

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

Committee Stage Amendments (“CSAs”)

As reported to the Bills Committee at its meetings on 12 and 31 August 2021 and 7 September 2021, the Government will propose CSAs to the Bill to address the comments raised by Members and stakeholders as well as to introduce technical or textual amendments as necessary.

2. The CSAs being drafted are explained in the list in **Annex**. As the CSAs are under preparation, they may be subject to further changes in the light of Members’ comments and ongoing internal review. We will update Members on the CSAs in due course.

**Financial Services and the Treasury Bureau
13 September 2021**

**Financial Reporting Council (Amendment) Bill 2021 (“the Bill”)
Committee Stage Amendments (“CSAs”)**

Item	Clause of the Bill / Section	Proposed Amendments	Remarks
Amendments to existing clauses of the Bill			
1.	Clause 7 / proposed new section 3B(2)(a) and (b) of Financial Reporting Council Ordinance (Cap. 588) (“FRCO”)	<ul style="list-style-type: none"> To amend the proposed new section to specify that the relevant professional irregularity is applicable to (i) a certified public accountant (practising) (“CPA(P)”) practising accountancy on his/her own account; (ii) a partner of a firm of CPA(P)s; or (iii) a director of a corporate practice rendering services under a name which is not registered. 	<ul style="list-style-type: none"> Some stakeholders are concerned that the proposed new section may hinder a certified public accountant (“CPA”)’s engagement in businesses other than accounting using a name other than the registered name. This is not the Government’s policy intention. To clarify, we will introduce a CSA to stipulate clearly that the professional irregularity concerned will only cover a practice unit rendering services in practising accountancy not under a registered name. The relevant professional irregularity will not be applicable to non-practising CPAs.
2.	Clause 7 / proposed new section 3B(4) of FRCO	<ul style="list-style-type: none"> To add a provision for a professional irregularity concerning a corporate practice, while being a director of a corporation that is a Trust or Company Service Provider (“TCSP”) licensee, causes or allows a breach of the anti-money laundering/counter-terrorist financing (“AML/CTF”) requirements by the corporation, which mirrors the existing misconduct as provided under 	<ul style="list-style-type: none"> The existing PAO provides that a CPA commits a misconduct if he/she causes or allows a breach of the AML/CTF requirements by a corporation while being a director of the corporation which is a TCSP licensee. The provision has been transplanted to the Bill as the proposed new section 3B(2)(e). Besides a CPA, a corporate practice may also be appointed as a director of

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		<p>section 34(1)(a)(xv) of the Professional Accountants Ordinance (Cap. 50) (“PAO”) in respect of a CPA being a director of a TCSP.</p>	<p>a corporation which is a TCSP licensee, and therefore should also be regulated in the same way. We will introduce a CSA to supplement the relevant provisions.</p>
3.	<p>Clause 12 / proposed amendment to section 9 of FRCO</p>	<ul style="list-style-type: none"> ● To add a new function of the Financial Reporting Council (“FRC”) in relation to promotion of the development of the accounting profession. 	<ul style="list-style-type: none"> ● Bills Committee Members have pointed out that under the new regime, the FRC other than having expanded regulatory functions should also assume an enhanced role in promoting and supporting the development of the accounting profession. In response, we will introduce a CSA to reflect this in the provisions on the FRC’s functions.
4.	<p>Clause 19 / proposed new sections 20AAB(3) and 20AAG(3) of FRCO</p>	<ul style="list-style-type: none"> ● To replace the HKICPA with the FRC as the authority for setting of additional continuing professional development (“CPD”) requirements for applications for issuance and renewal of practising certificates. 	<ul style="list-style-type: none"> ● Bills Committee Members and some stakeholders have suggested that the FRC, being the authority for approving and issuing practising certificates, should be empowered to set and impose conditions on additional CPD requirements, where necessary, for individual fresh applications and renewals. We will introduce CSAs to incorporate the suggestion.
5.	<p>Clause 19 / proposed new section 20AAL(1) of FRCO</p>	<ul style="list-style-type: none"> ● To expressly provide for the “fit and proper” requirement for issuance or renewal of practising certificates. 	<ul style="list-style-type: none"> ● Bills Committee Members are concerned that the “fit and proper” requirement is not expressly set out in the Bill for the application for issuance and renewal of practising certificates. In practice, meeting the “fit and proper” test is a core requirement for CPAs and the requirement must

