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財經事務及庫務局
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FINANCIAL SERVICES BRANCH
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By email (hytchiu@legco.gov.hk)

3 September 2021

Clerk to Bills Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Mr Hugo CHIU)

Dear Mr CHIU,

**Follow-up to the meeting of the Bills Committee on
Financial Reporting Council (Amendment) Bill 2021 on 31 August 2021**

I refer to your email dated 2 September 2021. The Administration's responses are set out in **Annex** for follow-up.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Billy AU'.

(Billy AU)

for Secretary for Financial Services
and the Treasury

c.c.
Department of Justice

(Attn: Ms Sandy HUNG
Mr Gary LI)

**Bills Committee on Financial Reporting Council (Amendment) Bill 2021
 (“the Bill”)**

Responses to matters raised by Members in the meeting on 31 August 2021

*Funding arrangement of the post-reform Financial Reporting Council (“FRC”)
(Paragraph 1 of the list of follow-up actions)*

Upon full implementation of the proposed reform, the FRC will be responsible for the issue of practising certificates and the registration of firms and corporate practices of the accounting profession. Accordingly, at that time the FRC will also collect the relevant application fees in place of the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. The Government is actively considering the exemption of the aforementioned application fees in the first year of the implementation of the reform. For the application fees to be collected thereafter, the Government plans to freeze the fees for the first few years of implementation at a level no higher than that which is currently collected by the HKICPA, so as to assist the accounting profession to adapt to the new regulatory regime. In the initial stage of the FRC’s discharge of its expanded functions, the deficit resulted from the Government’s exemption and freeze on the application fees will be met by the unspent balance of the seed capital provided by the Government for the last reform.

3. We will review the FRC’s assessment of its operational and resources requirements under the new regime, and propose the specific timing for start collecting as well as the level of the relevant application fees by way of subsidiary legislation for the Legislative Council (“LegCo”)’s scrutiny in the next legislative session. The Government will ensure that the FRC continues to exercise stringent cost control and utilise its resources in an effective manner. Apart from that, the Government will also attend to the financial position of the FRC and consider different measures as and when necessary, including injection of additional funding, to ensure its financial competence for the implementation of its various tasks.

Development of the accounting profession (Paragraph 2 of the list of follow-up actions)

4. When discharging its independent regulatory functions under the new regime, the FRC will at the same time play the role of promoting the development of the profession through effective regulation. Upon the expansion of the FRC's functions, its influence over the development of the accounting profession will be enhanced. The Government will explore with the FRC ways to step up its work in the areas such as nurturing more professionals, strengthening continuing professional development, enhancing access to information on professional business opportunities, and reinforcing professional standards and competitiveness, so as to support the future development of the profession, especially that relating to the development opportunities in the Mainland and expansion of professional accounting services in the Greater Bay Area. We will also introduce amendments to provisions in the Bill concerning the FRC's functions to specify more clearly the FRC's role in the promotion of the development of the profession.

5. We acknowledge the profession's concern over the use of certain descriptions by an individual or a company which may mislead the public into believing that the individual or company is a certified public accountant ("CPA") or a practice unit registered under the Professional Accountants Ordinance (Cap. 50). The Government will explore ways to improve the situation with various stakeholders such as the accounting profession, relevant service providers and service users. We will brief the LegCo Panel on Financial Affairs on the progress next year.

Guidelines by the post-reform FRC (Paragraph 3 of the list of follow-up actions)

6. Under the Public Interest Entities ("PIE") auditors regulatory regime, the FRC should formulate guidelines in relation to its exercise of sanctioning powers over PIE auditors. Section 37H of the Financial Reporting Council Ordinance (Cap. 588) stipulates that although the guidelines on pecuniary sanctions for PIE auditors are not subsidiary legislation, the FRC can only impose the pecuniary sanctions after publication of relevant guidelines in the Gazette. Under the new regime, the FRC will, following the practice of the PIE auditor regulatory regime, formulate administrative guidelines in relation to its exercise of sanctioning powers over practice units and CPAs and publish the relevant guidelines on

pecuniary penalty in the Gazette. The FRC will engage with the profession and listen to their views when formulating the guidelines.

7. The formulation of guidelines on the exercise of sanctioning powers by administrative means under the statutory framework allows flexibility for the FRC to timely update the relevant guidelines in response to factors including its regulatory experience and market conditions, etc. after consultation with the profession and relevant stakeholders. This arrangement aligns with that of other financial regulators, including the Securities and Futures Commission and the Insurance Authority.

Financial Services and the Treasury Bureau
3 September 2021