

LEGISLATIVE COUNCIL BRIEF

Financial Reporting Council Ordinance
(Chapter 588)

Financial Reporting Council (Amendment) Bill 2021

INTRODUCTION

At the meeting of the Executive Council on 13 July 2021, the Council ADVISED and the Chief Executive ORDERED that the Financial Reporting Council (Amendment) Bill 2021 (the Bill) at Annex A should be introduced into the Legislative Council (LegCo).

JUSTIFICATIONS

2. The Bill aims to further enhance the existing regulatory regime to develop the Financial Reporting Council (FRC) into a full-fledged independent regulatory and oversight body for the accounting profession.

Deepening Reform to Achieve Independent Regulation

3. An effective regulatory regime of the accounting profession, including auditing, is crucial for the business community and is essential for maintaining Hong Kong's status as an international financial centre and business hub. The international trend on accounting profession regulation is to vest the regulatory powers with a regulatory body independent from the trade to ensure impartiality.

4. In 2018, taking a step-by-step approach to achieve regulatory reform, the Government introduced the Financial Reporting Council (Amendment) Bill 2018 to transfer the powers to regulate auditors of Public Interest Entities (PIE)¹ from the Hong Kong Institute of Certified Public Accountants (HKICPA) to the FRC. Under the regime, the FRC is mainly responsible for the inspection, investigation and discipline of PIE auditors and registered responsible persons of the PIE auditors, as well as

¹ A PIE refers to a corporation with issued shares or stocks listed in Hong Kong or a collective investment scheme with interests listed in Hong Kong.

recognition of PIE auditors from overseas. Meanwhile, practice units² and certified public accountants (CPA) in general continue to be regulated under the Professional Accountants Ordinance (Chapter 50) (PAO) except for their engagements under the PIE auditor regulatory regime as specified in the Financial Reporting Council Ordinance (Chapter 588) (FRCO).

5. Since the coming into operation of the regime in October 2019, the FRC has been discharging its expanded regulatory functions effectively. The FRC has delivered a number of achievements as an independent regulatory body, including –

- (a) **Regulatory functions:** The FRC has completed the first annual inspection work on PIE auditors, covering their engagements and quality control systems. Reports have also been issued on its oversight on the HKICPA regarding statutory functions in relation to PIE auditors (including registration, continuing professional development (CPD) requirements and professional and ethical standards), and the overview of the market for listed entity audits in Hong Kong.
- (b) **Focused research:** The FRC has conducted research on whether the change of auditors for listed companies would warrant regulatory intervention. It has also researched on how the boards of listed companies can more effectively supervise audits.
- (c) **Regulatory cooperation:** The FRC signed a Memorandum of Understanding (MOU) with the Ministry of Finance on collaboration in respect of audit regulation, and the FRC has successfully obtained the first batch of the audit working papers of Hong Kong listed companies kept in the Mainland. MOUs on regulatory cooperation were also signed with the Securities and Futures Commission and the Hong Kong Exchange and Clearing Limited respectively.

Reducing Compliance Burden and Enhancing Efficiency in Regulation

6. Since the last reform only transferred the regulatory powers relevant to PIE auditors to the FRC, individual practice units and CPAs are subject to separate inspections by the FRC and the HKICPA in accordance

² Only practice units may perform statutory audits. As defined in section 2 of the Professional Accountants Ordinance (Chapter 50), a practice unit is (i) a certified public accountant (practising) practising accountancy on his own account; (ii) a firm of certified public accountants (practising) practising accountancy; or (iii) a corporate practice.

with the FRCO and the PAO respectively for their quality control systems which are likewise applicable for both PIE engagements and all other engagements. The arrangement leads to inefficient use of resources and unnecessary compliance burden. In addition, while the FRC has assumed regulatory functions over local PIE auditors, the HKICPA is still responsible for the registration which results in a fragmented approach in regulation.

Aligning with International Standard and Practice

7. Most comparable overseas accounting jurisdictions have already given expanded power to their respective independent regulators which oversee the accounting profession to ensure that professional accounting services are duly regulated. The further reform will make our regulatory regime more in line with the international standard and practice and reinforce our status as an international financial centre and business hub.

The Legislative Proposal

8. We propose that the subject legislative exercise should aim to –
- (a) empower the FRC to issue practising certificates to CPAs and register CPA firms, corporate practices and local PIE auditors;
 - (b) expand the FRC’s current powers of inspection, investigation and discipline over PIE auditors to cover practice units and CPAs; and
 - (c) expand the FRC’s oversight powers to cover the HKICPA’s functions of ascertaining qualification for registration as CPAs by conducting examinations; registering CPAs; arranging for mutual or reciprocal recognition of accountants; setting CPD requirements, and issuing or specifying standards on professional ethics, and accounting, auditing and assurance, for CPAs; and providing training for qualifying as and the CPD of CPAs.

The statutory functions of the FRC after the proposed reform are summarised below:

Functions	Regulatees
<i>Registration</i>	CPAs (Practising) ³ , CPA firms, corporate practices and local PIE Auditors
<i>Inspection</i>	Practice Units and PIE Auditors
<i>Investigation and Discipline</i>	CPAs, CPAs (Practising), Practice Units and PIE Auditors
<i>Oversight</i> on the HKICPA's statutory functions of ascertaining qualification for registration as CPAs by conducting examinations; registering CPAs; arranging for mutual or reciprocal recognition of accountants; setting CPD requirements, and issuing or specifying standards on professional ethics, and accounting, auditing and assurance, for CPAs; and providing training for qualifying as and the CPD of CPAs	

The key aspects of the proposed reform are set out below.

Registration

9. Registration is the first critical step to ensure the overall competency of a profession. Some comparable jurisdictions have the most essential registration functions in respect of auditors vested with the regulators independent of the profession to ensure impartiality.

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. For continuity, the criteria and relevant requirements currently provided in the PAO (concerning issue of practising certificates and registration of CPA firms and corporate practices) and the FRCO (concerning registration of local PIE auditors) will remain largely the same upon the change of the registration authority.

11. The HKICPA will remain the registration authority of CPAs and continue to administer the professional examination, Qualification Programme and CPD mechanisms, as well as the mutual or reciprocal recognition agreements with accountancy bodies of other jurisdictions in relation to registration of CPAs in Hong Kong, which are the essential foundation building blocks of the professional qualifications in

³ The FRC will be responsible for issuing practising certificates to qualified CPAs while the HKICPA will continue to be responsible for registration of CPAs subject to the FRC's oversight.

accountancy.

Inspection, investigation and discipline

12. The FRC has already established itself for exercising inspection, investigation and disciplinary powers over PIE auditors as a regulator independent from the profession. As with the international development towards independent regulation, the same independent regulatory arrangement is warranted for all other types of work carried out by accounting professionals which are of public interest as they are the cornerstone of the integrity and governance of Hong Kong's business sector. We therefore propose empowering the FRC to exercise these regulatory powers, namely, inspection, investigation and discipline over practice units, and investigation and discipline over individual CPAs. The change will, in addition to strengthening the independence of regulation, help streamline the compliance burden of the regulatees and ensure regulatory consistency.

13. The regulatory powers will be transferred to the FRC along two main principles –

- (a) the scope of powers (including investigable and sanctionable misconducts, and powers of inspectors and investigators) as well as types and levels of penalties⁴ will follow those currently provided in the PAO⁵ with which the profession is familiar; and
- (b) the procedures established under the FRCO, which are carried out by the FRC executive team under the supervision of the FRC Board comprising all non-practitioners, will be adopted for exercising the new powers to ensure impartiality and independence from the profession⁶.

The proportionality approach will be adopted for the FRC's regulatory work. The FRC has applied a higher level of regulatory control to PIE auditors where significant interests of public investors are involved. For

⁴ They include the removal of a name from the register, the cancellation of a practising certificate, the issue of a reprimand, the issue of an order to pay a penalty not exceeding \$500,000, etc.

⁵ Except for rectifying a few anomalies in the existing provisions on investigation and sanctions in respect of omission of investigative and/or disciplinary powers against certain categories of regulatees concerning specific types of misconduct.

⁶ Under the PAO, investigation and disciplinary proceedings are currently carried out by designated committees comprising practitioners and lay persons. Such setup is inconsistent with the ultimate objective of this further reform and therefore will not be adopted after the transfer of powers to the FRC.

other auditors and CPAs, the regulatory requirements applicable to them and the consequences of non-compliance to be adopted by the FRC will remain comparable to those currently provided in the PAO.

Oversight

14. We will expand the FRC's oversight power corresponding to the expanded regulatory scope of the FRC, including oversight of HKICPA's functions of –

- (a) ascertaining qualification for registration as CPAs by conducting examinations, and registering CPAs;
- (b) arranging for mutual or reciprocal recognition of accountants;
- (c) setting CPD requirements for CPAs;
- (d) issuing or specifying standards on professional ethics, and accounting, auditing and assurance, for CPAs; and
- (e) providing training for qualifying as and the CPD of CPAs.

15. The same oversight arrangements as currently provided in the FRCO for the PIE auditors regulatory regime will apply to the above new oversight functions.

Review and appeal mechanism

16. An independent review tribunal, namely the Public Interest Entities Auditors Review Tribunal (Tribunal), has been established under the FRCO with jurisdiction to review and make determination on a review of the HKICPA's decisions relating to registration of local PIE auditors and the FRC's decision relating to recognition of overseas PIE auditors and discipline of all PIE auditors. The scope of review of the Tribunal will be expanded to cover all decisions concerning the issue of practising certificates, registration of CPA firms and corporate practices and disciplinary actions against practice units and CPAs made under the FRCO. Correspondingly, the name of the Tribunal will be revised to "Accounting and Financial Reporting Review Tribunal".

Transitional arrangements

17. For the registration function, all applications approved by the

HKICPA before the commencement of the reformed new regime will remain valid. In case there are any outstanding applications the processing of which has not been completed on the commencement date, they will be transferred to the FRC for processing.

18. For the practice review, investigation and disciplinary functions, any proceedings carried out under the PAO which have not been completed on the commencement date of the reformed new regime will continue to be conducted under the PAO mechanism. The result of a practice review or investigation conducted in accordance with the PAO mechanism under the transitional arrangement will then be referred to the FRC for follow-up action. Any new cases that come up after the commencement date of the reformed new regime, irrespective of whether the engagements which are the subjects of these cases were conducted before the commencement, will be handled by the FRC. That means the FRC will also take up new cases of the inspection and disciplinary work for PIE engagements completed before the commencement of the current regime on 1 October 2019.

19. In view of the procedural and technical nature of the transitional arrangements, these arrangements will be provided for by way of subsidiary legislation to be made after the enactment of the Bill. Subject to the passage of the Bill by LegCo within this legislative session, we plan to table the subsidiary legislation for negative vetting by LegCo in 2022.

Governance of the FRC

20. Pursuant to the existing provisions of the FRCO, all members of the FRC must be non-practitioners, and among the members of the FRC –

- (a) at least one-third are appointed because of their knowledge and experience in PIE engagements; and
- (b) the others are appointed because of their knowledge in accounting, finance, banking, law, administration or management, or their professional or occupational experience.

Having considered the new role of the FRC in the reform, the existing FRCO provisions on the composition of the FRC Board remain valid under the reformed new regime for the purpose of maintaining independence and sufficient expertise.

21. In order to facilitate the FRC's regulatory work under the reformed new regime in relation to a variety of areas in accounting, audit

and assurance and with reference to the arrangements for other financial regulators, a statutory advisory committee consisting of practitioners, service users and other stakeholders of the accounting profession will be established to provide advice to the FRC.

22. In the light of the expansion of the scope of regulation beyond PIE auditors, the FRC will be renamed as the Accounting and Financial Reporting Council to reflect its roles and functions after the reform.

