



**Accounting Development Foundation Limited**

*... a non-profit making organization established to promote unity  
and sharing among members in the profession...*

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2 September 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 Sirs

Submission on Financial Reporting Council (Amendment) Bill 2021 ("Bill")

On behalf of the Accounting Development Foundation (ADF), we would like to provide our submission on Financial Reporting Council (Amendment) Bill 2021 as below.

We acknowledge that the Bill seeks to extend the Financial Reporting Council's (FRC) regulatory functions to cover all certified public accountants by transferring certain regulatory powers currently exercised by the Hong Kong Institute of Certified Public Accountants (HKICPA) in respect of accounting professionals under the Professional Accountants Ordinance (Cap. 50) to FRC.

We fully support the proposal to align the regulatory regime of the accounting profession in Hong Kong with international standards and practices and to reinforce our status as an international financial centre and business hub.

We would like to share below our comments on the reform:

1. **Strengthening the fight against pseudo accountants**

The international regulatory requirements for the accounting industry have been tightened in recent years. However, in Hong Kong pseudo accountants and pseudo accounting firms have been rampant for many years that seriously detracts from the professional image as well as detrimentally affects the livelihood of fellow accountants.



According to the Paper for the House Committee Meeting (LC Paper No. LS98/20-21) paragraph 5, "The proposed new Part 2A of Cap. 588 would also provide for the relevant offences, including pretending to be a CPA (practising) or signing audit reports without a valid practising certificate, which would be punishable by a fine at level 4 (\$25,000) and imprisonment for 12 months"

We are concerned that the proposed fine of \$25,000 is too low and imprisonment for 12 months is too lenient and lacks deterrent effects, making it difficult to effectively combat pseudo accountants. To provide protection for the general public, the FRC is asked to consider how the penalty could be revised to enhance its deterrent effects and consider giving inspectors the power to search any location under a court order and take appropriate enforcement actions.

**2. Education-oriented approach to fellow accountants**

Hong Kong accountants are already bound by the "Professional Accountants Ordinance"(PAO). To further enhance the quality of our industry, we believe that education is the top priority. Some accountants worry that after the transfer of regulatory powers, the FRC will impose extremely strict regulations on the industry, especially on small and medium practitioners who lack resources.

We suggest that the FRC and the HKICPA should be "Education-oriented" in respect of disciplinary sanctions during the transition period of regulatory power, and avoid a "Punishment-led" approach which would stifle the development of the industry.

**3. Clarification on introducing overseas accountants**

Paragraph 10 of Legislative Council Brief (File Ref.: ACCT/2/1/2C) is extracted as follows:

*10. We propose that the FRC should likewise play the role of an independent registrar and be responsible for the registration functions in relation to audit practitioners and practices, which include the issue of practising certificates and the registration of CPA firms, corporate practices and local PIE auditors.*

At present, only members of the HKICPA are entitled to obtain the practising certificate of accountants. After the Bill becomes effective, the FRC will be responsible for issuing the practising certificate. Some

fellow accountants concern that accountants in other jurisdictions and non-HKICPA members may also be granted practising certificates issued by the FRC in the future. FRC is recommended to clarify the above matter.

4. **Requiring Hong Kong listed companies to hire local qualified accountants**

In the past, it was a must for companies listed in Hong Kong to have a “qualified accountant” to ensure that their financial reports were in compliance with the law and regulations in Hong Kong. However, the relevant requirements were abolished by the Hong Kong Stock Exchange in 2009. To minimize error, crime, fraud and misconduct caused by the listed company, we recommend that the FRC should consider resetting the above requirements for the sake of improving the quality of financial reporting.

If you require any clarifications on our submission, please do not hesitate to contact Ms Isis Yeung at 9820-7626.

Yours faithfully,



Chow Ka Leung, Louis  
Chairman  
Accounting Development Foundation

**About Accounting Development Foundation**

Accounting Development Foundation Limited (ADF) is a non-profit-making organization to encourage unity and sharing of knowledge among members in the accounting profession. In 2021, there are 11,000 ADF friends and supporters in our database.

Founded in 2009, our motto is “We Care We Share”. We strive to enhance lifelong learning and professional development. Variety of activities and events are held for the advancement and development of the accounting profession.