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			<p>be observed at all times. Having regard to the importance of the “fit and proper” requirement to the credibility of the accounting profession, as well as the actual regulatory practices, we will introduce CSAs to expressly provide for the “fit and proper” requirement for the application for issuance and renewal of practising certificates. For completeness, similar amendment will also be made for the provisions on renewal of CPA registration in the PAO (please refer to item 14 below).</p>
6.	Clause 42 / proposed new section 20ZZH(3)(a) of FRCO	<ul style="list-style-type: none"> ● To carve out “a registered responsible person of a registered PIE auditor” in addition to “PIE auditor”. 	<ul style="list-style-type: none"> ● The CSAs are technical in nature and serve to rectify omissions.
7.	Clause 60 / proposed new sections 37AA(3)(a) and (c) of FRCO	<ul style="list-style-type: none"> ● To carve out “a registered responsible person of a registered PIE auditor” in addition to “PIE auditor” as well as misconducts described in section 37B in addition to section 37A of the FRCO. 	
8.	Clause 85(2) / proposed amendment to	<ul style="list-style-type: none"> ● To remove “HKICPA” from section 50G(1) of the FRCO. 	<ul style="list-style-type: none"> ● Clause 83 of the Bill has proposed to amend the provisions in section 50C of the FRCO related to collection of levies from registered PIE auditors to the effect that, under the

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	section 50G(1) of FRCO		new regime, the FRC will collect the said levies direct instead of having the HKICPA as a collecting agent. Consequently, it will no longer be necessary to empower the FRC under section 50G(1) to authorize persons to inspect the accounts kept by the HKICPA for the collection of levies. We will introduce a CSA to reflect this.
9.	Clause 90(4) / proposed new section 55(3)(a)(i) of FRCO	<ul style="list-style-type: none"> ● To amend the proposed definition of “specified matter” in relation to a listed entity to cover also the misconduct within the meaning of sections 37A or 37B of the FRCO (which refer to misconduct by PIE auditors and by registered responsible persons), in addition to practice irregularity within the meaning of section 4 of the FRCO . 	<ul style="list-style-type: none"> ● The CSA serves to better clarify the scope of immunity provided for whistleblowers who communicate with the FRC on potential cases of practice irregularity and misconduct.
10.	Clause 101(4) / proposed new sections 1(ga) and (gb) of Schedule 3A to FRCO	<ul style="list-style-type: none"> ● To amend the references to the proposed sections 20ZZA and 20ZZG to sections 20ZZA(1)(b) and 20ZZG(1)(b) of the FRCO. 	<ul style="list-style-type: none"> ● The CSA is technical in nature and serves to rectify the references to section numbers in the relevant provisions.
11.	Clause 113 / proposed	<ul style="list-style-type: none"> ● To clarify the references in the provision to include “section 27(1)(a) of the PAO”, “section 35(1)(a) of the 	<ul style="list-style-type: none"> ● The CSAs are technical in nature and serve to refine the presentation of references to other sections for better

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	amendment to section 15(1)(e) of PAO	pre-amended PAO” in the light of the repeal of section 35, and “section 37CA(4) of the FRCO”.	clarity.
12.	Clause 117(3) / proposed amendment to section 27(6) of PAO	<ul style="list-style-type: none"> ● To clarify the references in the provision to include “this section” (i.e. section 27 of the PAO), “section 35(1)(a) of the pre-amended PAO” in the light of the repeal of section 35, and “section 37CA(4) of the FRCO”. 	
New items to be added to the Bill			
13.	N.A.	<ul style="list-style-type: none"> ● To add a new clause to provide for the FRC’s powers as equivalent to the HKICPA Council’s existing powers provided in section 18B of the PAO. 	<ul style="list-style-type: none"> ● Section 18B of the existing PAO provides for the power of the HKICPA Council to make relevant directions in relation to practising certificates and registration certificates of CPAs, firms and corporate practice. Clause 115 of the Bill has already proposed the amendment to section 18B of the PAO such that the HKICPA Council’s power of making such directions would be confined to the registration certificates of CPAs. Meanwhile, as the FRC will be the new authority to issue practising certificates and register firms and corporate practices, the FRC should be empowered to make the relevant directions. We will introduce a CSA for this purpose.

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14.	N.A.	<ul style="list-style-type: none"> ● To add to section 28(2) of the PAO the “fit and proper” requirement for renewal of registration as a CPA. 	<ul style="list-style-type: none"> ● Item 5 above will enhance the mechanism for the fulfilment of the “fit and proper” requirement for the accounting profession by expressly providing the requirement in issuing and renewing practising certificates. Furthermore, the HKICPA has suggested that the same enhancement should also be made for renewal of CPA registration. We consider it a reasonable suggestion in line with the policy objective of this reform exercise to achieve an enhanced regulatory regime for the accounting profession. In addition, express provisions for continuing fulfilment of the “fit and proper” requirement of a CPA at the time of first registration and subsequent renewals will also be conducive to the effective regulation of the accounting profession by the FRC. A CSA will therefore be introduced.
15.	N.A.	<ul style="list-style-type: none"> ● To repeal section 41B of the PAO. 	<ul style="list-style-type: none"> ● Since the disciplinary functions of the HKICPA will be transferred to the FRC, there is no need to retain the section which provides for immunity in relation to the disciplinary proceedings of the PAO. A CSA will be introduced for this purpose.