Funding mechanism

23. New levies have been introduced under the PIE auditor regulatory regime which will be payable by PIE auditors, PIEs and sellers and purchasers of securities respectively⁷. The Government injected a seed capital of \$400 million into the FRC in 2019 to help it migrate to the current regime before it starts collecting the said levies from 1 January 2022. It is estimated that the unspent balance of the seed capital by the time the said levies come into place can help fund the FRC's expanded functions in the initial years of the proposed reform.

24. In the long run, the FRC, which will be the authority for issue of practising certificates and registration of CPA firms and corporate practices, will collect fees for practising certificates and registration applications. The fees will be a new source of income to fund its expanded regulatory functions. We will review the FRC's funding arrangement and consider the appropriate fee mechanism in due course. Pending the conclusion of the review, the FRC will not impose fees for issue of practising certificates and registration of CPA firms and corporate practices.

OTHER OPTIONS

25. Introducing legislative amendments to the FRCO is the only option to expand the statutory functions and powers of the FRC so that it

⁷ Details of the three levies are as follows –

- (1) The levies payable for a sale and purchase of securities –
 - (a) for the seller – 0.00015% of the consideration for the sale; and
 - (b) for the purchaser – 0.00015% of the consideration for the purchase;
- (2) The levies payable by a PIE for a calendar year –
 - 4.2% of the prepaid annual listing fee; and
- (3) The levies payable by a PIE auditor for a calendar year –
 - (a) \$6,155 x the number of PIEs for which the auditor is carrying out, as at 31 December of the preceding calendar year, a specified engagement; and
 - (b) 0.147% of the total remuneration paid to the auditor, in the preceding calendar year, by the PIEs for which the auditor carried out specified engagements.

will become an independent oversight body in respect of auditors and accountants in Hong Kong.

THE BILL

26. The Bill is divided into three parts –
- (a) Part 1 sets out preliminary provisions such as the short title and provides for the commencement of the Bill;
 - (b) Part 2 contains amendments to the FRCO. The main provisions of this Part are set out as follows –
 - (i) Clause 5 provides for the new and revised definitions of key terms and subjects all registration and disciplinary decisions made by the FRC to the review and appeal mechanism;
 - (ii) Clauses 12 and 13 amend the FRCO to provide for the new functions and powers of the FRC under the new regime;
 - (iii) Clause 14 introduces a new provision in the FRCO for the set-up of an advisory committee under the FRC to provide advice to the FRC;
 - (iv) Clause 19 introduces new provisions in the FRCO for the direct powers of the FRC to issue practising certificates and register CPA firms and corporate practices;
 - (v) Clauses 20 to 41 amend the FRCO to provide for the direct powers of the FRC to register PIE auditors;
 - (vi) Clause 42 introduces new provisions in the FRCO to provide for the powers of the FRC to conduct recurring inspections on practice units and carry out investigations on practice units and CPAs;
 - (vii) Clause 64 introduces new provisions in the FRCO to provide for the powers of the FRC to impose disciplinary sanctions against practice units and CPAs;

- (viii) Clause 98 introduces a new provision to provide for the power of making transitional arrangements and consequential amendments to other enactments by way of subsidiary legislation; and
- (c) Part 3 contains related and consequential amendments to the PAO and the Professional Accountants By-laws (Chapter 50 subsidiary legislation A).

LEGISLATIVE TIMETABLE

27. The legislative timetable is as follows–

Publication in the Gazette	16 July 2021
First Reading and commencement of Second Reading debate in LegCo	21 July 2021
Resumption of Second Reading debate, committee stage and Third Reading	to be notified

IMPLICATIONS OF THE PROPOSAL

B 28. The economic, financial and civil service implications of the Bill are set out in **Annex B**. The Bill is in conformity with the Basic Law, including the provisions concerning human rights. It has no productivity, environmental, family or gender implications. There are no sustainability implications other than the economic implications as listed above. The amendments proposed in the Bill will not affect the current binding effect of FRCO.

PUBLIC CONSULTATION

29. We have explained to the FRC and the HKICPA the policy objectives and the reform proposal of this legislative exercise. Engagement with major accounting bodies, accounting professionals and practices and some trade groups who are users of professional accounting services has been conducted. We also briefed the Panel on Financial Affairs of LegCo on 5 July 2021. Stakeholders are generally supportive of the direction of the proposed reform. In particular, they consider that

the reform will enhance the independence of regulation and the protection of the interests of users of professional accounting services.

PUBLICITY

30. A press release will be issued on the gazettal of the Bill. A spokesperson will be made available for answering media enquiries.

BACKGROUND

31. Since the collapse of Enron and WorldCom in the United States in 2001-02 due to major audit failure, there has been local and international pressure for Hong Kong to ensure that its auditor regulatory regime is effective and not subject to undue influence by the audit profession so as to enhance investor protection. In response, the FRCO was enacted in 2006 to establish the FRC for carrying out investigation into auditing and reporting irregularities in relation to listed entities and enquiries into non-compliance with accounting requirements in relation to listed entities. Meanwhile, the HKICPA was the statutory authority responsible for the registration, inspection, enforcement, development and professional training of the audit profession in Hong Kong.

32. In the light of the latest international standard and practice that regulatory regimes for auditors of PIEs should be independent of the audit profession and be subject to independent oversight by bodies acting in the public interest, the Government took forward an auditor regulatory reform in relation to PIE auditors which came into effect on 1 October 2019. The Government indicated at the legislative exercise that a step-by-step approach was adopted for the further reform. With the positive experience of the FRC's transition to the expanded role in auditor regulation, we consider it suitable to pursue further reform to enhance the overall independence of the regime from the audit profession. Having independent regulation in respect of CPAs will also enhance the robustness of the regulatory regime of the accounting profession as a whole.

33. Currently, there are some 46,000 CPAs. Among them, about 5,100 are holders of practising certificates. In addition, there are around 1,900 registered practice units of which some 1,200 are registered as firms

and some 600 as corporate practices⁸. 75 of these practice units are registered PIE auditors.

ENQUIRIES

34. Enquiries relating to this Brief can be directed to Mr Billy AU, Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) at 2528-9016.

Financial Services and the Treasury Bureau
14 July 2021

⁸ In addition to the practice units which are registered as firms and corporate practices, there are also some 2,500 CPAs (Practising) practising in his/her own name. Therefore, there are in total some 4,400 practice units.

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A BILL

To

Amend the Financial Reporting Council Ordinance to enhance the independence of the regulatory regime for accounting professionals; to regulate accounting professionals through registration, issuing practising certificates, inspection, investigation and disciplinary sanction; to rename the Financial Reporting Council; to provide for the new functions of the Council; and to provide for related matters.

Enacted by the Legislative Council.

Part 1

Preliminary

1. Short title and commencement

- (1) This Ordinance may be cited as the Financial Reporting Council (Amendment) Ordinance 2021.
- (2) This Ordinance comes into operation on a day to be appointed by the Secretary for Financial Services and the Treasury by notice published in the Gazette.

2. Enactments amended

The enactments specified in Parts 2 and 3 are amended as set out in those Parts.

Part 2**Amendments to Financial Reporting Council Ordinance
(Cap. 588)****3. Long title substituted**

The long title—

Repeal the long title**Substitute**

“An Ordinance to establish an independent body to regulate accounting professionals through registration, issuing practising certificates, inspection, investigation and disciplinary sanction, and to oversee the performance by the Hong Kong Institute of Certified Public Accountants of its functions in relation to certified public accountants; to provide for a review and appeal mechanism regarding decisions made against those regulated by the Council; to provide for enquiries into non-compliances with regulatory requirements for financial reports of listed entities; to provide for the levies payable to the Council; and to provide for related matters.”.

4. Section 1 amended (short title)

Section 1(1)—

Repeal

“Financial Reporting Council Ordinance”

Substitute

“Accounting and Financial Reporting Council Ordinance”.

5. Section 2 amended (interpretation)(1) Section 2(1), definition of *certified public accountant*—**Repeal**

“Professional Accountants Ordinance (Cap. 50)”

Substitute

“PA Ordinance”.

(2) Section 2(1)—

Repeal the definition of *certified public accountant (practising)***Substitute**

“*certified public accountant (practising)* (執業會計師) means a certified public accountant holding a practising certificate;”.

(3) Section 2(1)—

Repeal the definition of *corporate practice***Substitute**

“*corporate practice* (執業法團) means a company registered as a corporate practice under Division 3 of Part 2A;”.

(4) Section 2(1), definition of *decision authority*, paragraph (a)—**Repeal**

“paragraph (a)”

Substitute

“paragraph (a)(i)”.

(5) Section 2(1), definition of *decision authority*, paragraph (b)—**Repeal**

“paragraph (b) of the definition of *specified decision*—means the FRC”

Substitute

“paragraph (aa), (a)(ii) or (b) of the definition of *specified decision*—means the AFRC”.

- (6) Section 2(1), definition of *HKICPA*—

Repeal

“Professional Accountants Ordinance (Cap. 50)”

Substitute

“PA Ordinance”.

- (7) Section 2(1), definition of *HKICPA Council*—

Repeal

“Professional Accountants Ordinance (Cap. 50)”

Substitute

“PA Ordinance”.

- (8) Section 2(1), definition of *HKICPA Registrar*—

Repeal

“Professional Accountants Ordinance (Cap. 50)”

Substitute

“PA Ordinance”.

- (9) Section 2(1)—

Repeal the definition of *practice unit***Substitute**

“*practice unit* (執業單位) means—

- (a) a certified public accountant (practising) who practises accountancy on the accountant’s own account under the accountant’s own name as registered under section 22(2) of the PA Ordinance;
- (b) a CPA firm; or

(c) a corporate practice;”.

- (10) Section 2(1), definition of *professional standard*, paragraph (a)—

Repeal

“Professional Accountants Ordinance (Cap. 50)”

Substitute

“PA Ordinance”.

- (11) Section 2(1), definition of *related person*—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

- (12) Section 2(1), definition of *relevant undertaking*, paragraphs (a)(ii)(A) and (b)(i)—

Repeal

“Professional Accountants Ordinance (Cap. 50)”

Substitute

“PA Ordinance”.

- (13) Section 2(1), definition of *specified decision*, before paragraph (a)—

Add

- “(aa) a decision by the AFRC—
- (i) to refuse a practising certificate application under section 20AAB;
 - (ii) to impose a condition under section 20AAB(3) or 20AAG(3) when granting a practising certificate application or renewal application (practising certificate);

- (iii) to refuse a renewal application (practising certificate) under section 20AAG;
 - (iv) to cancel or suspend a practising certificate under section 20AAO;
 - (v) to refuse a registration application (CPA firm) under section 20AAT;
 - (vi) to refuse a renewal application (CPA firm registration) under section 20AAZ;
 - (vii) to revoke or suspend the registration of a firm name or firm under section 20AAZH;
 - (viii) to refuse a registration application (corporate practice) under section 20AAZN;
 - (ix) to refuse a renewal application (corporate practice registration) under section 20AAZS;
 - (x) to revoke or suspend the registration of a corporate practice under section 20AAZZB or 20AAZZH(6); or
 - (xi) to impose a condition in relation to the registration of a corporate practice under section 20AAZZG(3);”.
- (14) Section 2(1), definition of *specified decision*—
- Repeal paragraph (a)**
- Substitute**
- “(a) a decision—
- (i) by the HKICPA Council before the 2021 Ordinance commencement date—
 - (A) to refuse a registration application under section 20H as in force immediately before that date;

- (B) to refuse a renewal application (registration) under section 20L as in force immediately before that date;
 - (C) to impose or amend a condition in relation to the registration of a PIE auditor under section 20S as in force immediately before that date;
 - (D) to revoke or suspend the registration of a PIE auditor under section 20T or 20X as in force immediately before that date; or
 - (E) to refuse to add the name of a person to the list of registered responsible persons of a registered PIE auditor under section 20Y as in force immediately before that date; or
- (ii) by the AFRC on or after the 2021 Ordinance commencement date—
- (A) to refuse a registration application under section 20H;
 - (B) to refuse a renewal application (registration) under section 20L;
 - (C) to impose or amend a condition in relation to the registration of a PIE auditor under section 20S;
 - (D) to revoke or suspend the registration of a PIE auditor under section 20T or 20X; or
 - (E) to refuse to add the name of a person to the list of registered responsible persons of a registered PIE auditor under section 20Y; or”.
- (15) Section 2(1), definition of *specified decision*, paragraph (b)—
- Repeal**
- “FRC”

Substitute

“AFRC”.

