

Hong Kong Investment Funds Association

August 30, 2021

Clerk to Bills Committee on Financial Reporting Council (Amendment) Bill
2021

Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Sir/Madam,

Re: Primary Legislation Proposal of FRC Reform

On behalf of the Hong Kong Investment Funds Association (Appendix 1 for backgrounder), I wish to express our full support to the Government's primary legislation proposal with respect to the FRC Reform.

We understand that the objective of the proposal is to vest the regulatory powers of the accounting profession from the industry to an independent regulator so as to ensure impartiality and that the industry is duly regulated. This proposal is not new – it is merely an extension of the reform which commences in 2018/19 with the transfer of the powers to regulators to regulate auditors of Public Interest Entities from HKICPA to the FRC. By applying it to the rest of the accounting industry, the proposal is a logical development to ensure the completeness of the reform; as well as consistency and robustness of the regulatory standards.

The quality and integrity of financial statements are pivotal to our members (primarily traditional long-only fund managers), as they rely very much on the information provided by and on the investee companies to make informed investment decisions. By further enhancing the robustness of the accounting profession, the reform will help to bolster investor protection. This is also in line with the international trend, which is to move away from “self-regulation” to further the independent regulation of the accounting profession. As a global financial centre, Hong Kong should introduce the reform sooner rather than later.

We are confident that the Government will work with the industry to ensure a smooth transition and come up with a framework that is resilient, sound and pragmatic; and most important of all, can best serve the interest of local and offshore investors.

Should you have any questions, please do not hesitate to contact me on 2537 9912.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Sally Wong', written in a cursive style.

Sally Wong
Chief Executive Officer

c.c. Mr. Christopher Hui Ching-yu, Secretary
Financial Services and the Treasury Bureau

Hong Kong Investment Funds Association

Hong Kong Investment Funds Association - Introduction

The Hong Kong Investment Funds Association (“HKIFA”) is an industry body that represents the fund management industry in Hong Kong. It was incorporated in 1986 as a company limited by guarantee.

The HKIFA has two major roles, namely consultation and education. On consultation, it acts as the representative and consulting body for its members and the fund management industry generally in all dealings concerning the regulation of unit trusts, mutual funds, retirement funds and other funds of a similar nature. Towards this end, it reviews, promotes, supports or opposes legislative and other measures affecting the fund management industry in Hong Kong. Another very important task is to educate the public about the role of investment funds in retirement planning and other aspects of personal financial planning.

The HKIFA has four categories of members, namely full member, overseas member, affiliate member and associate member. A fund company can qualify as a full member or an overseas member if it is either the manager or the investment adviser of at least one Investment Fund.

An “Investment Fund” means

- an authorized unit trust/mutual fund; or
- a pooled retirement fund authorized under the Code on Investment-Linked Assurance Schemes or the Code on Pooled Retirement Funds; or
- a retirement scheme registered under the Occupational Retirement Schemes Ordinance; or
- a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance; or
- a closed-end investment company listed on a recognized exchange.

A full member must be a company incorporated in Hong Kong or if it is incorporated outside Hong Kong, has established a place of business in Hong Kong whereas an overseas member must be a company incorporated outside Hong Kong.

An affiliate member is a company that has obtained a licence from the Hong Kong Securities and Futures Commission for type 9 regulated activities or it is a fund company incorporated in the People’s Republic of China; and its primary business is fund management including the management of discretionary accounts, segregated portfolios or providing investment management services for non-collective investment schemes or the manager or investment adviser of any fund investment company or arrangement not included as an Investment Fund.

An associate member is a company conducting or providing any service of accounting, legal, trustee, custodian, administration, banking, distribution, and technological support to the fund management industry or any related professional services.

<http://www.hkifa.org.hk>