Schedule 7 in clause 85 to stipulate the new calculation formula on which a consensus has been reached by the profession, and how the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and FRC may ascertain the relevant information for calculating the levies payable by each PIE auditor; and
- to make a corresponding amendment to the proposed section 50C in clause 62 to stipulate that HKICPA and FRC are empowered to request auditors to provide the relevant information or documents as necessary for verifying the information relating to the amount of auditors’ remuneration during a year.

**Hon Kenneth LEUNG’s three groups of amendments to clause 48****Clause 48**

- To amend the proposed sections 37D(3)(b)(iv)(A) and 37E(3)(b)(iii)(A) in clause 48 to revise the amount of a pecuniary penalty to be imposed on a person who is or was a PIE auditor or a registered responsible person of a registered PIE auditor for committing a misconduct, as set out below:

Proposal in the Bill	Hon Kenneth LEUNG’s amendments			Amendments
	1 <sup>st</sup> group	2 <sup>nd</sup> group	3 <sup>rd</sup> group	
\$10,000,000	reduced to \$1,000,000	reduced to \$5,000,000	reduced to \$8,000,000	LC Paper No. <u>CB(3) 351/18-19</u>

## **SFST's second group of amendment (to add new clause 89A to the Bill)**

### **New clause 89A**

- To add new clause 89A to Division 1 in Part 3 of the Bill to amend section 52(1) of the Professional Accountants Ordinance (Cap. 50) by adding the powers or duties granted to or imposed on the HKICPA Council pursuant to Cap. 588 to the existing delegation provision in Cap 50.

<b>Mover</b>	<b>Voting</b>	<b>Remarks</b>
SFST	SFST's 1 <sup>st</sup> group of amendments	<b>Irrespective of whether</b> SFST's 1 <sup>st</sup> group of amendments are passed or not, SFST may move his 2 <sup>nd</sup> group of amendment, and Mr Kenneth LEUNG <b><u>may move</u></b> his 1 <sup>st</sup> group of amendments.
Hon Kenneth LEUNG	Mr LEUNG's 1 <sup>st</sup> group of amendments	If Mr LEUNG's 1 <sup>st</sup> group of amendments are <b><u>passed</u></b> , he <b><u>may not move</u></b> his 2 <sup>nd</sup> and 3 <sup>rd</sup> groups of amendments.
Hon Kenneth LEUNG	<b>If Mr LEUNG's 1<sup>st</sup> group of amendments are negatived</b> , vote on his 2 <sup>nd</sup> group of amendments	If Mr LEUNG's 2 <sup>nd</sup> group of amendments are <b><u>passed</u></b> , he <b><u>may not move</u></b> his 3 <sup>rd</sup> group of amendments.
Hon Kenneth LEUNG	<b>If Mr LEUNG's 2<sup>nd</sup> group of amendments are negatived</b> , vote on his 3 <sup>rd</sup> group of amendments	<b>Irrespective of whether</b> any group of Mr LEUNG's amendments is passed or not, SFST <b><u>may move</u></b> his 2 <sup>nd</sup> group of amendment.
SFST	SFST's 2 <sup>nd</sup> group of amendment	New clause be read a second time and added to the Bill

### **SFST's amendments**

(set out in LC Paper No. CB(3) 347/18-19 issued on 23 January 2019)

### **Hon Kenneth LEUNG's amendments**

(set out in LC Paper No. CB(3) 351/18-19 issued on 24 January 2019)

Council Business Division 3  
Legislative Council Secretariat  
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