- (16) Section 2(1), definition of *specified decision*, paragraph (b)(vi), before “37D,”—

Add

“37CA,”.

- (17) Section 2(1), definition of *Tribunal*—

Repeal

“Public Interest Entities Auditors Review Tribunal established under section 37N(1);”

Substitute

“Accounting and Financial Reporting Review Tribunal continued under section 37N;”.

- (18) Section 2(1), Chinese text, definition of ~~證監會~~—

Repeal

“會。”

Substitute

“會；”.

- (19) Section 2(1)—

- (a) definition of *FRC*;
- (b) definition of *recognized PIE auditor (provisional)*;
- (c) definition of *registered PIE auditor (provisional)*;
- (d) definition of *transitional period*—

Repeal the definitions.

- (20) Section 2(1), before the definition of *audit*—

Add

“*2021 Amending Ordinance* (《2021年修訂條例》) means the Financial Reporting Council (Amendment) Ordinance 2021 (of 2021);

2021 Ordinance commencement date (《2021年條例》生效日期) means the day on which section 3 of the 2021 Amending Ordinance comes into operation;”.

- (21) Section 2(1)—

Add in alphabetical order

“*Advisory Committee* (諮詢委員會) means the Advisory Committee referred to in section 10A;

AFRC (會財局) means the Accounting and Financial Reporting Council continued under section 6;

AFRC register (會財局註冊紀錄冊) means the register of certified public accountants (practising), CPA firms and corporate practices established and maintained under section 20AAZZI;

CPA firm (會計師事務所) means—

- (a) a certified public accountant (practising) who practises accountancy on the accountant’s own account under a firm name registered under Division 2 of Part 2A; or
- (b) a firm of certified public accountants (practising) that—
 - (i) practises accountancy in partnership; and
 - (ii) is registered under Division 2 of Part 2A;

CPA inspector (會計師查察員) means a person appointed as a CPA inspector under section 20ZZA;

CPA investigator (會計師調查員) means a person appointed as a CPA investigator under section 20ZZG;

CPA misconduct (會計師失當行為)—see section 37AA;

CPA register (會計師註冊紀錄冊) means the register of certified public accountants kept under section 22 of the PA Ordinance;

firm name (事務所名稱)—

- (a) in relation to a certified public accountant (practising) who practises accountancy on the accountant's own account—means the name or style under which the accountant practises if the name or style is otherwise than the accountant's own name as registered under section 22(2) of the PA Ordinance; or
- (b) in relation to a firm of certified public accountants (practising) that practises accountancy in partnership—means the name or style under which the firm practises;

PA Ordinance (《專業會計師條例》) means the Professional Accountants Ordinance (Cap. 50);

PAO professional standard (《專業會計師條例》專業標準) means any statement of professional ethics, or standard of accounting, auditing or assurance practices, issued or specified, or deemed to have been issued or specified, under section 18A of the PA Ordinance;

practising certificate (執業證書) means a practising certificate issued under section 20AAD or 20AAI;

practising certificate application (發證申請) means an application made under section 20AA;

professional indemnity insurance (專業彌償保險) has the meaning given by section 2(1) of the PA Ordinance;

professional person (專業人士) means—

- (a) a certified public accountant; or

- (b) a practice unit;

registered office (註冊辦事處)—

- (a) in relation to a certified public accountant (practising)—means the registered office of the accountant referred to in section 20AAQ;
- (b) in relation to a CPA firm—means the registered office of the firm referred to in section 20AAZK; or
- (c) in relation to a corporate practice—means the registered office of the practice referred to in section 20AAZZE;

registration application (corporate practice) (法團註冊申請) means an application made under section 20AAZM;

registration application (CPA firm) (事務所註冊申請) means an application made under section 20AAS;

renewal application (corporate practice registration) (法團註冊續期申請) means an application made under section 20AAZR;

renewal application (CPA firm registration) (事務所註冊續期申請) means an application made under section 20AAX;

renewal application (practising certificate) (續證申請) means an application made under section 20AAF;”.

6. Section 3A amended (meaning of various types of auditors and engagements)

- (1) Section 3A(1), definition of *recognized PIE auditor*—

Repeal

everything after “means”

Substitute

“an overseas auditor recognized under Division 3 of Part 3, including a Mainland auditor recognized under section 20ZT;”.

- (2) Section 3A(1), definition of *registered PIE auditor*—

Repeal

everything after “means”

Substitute

“a practice unit registered under Division 2 of Part 3.”.

- (3) Section 3A(1)—

- (a) definition of *recognized PIE auditor (provisional)*;
(b) definition of *registered PIE auditor (provisional)*—

Repeal the definitions.

7. Section 3B added

After section 3A—

Add

“3B. Professional irregularity by professional persons

- (1) For the purposes of this Ordinance, a professional person commits a professional irregularity if the person—
- (a) falsifies or causes to be falsified a document;
- (b) makes a statement, in respect of a document, that is material and that the person knows to be false or does not believe to be true;
- (c) fails to observe, maintain or otherwise apply a PAO professional standard;
- (d) fails to comply with an AML/CTF requirement;
- (e) fails, without reasonable excuse, to comply with a requirement imposed under section 20ZZC(1) or 20ZZJ(1);

- (f) fails to comply with—

- (i) the provisions of any bylaw or rule made or any direction lawfully given by the HKICPA Council; or
- (ii) any regulation made or any direction lawfully given by the AFRC;

- (g) is negligent in the conduct of the person’s profession;

- (h) is guilty of professional misconduct; or

- (i) while being a responsible person of a limited partnership fund—

- (i) causes or allows a breach of an AML/CTF requirement by the fund; or

- (ii) fails to take reasonable steps to prevent such a breach.

- (2) Without limiting subsection (1), where the professional person is a certified public accountant, the person also commits a professional irregularity if the person—

- (a) renders any service under a name other than—

- (i) the name in which the person is, at the time of rendering the service, registered in the CPA register; or
- (ii) the name in which the person’s firm is, at the time of rendering the service, registered in the AFRC register;

- (b) renders any service as, or purporting to be, a director of a corporate practice the name of which does not, at the time of rendering the service, appear in the AFRC register;

- (c) is guilty of dishonourable conduct;

- (d) while being a director of a corporate practice—
 - (i) practises accountancy as a director of the corporate practice at a time when the practice is not covered by professional indemnity insurance as required by this Ordinance;
 - (ii) causes or allows a breach of an AML/CTF requirement by the corporate practice; or
 - (iii) fails to take reasonable steps to prevent a breach of an AML/CTF requirement by the corporate practice; or
 - (e) while being a director of a corporation that is a TCSP licensee—
 - (i) causes or allows a breach of an AML/CTF requirement by the corporation; or
 - (ii) fails to take reasonable steps to prevent such a breach.
- (3) Without limiting subsection (1), where the professional person is a firm of certified public accountants (practising), the person also commits a professional irregularity if the person—
- (a) renders any service under a firm name other than the name in which the person is, at the time of rendering the service, registered in the AFRC register; or
 - (b) is guilty of dishonourable conduct.
- (4) Without limiting subsection (1), where the professional person is a corporate practice, the person also commits a professional irregularity if the person—
- (a) ceases to comply with a requirement specified in section 20AAZX(3), (4), (5) or (6);

- (b) fails to comply with a requirement specified in section 20AAZZG(2) or (4);
 - (c) renders any service under a company name other than the name in which the person is, at the time of rendering the service, registered in the AFRC register;
 - (d) practises accountancy as such a practice without being covered by professional indemnity insurance as required by this Ordinance; or
 - (e) does or omits to do something that, if the person were an individual certified public accountant, would reasonably be regarded by an individual as being dishonourable conduct.
- (5) In this section—
- accounting professional** (會計專業人士) has the meaning given by section 1 of Part 2 of Schedule 1 to the AMLO;
- AML/CTF requirement** (反洗錢／恐怖分子資金籌集規定) means a requirement that—
- (a) is set out in Part 2, 3 or 4 of Schedule 2 to the AMLO; and
 - (b) applies—
 - (i) for subsections (1)(d) and (2)(d)(ii) and (iii)—under section 5A(3) of the AMLO to an accounting professional;
 - (ii) for subsection (2)(e)—under section 5A(5) of the AMLO to a TCSP licensee; and
 - (iii) for subsection (1)(i)—under section 34(1) of the Limited Partnership Fund Ordinance (Cap. 637) to an accounting professional appointed

as a responsible person of a limited partnership fund;

AMLO (《反洗錢條例》) means the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615);

director (董事) has the meaning given by section 1 of Part 2 of Schedule 1 to the AMLO;

dishonourable conduct (不名譽行為)—

- (a) in relation to a certified public accountant—means an act or omission of the accountant, whether or not done or made in the course of carrying out professional work or as a certified public accountant, that would reasonably be regarded as bringing or likely to bring discredit on the accountant, the HKICPA or the accountancy profession; or
- (b) in relation to a firm of certified public accountants (practising)—means an act or omission of the firm, whether or not done or made in the course of carrying out professional work or as a firm of certified public accountants, that would reasonably be regarded as bringing or likely to bring discredit on the firm, the HKICPA or the accountancy profession;

limited partnership fund (有限合夥基金) has the meaning given by section 2 of the Limited Partnership Fund Ordinance (Cap. 637);

responsible person (負責人) has the meaning given by section 2 of the Limited Partnership Fund Ordinance (Cap. 637);

TCSP licensee (信託或公司服務持牌人) has the meaning given by section 1 of Part 2 of Schedule 1 to the AMLO.”

8. Section 4 amended (practice irregularity by PIE auditors, non-PIE auditors, etc.)

- (1) Section 4(2)(a)—

Repeal subparagraphs (i) and (ii)

Substitute

- “(i) ceased to comply with a requirement specified in section 20AAZX(3), (4), (5) or (6);
- (ii) failed to comply with a requirement specified in section 20AAZZG(2) or (4);”.

- (2) Section 4(2)(a)(iii)—

Repeal

“practice name;”

Substitute

“name in which the auditor was, at the time of rendering the service, registered in—

- (A) for a PIE auditor—the PIE auditors register; or
- (B) for a non-PIE auditor—the AFRC register;”.

- (3) Section 4(2)(a)(iv)—

Repeal

everything after “insurance”

Substitute

“as required by this Ordinance.”.

- (4) Section 4(2)(a)(vi), Chinese text, before “理事會” (wherever appearing)—

Add

“公會”.

- (5) Section 4(2)(b)(i)—

Repeal

everything after “not,”

Substitute

“at the time of rendering the service, appear in—

(A) for a PIE auditor—the PIE auditors register; or

(B) for a non-PIE auditor—the AFRC register; or”.

(6) Section 4(2)(b)(ii)—

Repeal

everything after “was”

Substitute

“not covered by professional indemnity insurance as required by this Ordinance.”.

(7) Section 4(3)(b) and (4)(b), Chinese text, before “理事會” (wherever appearing)—

Add

“公會”.

(8) Section 4(4)(c)—

Repeal

“practice name.”

Substitute

“name in which the auditor was, at the time of rendering the service, registered in—

(i) for a PIE auditor—the PIE auditors register; or

(ii) for a non-PIE auditor—the AFRC register.”.

(9) Section 4(5)(g), Chinese text, before “理事會” (wherever appearing)—

Add

“公會”.

(10) Section 4—

Repeal subsection (6).

9. Part 2 heading amended (Financial Reporting Council)

Part 2, heading, before “Financial”—

Add

“Accounting and”.

10. Section 6 amended (establishment of Financial Reporting Council)

(1) Section 6, heading—

Repeal

“Establishment of”

Substitute

“Accounting and”.

(2) Section 6—

Repeal subsection (1)

Substitute

“(1) On and after the 2021 Ordinance commencement date, the body corporate established under the former section 6(1) and known as “Financial Reporting Council” in English and “財務匯報局” in Chinese immediately before that date is known as—

- (a) “Accounting and Financial Reporting Council” in English; and
 - (b) “會計及財務匯報局” in Chinese.
- (1A) Despite the repeal of the former section 6(1)—
- (a) the body corporate established under that section continues in existence as the AFRC on and after the 2021 Ordinance commencement date; and
 - (b) accordingly, the jurisdiction, powers, functions and duties of that body corporate are not affected in any way by the change of name effected by subsection (1).
- (1B) To avoid doubt, the repeal of the former section 6(1) or the change of name effected by subsection (1) does not affect any power exercised or function or duty performed by that body corporate before the 2021 Ordinance commencement date.”.
- (3) Section 6(2) and (3)—
- Repeal**
“FRC”
- Substitute**
“AFRC”.
- (4) After section 6(3)—
- Add**
- “(4) In this section—
former section 6(1) (原有第 6(1)條) means section 6(1) as in force immediately before the 2021 Ordinance commencement date.”.

11. Section 7 amended (composition of FRC)

- (1) Section 7, heading—
- Repeal**
“FRC”
- Substitute**
“AFRC”.
- (2) Section 7—
- Repeal**
“FRC” (wherever appearing)
- Substitute**
“AFRC”.

12. Section 9 amended (functions of FRC)

- (1) Section 9, heading—
- Repeal**
“FRC”
- Substitute**
“AFRC”.
- (2) Section 9—
- Repeal**
“FRC are”
- Substitute**
“AFRC are”.
- (3) Section 9—
- Repeal paragraph (a)**
- Substitute**
“(a) to regulate—

- (i) certified public accountants through issuing practising certificates, and through investigation and disciplinary sanction;
 - (ii) CPA firms and corporate practices through registration, and practice units through inspection, investigation and disciplinary sanction; and
 - (iii) auditors of listed entities through a registration and recognition mechanism, and through inspection, investigation and disciplinary sanction;”.
- (4) Section 9(b)—
- Repeal subparagraphs (i), (ii), (iii) and (iv)**
- Substitute**
- “(i) ascertaining whether persons are qualified for registration as certified public accountants by conducting examinations and acting in such other manner as may be necessary, and dealing with applications and other matters relating to the registration of certified public accountants;
 - (ii) arranging with accountancy bodies in places outside Hong Kong for the mutual or reciprocal recognition of accountants;
 - (iii) setting continuing professional development requirements for certified public accountants;
 - (iv) issuing or specifying standards on professional ethics, and accounting, auditing and assurance practices, for certified public accountants; and
 - (v) providing training for qualifying for registration as, and the continuing professional development of, certified public accountants;”.
- (5) Section 9(e)—
- Repeal**

- “FRC”
- Substitute**
- “AFRC”.
- (6) Section 9(f)(ii)—
- Repeal**
- “engagement; or”
- Substitute**
- “engagement;”.
- (7) Section 9(f)(iii), after “entity;”—
- Add**
- “or”.
- (8) After section 9(f)(iii)—
- Add**
- “(iv) any CPA misconduct by a professional person;”.
- (9) Section 9(g)(ii)—
- Repeal**
- “engagement; or”
- Substitute**
- “engagement;”.
- (10) Section 9(g)(iii)—
- Repeal**
- “and”
- Substitute**
- “or”.
- (11) After section 9(g)(iii)—
- Add**

“(iv) any CPA misconduct by a professional person; and”.

(12) Section 9(h)—

Repeal

“FRC”

Substitute

“AFRC”.

13. Section 10 amended (powers of FRC)

(1) Section 10, heading—

Repeal

“FRC”

Substitute

“AFRC”.

(2) Section 10(1)—

Repeal

“FRC”

Substitute

“AFRC”.

(3) After section 10(1)—

Add

“(1AA) Without limiting subsection (1), the AFRC may, for performing its functions under section 9(a), request the HKICPA to provide information that the AFRC reasonably requires.

(1AAB) The HKICPA must comply with any request made under subsection (1AA).”.

(4) Section 10(1A)—

Repeal

“subsection (1), the FRC”

Substitute

“subsections (1) and (1AA), the AFRC”.

(5) Section 10(1A)(c), Chinese text—

Repeal

“財匯”

Substitute

“會財”.

(6) Section 10(2)—

Repeal

“(1) and (1A), the FRC”

Substitute

“(1), (1AA) and (1A), the AFRC”.

(7) Section 10(2)(a), (b), (h), (i) and (j)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

14. Section 10A added

After section 10—

Add

“10A. Advisory Committee

(1) There is to be an Advisory Committee to advise the AFRC on matters of policy regarding any of its regulatory objectives and functions.

- (2) The Advisory Committee is to be constituted in accordance with Part 4A of Schedule 2 and must conduct its business in accordance with that Part.
- (3) The Advisory Committee must meet at least once every 3 months to advise the AFRC.
- (4) The AFRC may request the Advisory Committee to advise it on matters of policy regarding any of its regulatory objectives and functions.”.

15. Section 12 amended (assistance, etc. to specified authorities under certain circumstances)

- (1) Section 12(1)—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 12(1)(a)(ii)—

Repeal

“; or”

Substitute a semicolon.

- (3) Section 12(1)(a)(iii)—

Repeal

“and”

Substitute

“or”.

- (4) After section 12(1)(a)(iii)—

Add

“(iv) any CPA misconduct by a professional person; and”.

- (5) Section 12(1)(b)(ii)—

Repeal

“; or”

Substitute a semicolon.

- (6) Section 12(1)(b)(iii)—

Repeal

“entity.”

Substitute

“entity; or”.

- (7) After section 12(1)(b)(iii)—

Add

“(iv) any CPA misconduct by a professional person.”.

- (8) Section 12(3)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

- (9) Section 12(4)—

Repeal

“FRC must”

Substitute

“AFRC must”.

- (10) Section 12(4)(a)(i)—

Repeal

“FRC”

Substitute

“AFRC”.

- (11) Section 12(5)—

Repeal

“FRC”

Substitute

“AFRC”.

- (12) Section 12(6)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

- (13) Section 12(7)(a)(i)—

Repeal

“25”

Substitute

“20ZZJ or 25”.

- (14) Section 12(7)—

Repeal

“FRC”

Substitute

“AFRC”.

16. Section 13 amended (FRC may issue guidelines)

- (1) Section 13, heading—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 13(1), (2) and (3)—

Repeal

“FRC”

Substitute

“AFRC”.

17. Section 14 amended (directions of Chief Executive)

- (1) Section 14(1)—

Repeal

“FRC, the Chief Executive may, if satisfied that it is in the public interest to do so, give the FRC written directions the Chief Executive considers appropriate on the performance of any of the FRC’s”

Substitute

“AFRC, the Chief Executive may, if satisfied that it is in the public interest to do so, give the AFRC written directions the Chief Executive considers appropriate on the performance of any of the AFRC’s”.

- (2) Section 14(2) and (3)—

Repeal

“FRC”

Substitute

“AFRC”.

18. Section 15 amended (FRC to furnish information)

- (1) Section 15, heading—

Repeal

“FRC”**Substitute****“AFRC”.**

- (2) Section 15—

Repeal**“FRC must”****Substitute****“AFRC must”.**

- (3) Section 15(a)—

Repeal**“FRC is pursuing or adopting, or proposes to pursue or adopt, in performing any of the FRC’s”****Substitute****“AFRC is pursuing or adopting, or proposes to pursue or adopt, in performing any of the AFRC’s”.****19. Part 2A added**

After Part 2—

Add**“Part 2A****Issue of Practising Certificate and Registration of Firm Name, Firm and Corporate Practice etc.****Division 1—Issue of Practising Certificate to Certified Public Accountant****Subdivision 1—Application for Practising Certificate****20AA. Application**

- (1) A certified public accountant may apply to the AFRC for a practising certificate.
- (2) The application must be made in the form and way specified by the AFRC.

20AAB. Decision on application

- (1) The AFRC may grant or refuse a practising certificate application.
- (2) The AFRC must not grant a practising certificate application unless it is satisfied that the applicant meets the requirements specified in section 20AAL.
- (3) The AFRC may grant a practising certificate application subject to the condition that the applicant must comply with the additional continuing professional development requirements set by the HKICPA within a period specified by the HKICPA.

20AAC. Notification of decision

- (1) The AFRC must inform the applicant for a practising certificate application of its decision on the application by written notice.
- (2) If the AFRC refuses the application, the notice must include a statement of the reasons for the decision.

20AAD. Issue of practising certificate

If the AFRC grants a practising certificate application, the AFRC must, on payment of the fee specified in Schedule 3B (if any), issue a practising certificate to the applicant in the form specified by the AFRC.

20AAE. Validity period of practising certificate

- (1) A practising certificate—
 - (a) takes effect—
 - (i) if the AFRC grants the practising certificate application—on the day specified in the notice from the AFRC under section 20AAC(1); or
 - (ii) if the AFRC refuses the application but the decision is reversed by a review or appeal under Part 3C—on the day when the reversal of decision takes effect; and
 - (b) expires on 31 December of the year in which the practising certificate takes effect.
- (2) A practising certificate is renewable annually.

Subdivision 2—Renewal of Practising Certificate**20AAF. Application**

- (1) A certified public accountant (practising) may apply to the AFRC for renewal of the accountant's practising certificate.
- (2) The application must be made no later than 15 December of the year in which the current practising certificate expires.
- (3) The application must be made in the form and way specified by the AFRC.

20AAG. Decision on application

- (1) The AFRC may grant or refuse a renewal application (practising certificate).
- (2) The AFRC must not grant a renewal application (practising certificate) unless it is satisfied that the applicant continues to meet the requirements specified in section 20AAL.
- (3) The AFRC may grant a renewal application (practising certificate) subject to the condition that the applicant must comply with the additional continuing professional development requirements set by the HKICPA within a period specified by the HKICPA.

20AAH. Notification of decision

- (1) The AFRC must inform the applicant for a renewal application (practising certificate) of its decision on the application by written notice.
- (2) If the AFRC refuses the application, the notice must include a statement of the reasons for the decision.

20AAI. Issue of practising certificate on renewal

If the AFRC grants a renewal application (practising certificate), the AFRC must, on payment of the fee specified in Schedule 3B (if any), issue a renewed practising certificate to the applicant in the form specified by the AFRC.

20AAJ. Current practising certificate remains in force until decision on renewal takes effect

- (1) This section applies if a renewal application (practising certificate) has been made but the application is not finally determined before the expiry of the current practising certificate.
- (2) Despite section 20AAE(1), the current practising certificate remains in force until—
 - (a) if the practising certificate is renewed—the day on which the renewal takes effect under section 20AAK; or
 - (b) if the application is refused—the day on which the refusal takes effect under Part 3C.

20AAK. Validity period of renewed practising certificate

The renewal of a practising certificate—

- (a) takes effect—
 - (i) if the AFRC grants the renewal application (practising certificate)—on the day specified in the notice from the AFRC under section 20AAH(1); or
 - (ii) if the AFRC refuses the application but the decision is reversed by a review or appeal under Part 3C—on the day when the reversal of decision takes effect; and

- (b) expires on 31 December of the year in which the renewal takes effect.

Subdivision 3—Requirements for Issue or Renewal of Practising Certificate and Supplementary Provisions**20AAL. Requirements for issue or renewal of practising certificate**

- (1) The requirements specified for the purposes of sections 20AAB(2) and 20AAG(2) are—
 - (a) the applicant—
 - (i) has had not less than 30 months of full time approved accounting experience in one or more specified offices after—
 - (A) becoming a member of a specified accountancy body; or
 - (B) being registered as a certified public accountant; or
 - (ii) has had not less than 4 years of full time approved accounting experience in one or more specified offices and at least 1 year of that experience has been acquired after the applicant—
 - (A) has become a member of a specified accountancy body; or
 - (B) has been registered as a certified public accountant;
 - (b) the applicant possesses the local experience and knowledge of local law and practice that the HKICPA Council considers necessary;

- (c) the applicant has complied with the continuing professional development requirements set by the HKICPA;
 - (d) the applicant is ordinarily resident in Hong Kong;
 - (e) the applicant is not bankrupt or has not entered into a voluntary arrangement (as defined by section 2 of the Bankruptcy Ordinance (Cap. 6)) with the applicant's creditors;
 - (f) the applicant is not subject to—
 - (i) an order made by a Disciplinary Committee under the former section 35(1)(db) of the PA Ordinance; or
 - (ii) a sanction imposed by the AFRC under section 37CA(2)(f); and
 - (g) the applicant intends to practise as a certified public accountant (practising).
- (2) For the purposes of subsection (1)(a), the HKICPA Council may require the whole or any part of the full time approved accounting experience mentioned in subsection (1)(a)(i) or (ii) to have been acquired within the period preceding the practising certificate application or renewal application (practising certificate) (as may be applicable) specified by the HKICPA Council.
- (3) For the purposes of subsection (1)(b), the HKICPA Council may—
- (a) require the applicant to sit the examinations set by the HKICPA Council, which must include an examination in local law and taxation; and
 - (b) require the applicant to have had not less than 1 year of full time approved accounting experience in Hong Kong.

- (4) The AFRC may dispense with the requirements under subsection (1)(b) or (d) if the AFRC considers that the applicant has acquired substantial experience in accountancy, either in Hong Kong or elsewhere, over a period of time considered sufficient by the AFRC.
- (5) A person registered as a public accountant (as defined by section 2(1) of the PA Ordinance) immediately before the relevant day (as defined by section 2(1) of that Ordinance) is exempted from meeting the requirements under subsection (1)(a), (b) and (d).
- (6) For the purposes of subsection (1)(d), a person is regarded as ordinarily resident in Hong Kong if the person has been present in Hong Kong for not less than 180 days during the period of 12 months preceding the practising certificate application or renewal application (practising certificate) (as may be applicable).
- (7) In this section—

approved accounting experience (認可會計經驗) means the professional accountancy experience approved as sufficient practical experience by the HKICPA Council;

former section 35(1)(db) of the PA Ordinance (《專業會計師條例》原有第 35(1)(db)條) means section 35(1)(db) of the PA Ordinance as in force immediately before the 2021 Ordinance commencement date;

specified accountancy body (指明會計團體) means—

- (a) an accountancy body between which and the HKICPA there is in force an agreement of mutual or reciprocal recognition; or
- (b) an accountancy body accepted by the HKICPA Council as described in section 24(1A) of the PA Ordinance;

specified office (指明辦事處) means the office of—

- (a) a certified public accountant (practising); or
- (b) a person practising public accountancy in the jurisdiction of a specified accountancy body.

20AAM. Applicant to provide information

- (1) An applicant for a practising certificate application or renewal application (practising certificate) must provide the AFRC with the information that the AFRC reasonably requires to enable it to consider the application.
- (2) In considering the application, the AFRC may have regard to any information in its possession (whether or not provided by the applicant).

20AAN. Offence of fraudulent procurement of issue of practising certificate

- (1) A person commits an offence if the person fraudulently procures the issue of a practising certificate under this Division to the person or any other person by means of any misleading, false or fraudulent representation or statement, whether made orally or in writing.
- (2) A person who commits an offence under subsection (1) is liable on conviction to a fine at level 4 and to imprisonment for 12 months.

Subdivision 4—Cancellation or Suspension of Practising Certificate

20AAO. Cancellation or suspension of practising certificate on non-disciplinary grounds

- (1) The AFRC may cancel the practising certificate held by a certified public accountant (practising) if—

- (a) the accountant fails to commence practice within 6 months after the date of issue of the practising certificate; or
 - (b) the accountant has become bankrupt or has entered into a voluntary arrangement (as defined by section 2 of the Bankruptcy Ordinance (Cap. 6)) with the accountant's creditors.
- (2) The AFRC may cancel or suspend the practising certificate held by a certified public accountant (practising) if—
- (a) the accountant requests the AFRC to do so;
 - (b) the AFRC is satisfied that the practising certificate has been issued—
 - (i) by mistake; or
 - (ii) in consequence of any misleading, false or fraudulent statement, declaration or representation, whether made orally or in writing; or
 - (c) the AFRC is of the opinion that the accountant has failed to comply with any condition imposed under section 20AAB(3) or 20AAG(3) regarding the additional continuing professional development requirements.
- (3) For the purposes of subsection (2), the AFRC may suspend the practising certificate held by a certified public accountant (practising) for a period of time, or until the occurrence of an event, that the AFRC considers appropriate.

20AAP. Notification of cancellation or suspension of practising certificate

- (1) If the AFRC decides to cancel or suspend the practising certificate held by a certified public accountant (practising) under section 20AAO(1) or (2), the AFRC must inform the accountant of its decision by written notice.
- (2) The notice must include a statement of the reasons for the decision.

Subdivision 5—Obligations of Certified Public Accountant (Practising)**20AAQ. Obligation to have registered office**

- (1) A certified public accountant (practising) must have a registered office in Hong Kong to which all communications and notices may be addressed.
- (2) A person who, without reasonable excuse, contravenes subsection (1) commits an offence and is liable on conviction to a fine at level 2.

20AAR. Obligation to inform AFRC of changes in particulars

- (1) If there is a change in any of the specified particulars of a certified public accountant (practising), the certified public accountant (practising) must, within 14 days after the day on which the change takes place, inform the AFRC of the change by written notice.
- (2) A person who, without reasonable excuse, contravenes subsection (1) commits an offence and is liable on conviction to a fine at level 2.
- (3) In this section—

specified particulars (指明詳情) means—

- (a) full name;
- (b) address of registered office;
- (c) telephone number; and
- (d) electronic mail address.

Division 2—Registration of Firm Name or Firm**Subdivision 1—Application for Registration of Firm Name or Firm****20AAS. Application**

- (1) A certified public accountant (practising) who intends to practise accountancy on the accountant's own account under a firm name may apply to the AFRC for registration of the firm name.
- (2) A firm of certified public accountants (practising) that intends to practise accountancy in partnership may apply to the AFRC for registration of the firm (including the firm name).
- (3) The application under subsection (1) or (2) must—
 - (a) be made in the form and way specified by the AFRC; and
 - (b) be accompanied by the fee specified in Schedule 3B (if any).

20AAT. Decision on application

- (1) The AFRC may grant or refuse a registration application (CPA firm).

- (2) The AFRC must not grant a registration application (CPA firm) unless it is satisfied that the applicant meets the requirements—
- (a) in relation to a firm name—specified in section 20AAZD; or
 - (b) in relation to the composition of a firm (if applicable)—specified in section 20AAZE.

20AAU. Notification of decision

- (1) The AFRC must inform the applicant for a registration application (CPA firm) of its decision on the application by written notice.
- (2) If the AFRC refuses the application, the notice must include a statement of the reasons for the decision.

20AAV. Issue of certificate of registration

If the AFRC grants a registration application (CPA firm), the AFRC must issue a certificate of registration to the applicant in the form specified by the AFRC.

20AAW. Validity period of registration

- (1) The registration of a firm name or firm—
 - (a) takes effect—
 - (i) if the AFRC grants the registration application (CPA firm)—on the day specified in the notice from the AFRC under section 20AAU(1); or
 - (ii) if the AFRC refuses the application but the decision is reversed by a review or appeal under Part 3C—on the day when the reversal of decision takes effect; and

- (b) expires on 31 December of the year in which the registration takes effect.
- (2) The registration of a firm name or firm is renewable annually.

Subdivision 2—Renewal of Registration of Firm Name or Firm**20AAX. Application**

- (1) A certified public accountant (practising) who practises accountancy on the accountant's own account under a firm name registered under this Division may apply to the AFRC for renewal of the registration of the firm name.
- (2) A firm of certified public accountants (practising) that—
 - (a) practises accountancy in partnership; and
 - (b) is registered under this Division,
 may apply to the AFRC for renewal of the registration of the firm (including the firm name).
- (3) The application under subsection (1) or (2) must be made no later than—
 - (a) 15 December of the year in which the current registration expires; or
 - (b) a later day approved by the AFRC either generally or in respect of a particular application.
- (4) The application must—
 - (a) be made in the form and way specified by the AFRC; and
 - (b) be accompanied by the fee specified in Schedule 3B (if any).

20AAAY. Decision on application

- (1) The AFRC may grant or refuse a renewal application (CPA firm registration).
- (2) The AFRC must not grant a renewal application (CPA firm registration) unless it is satisfied that the applicant continues to meet the requirements—
 - (a) in relation to a firm name—specified in section 20AAZD; or
 - (b) in relation to the composition of a firm (if applicable)—specified in section 20AAZE.

20AAZ. Notification of decision

- (1) The AFRC must inform the applicant for a renewal application (CPA firm registration) of its decision on the application by written notice.
- (2) If the AFRC refuses the application, the notice must include a statement of the reasons for the decision.

20AAZA. Issue of certificate of registration on renewal

If the AFRC grants a renewal application (CPA firm registration), the AFRC must issue a renewed certificate of registration to the applicant in the form specified by the AFRC.

20AAZB. Current registration remains in force until decision on renewal takes effect

- (1) This section applies if a renewal application (CPA firm registration) has been made but the application is not finally determined before the expiry of the current registration.
- (2) Despite section 20AAW(1), the current registration remains in force until—

- (a) if the registration is renewed—the day on which the renewal takes effect under section 20AAZC; or
- (b) if the application is refused—the day on which the refusal takes effect under Part 3C.

20AAZC. Validity period of renewed registration

The renewal of registration of a firm name or firm—

- (a) takes effect—
 - (i) if the AFRC grants the renewal application (CPA firm registration)—on the day specified in the notice from the AFRC under section 20AAZ(1); or
 - (ii) if the AFRC refuses the application but the decision is reversed by a review or appeal under Part 3C—on the day when the reversal of decision takes effect; and
- (b) expires on 31 December of the year in which the renewal takes effect.

Subdivision 3—Registration Requirements and Supplementary Provisions**20AAZD. Registration requirements—firm name**

The requirements specified for the purposes of sections 20AAT(2)(a) and 20AAY(2)(a) are that the firm name under which the applicant intends to practise or practises—

- (a) is not the same as a firm name already registered under this Division;
- (b) does not, in the opinion of the AFRC, so nearly resemble a firm name already registered under this Division as to be likely to cause confusion; and

- (c) is not, in the opinion of the AFRC, misleading, offensive or otherwise contrary to the public interest.

20AAZE. Registration requirements—firm composition

The requirements specified for the purposes of sections 20AAT(2)(b) and 20AAY(2)(b) are that, in relation to a firm of certified public accountants (practising) that intends to practise or practises accountancy in partnership—

- (a) all the partners are certified public accountants; and
- (b) at least a proportion of the partners, as specified by the AFRC, is a certified public accountant (practising) or are certified public accountants (practising).

20AAZF. Applicant to provide information

- (1) An applicant for a registration application (CPA firm) or renewal application (CPA firm registration) must provide the AFRC with the information that the AFRC reasonably requires to enable it to consider the application.
- (2) In considering the application, the AFRC may have regard to any information in its possession (whether or not provided by the applicant).

20AAZG. Offence of fraudulent procurement of registration of firm name or firm

- (1) A person commits an offence if the person fraudulently procures the registration of a firm name or firm under this Division by means of any misleading, false or fraudulent representation or statement, whether made orally or in writing.

- (2) A person who commits an offence under subsection (1) is liable on conviction to a fine at level 4 and to imprisonment for 12 months.

Subdivision 4—Revocation or Suspension of Registration of Firm Name or Firm

20AAZH. Revocation or suspension of registration on non-disciplinary grounds

- (1) The AFRC must revoke the registration of the firm name under which a certified public accountant (practising) practises accountancy on the accountant's own account if—
 - (a) the accountant dies; or
 - (b) the accountant ceases to be a certified public accountant (practising).
- (2) The AFRC must revoke the registration of a firm of certified public accountants (practising) that practises accountancy in partnership, and of the firm name under which the firm practises, if—
 - (a) the firm ceases to operate and the partnership is dissolved; or
 - (b) the firm ceases to be a firm of certified public accountants (practising).
- (3) The AFRC may revoke or suspend the registration of a firm name or firm if—
 - (a) the CPA firm requests the AFRC to do so; or
 - (b) the AFRC is satisfied that the CPA firm has been registered—
 - (i) by mistake; or

- (ii) in consequence of any misleading, false or fraudulent statement, declaration or representation, whether made orally or in writing.
- (4) For the purposes of subsection (3), the AFRC may suspend the registration of a firm name or firm for a period of time, or until the occurrence of an event, that the AFRC considers appropriate.

20AAZI. Notification of revocation or suspension of registration

- (1) If the AFRC decides to revoke or suspend the registration of a firm name or firm under section 20AAZH(1), (2) or (3), the AFRC must inform the CPA firm of its decision by written notice.
- (2) The notice must include a statement of the reasons for the decision.

20AAZJ. Effect of revocation or suspension of registration

- (1) If the registration of a firm name or firm is revoked under section 20AAZH(1), (2) or (3) or 37CA(2)(d)(i), the certificate of registration issued to the CPA firm under section 20AAV or 20AAZA is cancelled with effect from the date on which the revocation takes effect.
- (2) If the registration of a firm name or firm is suspended under section 20AAZH(3) or 37CA(2)(d)(ii), the certificate of registration issued to the CPA firm under section 20AAV or 20AAZA is suspended during the period in which the suspension of registration is in effect.

Subdivision 5—Obligations of CPA Firm**20AAZK. Obligation to have registered office**

- (1) A CPA firm must have a registered office in Hong Kong to which all communications and notices may be addressed.
- (2) A person who, without reasonable excuse, contravenes subsection (1) commits an offence and is liable on conviction to a fine at level 2.

20AAZL. Obligation to inform AFRC of changes in particulars

- (1) If there is a change in any of the specified particulars of a CPA firm, the CPA firm must, within 14 days after the day on which the change takes place, inform the AFRC of the change by written notice.
- (2) A person who, without reasonable excuse, contravenes subsection (1) commits an offence and is liable on conviction to a fine at level 2.
- (3) In this section—

specified particulars (指明詳情) means—

- (a) full name;
- (b) address of registered office;
- (c) telephone number; and
- (d) electronic mail address.

Division 3—Registration of Corporate Practice**Subdivision 1—Application for Registration of Corporate Practice****20AAZM. Application**

- (1) A company may apply to the AFRC to be registered as a corporate practice.
- (2) The application must—
 - (a) be made in the form and way specified by the AFRC; and
 - (b) be accompanied by the fee specified in Schedule 3B (if any).

20AAZN. Decision on application

- (1) The AFRC may grant or refuse a registration application (corporate practice).
- (2) The AFRC must not grant a registration application (corporate practice) unless it is satisfied that the applicant meets the requirements specified in section 20AAZX.

20AAZO. Notification of decision

- (1) The AFRC must inform the applicant for a registration application (corporate practice) of its decision on the application by written notice.
- (2) If the AFRC refuses the application, the notice must include a statement of the reasons for the decision.

20AAZP. Issue of certificate of registration

If the AFRC grants a registration application (corporate practice), the AFRC must issue a certificate of registration to the applicant in the form specified by the AFRC.

20AAZQ. Validity period of registration

- (1) The registration of a company as a corporate practice—
 - (a) takes effect—
 - (i) if the AFRC grants the company's registration application (corporate practice)—on the day specified in the notice from the AFRC under section 20AAZO(1); or
 - (ii) if the AFRC refuses the application but the decision is reversed by a review or appeal under Part 3C—on the day when the reversal of decision takes effect; and
 - (b) expires on 31 December of the year in which the registration takes effect.
- (2) The registration of a company as a corporate practice is renewable annually.

Subdivision 2—Renewal of Registration of Corporate Practice**20AAZR. Application**

- (1) A corporate practice may apply to the AFRC for renewal of its registration.
- (2) The application must be made no later than—
 - (a) 15 December of the year in which the current registration expires; or

(b) a later day approved by the AFRC either generally or in respect of a particular application.

(3) The application must—

(a) be made in the form and way specified by the AFRC; and

(b) be accompanied by the fee specified in Schedule 3B (if any).

20AAZS. Decision on application

(1) The AFRC may grant or refuse a renewal application (corporate practice registration).

(2) The AFRC must not grant a renewal application (corporate practice registration) unless it is satisfied that the applicant continues to meet the requirements specified in section 20AAZX.

20AAZT. Notification of decision

(1) The AFRC must inform the applicant for a renewal application (corporate practice registration) of its decision on the application by written notice.

(2) If the AFRC refuses the application, the notice must include a statement of the reasons for the decision.

20AAZU. Issue of certificate of registration on renewal

If the AFRC grants a renewal application (corporate practice registration), the AFRC must issue a renewed certificate of registration to the applicant in the form specified by the AFRC.

20AAZV. Current registration remains in force until decision on renewal takes effect

(1) This section applies if a renewal application (corporate practice registration) has been made but the application is not finally determined before the expiry of the current registration.

(2) Despite section 20AAZQ(1), the current registration remains in force until—

(a) if the registration is renewed—the day on which the renewal takes effect under section 20AAZW; or

(b) if the application is refused—the day on which the refusal takes effect under Part 3C.

20AAZW. Validity period of renewed registration

The renewal of registration of a corporate practice—

(a) takes effect—

(i) if the AFRC grants the practice's renewal application (corporate practice registration)—on the day specified in the notice from the AFRC under section 20AAZT(1); or

(ii) if the AFRC refuses the application but the decision is reversed by a review or appeal under Part 3C—on the day when the reversal of decision takes effect; and

(b) expires on 31 December of the year in which the renewal takes effect.

Subdivision 3—Registration Requirements and Supplementary Provisions

20AAZX. Registration requirements

- (1) This section sets out the requirements specified for the purposes of sections 20AAZN(2) and 20AAZS(2).
- (2) The applicant is a company—
 - (a) limited by shares; and
 - (b) of which every member and every director is a natural person.
- (3) If the applicant is a company that has only 1 member, both of the following conditions are met—
 - (a) the member is a certified public accountant (practising);
 - (b) the member is the only director of the company.
- (4) If the applicant is a company that has 2 or more members, all of the following conditions are met—
 - (a) each member is a certified public accountant;
 - (b) at least a proportion of the members, as specified by the AFRC, is a certified public accountant (practising) or are certified public accountants (practising);
 - (c) each member is a director of the company;
 - (d) no person other than a member of the company is a director of the company.
- (5) The applicant meets the professional indemnity requirements set out in section 20AAZY.
- (6) The articles of association of the applicant—

- (a) comply with the requirements of the rules made under section 51 of the PA Ordinance (if any); and
 - (b) include articles that are appropriate to the applicant having regard to the requirements specified in subsections (3) and (4).
- (7) The company name under which the applicant intends to practise or practises—
 - (a) is not the same as a company name of a corporate practice already registered under this Division;
 - (b) does not, in the opinion of the AFRC, so nearly resemble a company name of a corporate practice already registered under this Division as to be likely to cause confusion; and
 - (c) is not, in the opinion of the AFRC, misleading, offensive or otherwise contrary to the public interest.
 - (8) To avoid doubt, nothing in subsections (3) and (4) is to be construed as repealing by implication, or otherwise affecting, any provision of Part IVA of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) in its application to a director of a company.

20AAZY. Professional indemnity requirements for section 20AAZX(5)

- (1) The professional indemnity requirements for the purposes of section 20AAZX(5) are that—
 - (a) the applicant under section 20AAZX is to be or is covered by professional indemnity insurance provided by an approved insurer;
 - (b) the insurance is provided—
 - (i) on terms specified in the PAO rules; or

- (ii) if the terms are not so specified—on terms that have been approved by the HKICPA Council; and
 - (c) the applicant is covered by the insurance at least to the extent required by the PAO rules.
- (2) In this section—
- approved insurer** (認可保險人) means an insurer who is approved by the HKICPA Council to provide professional indemnity insurance to a corporate practice;
- PAO rules** (《規則》) means the rules made under section 51 of the PA Ordinance.

20AAZZ. Applicant to provide information

- (1) An applicant for a registration application (corporate practice) or renewal application (corporate practice registration) must provide the AFRC with the information that the AFRC reasonably requires to enable it to consider the application.
- (2) In considering the application, the AFRC may have regard to any information in its possession (whether or not provided by the applicant).

20AAZZA. Offence of fraudulent procurement of registration of corporate practice

- (1) A person commits an offence if the person fraudulently procures the registration of the person or any other person as a corporate practice under this Division by means of any misleading, false or fraudulent representation or statement, whether made orally or in writing.
- (2) A person who commits an offence under subsection (1) is liable on conviction to a fine at level 4 and to imprisonment for 12 months.

Subdivision 4—Revocation or Suspension of Registration of Corporate Practice**20AAZZB. Revocation or suspension of registration on non-disciplinary grounds**

- (1) The AFRC must revoke the registration of a corporate practice if the practice has commenced to be wound up.
- (2) The AFRC may revoke the registration of a corporate practice if the practice ceases to be a company described in section 20AAZX(2).
- (3) The AFRC may revoke or suspend the registration of a corporate practice if—
 - (a) the practice requests the AFRC to do so; or
 - (b) the AFRC is satisfied that the practice has been registered—
 - (i) by mistake; or
 - (ii) in consequence of any misleading, false or fraudulent statement, declaration or representation, whether made orally or in writing.
- (4) For the purposes of subsection (3), the AFRC may suspend the registration of a corporate practice for a period of time, or until the occurrence of an event, that the AFRC considers appropriate.

20AAZZC. Notification of revocation or suspension of registration

- (1) If the AFRC decides to revoke or suspend the registration of a corporate practice under section 20AAZZB(1), (2) or (3), the AFRC must inform the practice of its decision by written notice.

- (2) The notice must include a statement of the reasons for the decision.

20AAZZD. Effect of revocation or suspension of registration

- (1) If the registration of a corporate practice is revoked under section 20AAZZB(1), (2) or (3) or 37CA(2)(d)(i), the certificate of registration issued to the practice under section 20AAZP or 20AAZU is cancelled with effect from the date on which the revocation takes effect.
- (2) If the registration of a corporate practice is suspended under section 20AAZZB(3) or 37CA(2)(d)(ii), the certificate of registration issued to the practice under section 20AAZP or 20AAZU is suspended during the period in which the suspension of registration is in effect.

Subdivision 5—Obligations of Corporate Practice

20AAZZE. Obligation to have registered office

- (1) A corporate practice must have a registered office (within the meaning of the Companies Ordinance (Cap. 622)) in Hong Kong to which all communications and notices may be addressed.
- (2) A person who, without reasonable excuse, contravenes subsection (1) commits an offence and is liable on conviction to a fine at level 2.

20AAZZF. Obligation to inform AFRC of changes in particulars

- (1) If there is a change in any of the specified particulars of a corporate practice, the practice must, within 14 days after the day on which the change takes place, inform the AFRC of the change by written notice.

- (2) A person who, without reasonable excuse, contravenes subsection (1) commits an offence and is liable on conviction to a fine at level 2.

- (3) In this section—

specified particulars (指明詳情) means—

- (a) full name;
- (b) address of registered office;
- (c) telephone number; and
- (d) electronic mail address.

20AAZZG. Obligation to inform AFRC of cessation to comply with certain requirements

- (1) This section applies if a corporate practice ceases to comply with a requirement specified in section 20AAZX(2), (3), (4), (5) or (6) (*requirement concerned*).
- (2) The corporate practice must, within 14 days after the day on which the cessation begins, inform the AFRC of the cessation by written notice.
- (3) On receipt of the notice, the AFRC may—
- (a) impose any condition in relation to the registration of the corporate practice for the purpose of requiring the practice to comply with the requirement concerned; and
- (b) record the condition in the AFRC register in the way it considers appropriate.
- (4) The corporate practice must comply with the condition imposed by the AFRC within the period specified by the AFRC.

- (5) A person who, without reasonable excuse, contravenes subsection (4) commits an offence and is liable on conviction to a fine at level 4.

20AAZZH. Obligation to inform AFRC of proposed amendment to articles of association

- (1) This section applies if it is proposed to amend the articles of association of a corporate practice (*proposal*) at a meeting of the members of the practice (*members' meeting*).
- (2) The corporate practice must inform the AFRC of the proposal by written notice.
- (3) The notice mentioned in subsection (2) must be sent to the AFRC no later than the day on which notice of the members' meeting is given to the members of the corporate practice.
- (4) If the proposal is approved by passing a special resolution at the members' meeting, the practice must inform the AFRC of the approval by written notice.
- (5) The notice mentioned in subsection (4) must be sent to the AFRC within 21 days beginning on the date on which the special resolution is passed.
- (6) If a corporate practice fails to comply with the requirement specified in subsection (2) or (4), the AFRC may—
- (a) revoke the registration of the practice; or
 - (b) suspend the registration of the practice for a period of time, or until the occurrence of an event, that the AFRC considers appropriate.

- (7) If the AFRC decides to revoke or suspend the registration of the practice under subsection (6), the AFRC must inform the practice of its decision by written notice.
- (8) The notice must include a statement of the reasons for the decision.

Division 4—Register of Certified Public Accountants (Practising), CPA Firms and Corporate Practices

20AAZZI. AFRC to establish and maintain register of certified public accountants (practising), CPA firms and corporate practices

- (1) The AFRC must establish and maintain, in a form it considers appropriate, a register of—
- (a) certified public accountants (practising);
 - (b) CPA firms; and
 - (c) corporate practices.
- (2) The register must contain, in relation to each certified public accountant (practising)—
- (a) the full name of the accountant;
 - (b) the address of the registered office of the accountant;
 - (c) the qualification because of which the practising certificate is issued to the accountant; and
 - (d) any other particulars the AFRC considers appropriate.
- (3) The register must contain, in relation to each CPA firm—
- (a) the full name of the firm;
 - (b) the address of the registered office of the firm; and

- (c) any other particulars the AFRC considers appropriate.
- (4) The register must contain, in relation to each corporate practice—
 - (a) the full name of the practice;
 - (b) the address of the registered office of the practice; and
 - (c) any other particulars the AFRC considers appropriate.

20AAZZJ. Inspection of AFRC register etc.

- (1) A person may, at all reasonable times—
 - (a) if the AFRC register is kept in a documentary form—inspect the register free of charge; or
 - (b) if the AFRC register is kept otherwise than in a documentary form—inspect a reproduction of any information recorded in the register in a legible form free of charge.
- (2) A person may, at all reasonable times and on payment of the fee specified in Schedule 3B, obtain—
 - (a) a copy of an entry in, or an extract of, the AFRC register; or
 - (b) a copy of the entry or extract certified by an authorized officer of the AFRC as a true copy of the entry or extract.
- (3) A right under subsection (1) or (2) is only exercisable for enabling a person—
 - (a) to ascertain whether the person is dealing with—
 - (i) a certified public accountant (practising);
 - (ii) a CPA firm; or

- (iii) a corporate practice; or
- (b) to ascertain the particulars of—
 - (i) a certified public accountant (practising);
 - (ii) a CPA firm; or
 - (iii) a corporate practice.
- (4) In any legal proceedings—
 - (a) a document purporting—
 - (i) to be a copy of an entry in, or an extract of, the AFRC register; and
 - (ii) to be certified by an authorized officer of the AFRC as a true copy of the entry or extract, is admissible in evidence on its production without further proof; and
 - (b) unless there is evidence to the contrary, on being admitted in evidence under paragraph (a), the document—
 - (i) is presumed to be certified by an authorized officer of the AFRC;
 - (ii) is presumed to be a true copy of the entry or extract; and
 - (iii) is proof of its content.
- (5) The AFRC must, as far as practicable, make the AFRC register available to any person for inspection free of charge on the Internet.

20AAZZK. Offence of falsifying AFRC register

- (1) A person commits an offence if the person falsifies or causes to be falsified the AFRC register.

- (2) A person who commits an offence under subsection (1) is liable on conviction to a fine at level 4 and to imprisonment for 12 months.

Division 5—Prohibitions and Related Offences

20AAZZL. Prohibition on pretending to be or practising as certified public accountant (practising) etc.

- (1) A person who is not a certified public accountant (practising) must not pretend to be qualified to practise as a certified public accountant (practising).
- (2) A person who is not a certified public accountant (practising) must not take or use any name, initials, title, addition or description implying that the person is qualified to practise as a certified public accountant (practising).
- (3) A person who is not a certified public accountant (practising) must not, either directly or indirectly, practise as a certified public accountant (practising).
- (4) A person who—
 - (a) contravenes subsection (1); or
 - (b) without reasonable excuse, contravenes subsection (2) or (3),
 commits an offence.
- (5) A person who commits an offence under subsection (4) is liable on conviction to a fine at level 4 and to imprisonment for 12 months.

20AAZZM. Prohibition on signing audit report without practising certificate

- (1) A person must not sign an audit report unless the person is a certified public accountant (practising).
- (2) A person who, without reasonable excuse, contravenes subsection (1) commits an offence and is liable on conviction to a fine at level 4 and to imprisonment for 12 months.

20AAZZN. Prohibition on advertising etc. as certified public accountant (practising) or CPA firm or taking certain descriptions

- (1) A person that is not a certified public accountant (practising) or CPA firm must not—
 - (a) advertise or represent himself, herself or itself as being qualified to practise as a certified public accountant (practising) or CPA firm;
 - (b) publish that the person is qualified to practise as a certified public accountant (practising) or CPA firm; or
 - (c) knowingly permit himself, herself or itself to be so advertised, represented or published.
- (2) A person that is not a certified public accountant (practising) or CPA firm must not—
 - (a) take the description—
 - (i) “certified public accountant (practising)”;
 - (ii) “public accountant”;
 - (b) use the description mentioned in paragraph (a) in conjunction with—
 - (i) the person’s name;

- (ii) a name that the person may have assumed; or
 - (iii) a name by which the person may describe himself, herself or itself.
- (3) A person that is not a certified public accountant (practising) or CPA firm must not use in conjunction with the person's name—
- (a) the abbreviation “CPA (practising)”;
 - (b) the initials “PA”; or
 - (c) the characters—
 - (i) “執業會計師”;
 - (ii) “註冊核數師”;
 - (iii) “核數師”; or
 - (iv) “審計師”.
- (4) A person that is not a certified public accountant (practising) or CPA firm must not knowingly permit the use of, or use, in connection with the person's business, trade, calling or profession—
- (a) the description mentioned in subsection (2)(a)(i) or (ii);
 - (b) the abbreviation mentioned in subsection (3)(a);
 - (c) the initials mentioned in subsection (3)(b); or
 - (d) the characters mentioned in subsection (3)(c).
- (5) A person who—
- (a) without reasonable excuse, contravenes subsection (1)(a) or (b), (2) or (3); or
 - (b) contravenes subsection (1)(c) or (4), commits an offence.

- (6) A person who commits an offence under subsection (5) is liable on conviction to a fine at level 4 and to imprisonment for 12 months.

20AAZZO. Prohibition on holding out as corporate practice or taking certain descriptions

- (1) A corporation that is not a corporate practice must not provide, offer to provide, or hold itself out as providing, any professional service that only a practice unit may lawfully provide.
- (2) A corporation that is not a corporate practice must not—
 - (a) advertise or represent itself as being qualified to practise as a practice unit;
 - (b) publish that it is qualified to practise as a practice unit; or
 - (c) permit itself to be so advertised, represented or published.
- (3) A corporation that is not a corporate practice must not use in conjunction with its name—
 - (a) the description “certified public accountant (practising)”;
 - (b) the description “public accountant”.
- (4) A corporation that is not a corporate practice must not use in conjunction with its name—
 - (a) the abbreviation “CPA (practising)”;
 - (b) the initials “PA”; or
 - (c) the characters—
 - (i) “執業會計師”;
 - (ii) “註冊核數師”;

- (iii) “核數師”; or
 - (iv) “審計師”.
- (5) A corporation that is not a corporate practice must not permit the use of, or use, in connection with its business—
- (a) the description mentioned in subsection (3)(a) or (b);
 - (b) the abbreviation mentioned in subsection (4)(a);
 - (c) the initials mentioned in subsection (4)(b); or
 - (d) the characters mentioned in subsection (4)(c).
- (6) A corporation that is not a corporate practice must not include in, or use in conjunction with, its name—
- (a) the description “certified public accountant” (other than as part of the description referred to in subsection (3)(a));
 - (b) the initials “CPA” (other than as part of the abbreviation referred to in subsection (4)(a)); or
 - (c) the characters “會計師” (other than as part of the characters referred to in subsection (4)(c)(i)),
- with the intention of causing, or in a way that may reasonably cause, a person to believe that it is a practice unit.
- (7) A person who—
- (a) without reasonable excuse, contravenes subsection (1), (2), (3), (4) or (5); or
 - (b) contravenes subsection (6),
- commits an offence.
- (8) A person who commits an offence under subsection (7) is liable on conviction to a fine at level 4.

20AAZZP. Sections 20AAZZN and 20AAZZO do not apply to member of non-Hong Kong accountancy body

- (1) This section applies to a person who is a member of a non-Hong Kong accountancy body but is not a certified public accountant.
- (2) If—
- (a) a person uses a description or initials that the person is entitled to use under the constitution of a non-Hong Kong accountancy body of which the person is a member; and
 - (b) by such use the person does not represent that the person is—
 - (i) a certified public accountant; or
 - (ii) entitled to practise as a certified public accountant (practising), CPA firm or corporate practice,
- sections 20AAZZN and 20AAZZO do not apply in relation to such use.
- (3) In this section—
- non-Hong Kong accountancy body*** (外地會計團體) means a body or institute of accountants outside Hong Kong.

20AAZZQ. Liability of officer of corporation for certain offences

- (1) If—
- (a) the person who commits an offence under section 20AAZZE(2), 20AAZZF(2), 20AAZZG(5) or 20AAZZO(7) is a corporation; and
 - (b) it is proved that the act or omission constituting the offence was that of an officer of the corporation,
- the officer also commits the offence.

- (2) A person who commits an offence under section 20AAZZE(2) or 20AAZZF(2) because of subsection (1) is liable on conviction to a fine at level 2.
- (3) A person who commits an offence under section 20AAZZG(5) or 20AAZZO(7) because of subsection (1) is liable on conviction to a fine at level 4 and to imprisonment for 12 months.
- (4) It is a defence for a person charged with an offence under this section (except in respect of the relevant offence) to establish that the person had a reasonable excuse for the act or omission.
- (5) The person is to be taken to have established that the person had a reasonable excuse for the act or omission if—
 - (a) sufficient evidence is adduced to raise an issue that the person had such a reasonable excuse; and
 - (b) the contrary is not proved by the prosecution beyond reasonable doubt.
- (6) In this section—
relevant offence (有關罪行) means an offence under section 20AAZZO(7) for the contravention of section 20AAZZO(6).

20AAZZR. Prohibition on holding appointment or rendering services and recovering fees etc.

- (1) A person that is not a certified public accountant (practising), a CPA firm or a corporate practice must not hold any appointment or render any services, whether paid or unpaid, as—
 - (a) an auditor of a company within the meaning of the Companies Ordinance (Cap. 622); or

- (b) an auditor of accounts for the purposes of any other Ordinance.
- (2) The AFRC may, on application, exempt a person from the operation of subsection (1)(b).
- (3) A person is entitled to recover any fees, remuneration or expenses for, or in respect of, any appointment held or services rendered by the person as a certified public accountant (practising) or a corporate practice only if the person is a certified public accountant (practising) or a corporate practice (as appropriate).

20AAZZS. Division 5 does not prevent certain acts

To avoid doubt, this Division does not—

- (a) prevent a person from—
 - (i) practising publicly as, or describing himself, herself or itself as, an accountant, secretary, book-keeper, tax-agent, tax-consultant or cost-consultant;
 - (ii) describing himself or herself by any other designations, abbreviations, initials or characters that do not convey the impression that the person is entitled to practise as a certified public accountant (practising); or
 - (iii) acting as an auditor of a registered trade union within the meaning of the Trade Unions Ordinance (Cap. 332) with the approval of the Registrar of Trade Unions appointed under that Ordinance; or
- (b) prevent a member of a club, institution or association that is not carried on with a view to profit

from acting as an auditor of the club, institution or association.”.

20. Section 20G amended (application)

Section 20G(1) and (2)(a)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

21. Section 20H amended (decision on application)

Section 20H(1) and (2)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

22. Section 20I amended (notification of decision)

Section 20I(1) and (2)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

23. Section 20J amended (validity of registration)

(1) Section 20J(1)(a)(i)—

Repeal

“HKICPA Council grants the unit’s registration application—on the day specified in the notice from the Council”

Substitute

“AFRC grants the unit’s registration application—on the day specified in the notice from the AFRC”.

(2) Section 20J(1)(a)(ii)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

(3) Section 20J(1)(b)—

Repeal

“subject to subsection (2),”.

(4) Section 20J—

Repeal subsection (2).**24. Section 20K amended (application)**

Section 20K(1) and (3)(a)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

25. Section 20L amended (decision on application)

Section 20L(1) and (2)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

26. Section 20M amended (notification of decision)

Section 20M(1) and (2)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

27. Section 20N amended (current registration remains in force until decision on renewal takes effect)

Section 20N(2)—

Repeal

“20J(1) or (2),”

Substitute

“20J(1),”.

28. Section 20O amended (validity of renewed registration)

(1) Section 20O(a)(i)—

Repeal

“HKICPA Council grants the auditor’s renewal application (registration)—on the day specified in the notice from the Council”

Substitute

“AFRC grants the auditor’s renewal application (registration)—on the day specified in the notice from the AFRC”.

(2) Section 20O(a)(ii)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

29. Section 20P amended (applicant to provide information)

(1) Section 20P(1)—

Repeal

“HKICPA Council with the information that the Council”

Substitute

“AFRC with the information that the AFRC”.

(2) Section 20P(2)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

30. Section 20Q amended (determination of fit and proper)

(1) Section 20Q—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

(2) Section 20Q(d)—

Repeal

“Professional Accountants Ordinance (Cap. 50)”

Substitute

“PA Ordinance”.

31. Section 20S amended (HKICPA Council may impose or amend conditions)

- (1) Section 20S, heading—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

- (2) Section 20S(1)—

Repeal

“HKICPA Council may impose any condition in relation to the registration of a PIE auditor that the Council”

Substitute

“AFRC may impose any condition in relation to the registration of a PIE auditor that the AFRC”.

- (3) Section 20S(1)(a), Chinese text—

Repeal

“理事會”

Substitute

“會財局”.

- (4) Section 20S(2)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

- (5) Section 20S(3)—

Repeal

“HKICPA Council decides to impose or amend a condition in relation to the registration of a PIE auditor, the Council”

Substitute

“AFRC decides to impose or amend a condition in relation to the registration of a PIE auditor, the AFRC”.

32. Section 20T amended (registration may be revoked or suspended on non-disciplinary grounds)

- (1) Section 20T(1)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

- (2) Section 20T(2)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

- (3) Section 20T(2)(a) and (b)—

Repeal

“Council”

Substitute

“AFRC”.

- (4) Section 20T(3)—

Repeal

“HKICPA Council may suspend the registration of a PIE auditor for a period of time, or until the occurrence of an event, that the Council”

Substitute

“AFRC may suspend the registration of a PIE auditor for a period of time, or until the occurrence of an event, that the AFRC”.

- (5) Section 20T(4)—

Repeal

“HKICPA Council decides to revoke or suspend the registration of a PIE auditor under subsection (1) or (2), the Council”

Substitute

“AFRC decides to revoke or suspend the registration of a PIE auditor under subsection (1) or (2), the AFRC”.

33. Section 20X amended (failure to meet certain requirements after registration)

- (1) Section 20X(2) and (3)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

- (2) Section 20X(4)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

- (3) Section 20X(4)(b)—

Repeal

“Council”

Substitute

“AFRC”.

- (4) Section 20X(5)—

Repeal

“HKICPA Council decides to revoke or suspend the registration of the auditor under subsection (4), the Council”

Substitute

“AFRC decides to revoke or suspend the registration of the auditor under subsection (4), the AFRC”.

34. Section 20Y amended (additional registered responsible persons)

Section 20Y(2), (3), (4) and (5)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

35. Section 20Z amended (registered PIE auditor to notify changes in particulars)

Section 20Z(1)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

36. Section 20ZA amended (registered PIE auditor to notify changes in registered responsible persons, partners and directors)

Section 20ZA(1)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

37. Section 20ZJ amended (validity of recognition)

(1) Section 20ZJ(1)(b)—

Repeal

“subject to subsection (2),”.

(2) Section 20ZJ—

Repeal subsection (2).

38. Section 20ZN amended (current recognition remains in force until decision on renewal takes effect)

Section 20ZN(2)—

Repeal

“20ZJ(1) or (2),”

Substitute

“20ZJ(1),”.

39. Section 20ZR amended (FRC may impose or amend conditions)

(1) Section 20ZR, heading—

Repeal

“FRC”

Substitute

“AFRC”.

(2) Section 20ZR(1), (2) and (3)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

40. Section 20ZX amended (HKICPA Registrar to establish and maintain register of PIE auditors)

(1) Section 20ZX, heading—

Repeal

“HKICPA Registrar”

Substitute

“AFRC”.

(2) Section 20ZX(1)—

Repeal

“HKICPA Registrar must establish and maintain a register of PIE auditors in a form the Registrar”

Substitute

“AFRC must establish and maintain a register of PIE auditors in a form the AFRC”.

(3) Section 20ZX(2)(c)—

Repeal

“HKICPA Council”

Substitute

“AFRC”.

(4) Section 20ZX(2)(e)(ii)—

Repeal

“Professional Accountants Ordinance (Cap. 50)”

Substitute

“PA Ordinance as in force before the 2021 Ordinance commencement date”.

- (5) Section 20ZX(2)(f)—

Repeal

“Registrar”

Substitute

“AFRC”.

- (6) Section 20ZX(3)(c)—

Repeal

“FRC”

Substitute

“AFRC”.

- (7) Section 20ZX(3)(f)—

Repeal

“Registrar”

Substitute

“AFRC”.

- (8) Section 20ZX—

Repeal subsection (4).

41. Section 20ZY amended (inspection of PIE auditors register etc.)

- (1) Section 20ZY(2)(b) and (4)(a)(ii) and (b)(i)—

Repeal

“HKICPA”

Substitute

“AFRC”.

- (2) Section 20ZY(5)—

Repeal

“HKICPA Registrar”

Substitute

“AFRC”.

42. Part 3AA added

After Part 3—

Add

“Part 3AA

**Inspection and Investigation in relation to
Practice Units etc.**

Division 1—Preliminary

20ZZ. Interpretation

In this Part—

inspection report (查察報告) means a report prepared by a CPA inspector under section 20ZZD(1);

investigation report (調查報告) means a report prepared by a CPA investigator under section 20ZZN(1) or (2).

Division 2—Inspection in relation to Practice Units

Subdivision 1—Conduct of Inspection

20ZZA. AFRC may appoint CPA inspectors

- (1) The AFRC may, in writing, appoint—
(a) an employee of the AFRC; or

- (b) with the consent of the Financial Secretary, any other person,
as a CPA inspector for the purposes of this Ordinance.
- (2) A CPA inspector must be—
 - (a) a certified public accountant; or
 - (b) a member of an accountancy body that is a member of the International Federation of Accountants.
- (3) The AFRC must provide a CPA inspector with a copy of the appointment.

20ZZB. AFRC may direct inspection to be carried out for determining observance etc.

- (1) The AFRC may—
 - (a) specify a PAO professional standard in relation to which an inspection under this Division is to be carried out;
 - (b) subject to subsection (2), direct a CPA inspector to carry out an inspection in relation to a practice unit for the purpose of determining whether the unit has observed, maintained or applied the PAO professional standard; and
 - (c) determine the practices and procedures to be followed for an inspection under this Division.
- (2) A direction under subsection (1)(b) must not require an inspection to be carried out in relation to the PIE engagements completed by a PIE auditor on or after the 2019 Ordinance commencement date.
- (3) The AFRC must provide the CPA inspector with a copy of its direction.

20ZZC. Powers of CPA inspector

- (1) For the purposes of an inspection under this Division, a CPA inspector may require a person specified in subsection (2)—
 - (a) to produce to the CPA inspector, or give the CPA inspector access to, within the time and at the place specified in the requirement, any specified document in the person's possession, or under the person's control, that the CPA inspector has reasonable cause to believe to be relevant to the inspection (*required document*);
 - (b) to give to the CPA inspector such explanation or further particulars in respect of a required document as the CPA inspector specifies; and
 - (c) to give to the CPA inspector all assistance in connection with the inspection that the person is reasonably able to give.
- (2) The person specified for subsection (1) is any of the following persons whom the CPA inspector has reasonable cause to believe to be in possession of, or in control of, a required document—
 - (a) if the practice unit to which the inspection relates (*unit concerned*) is a certified public accountant (practising) who practises accountancy on the accountant's own account—that accountant;
 - (b) if the unit concerned is a firm of certified public accountants (practising) or a corporate practice—a certified public accountant working in the unit;
 - (c) a person employed by, or whose services are engaged by, the unit concerned.
- (3) A CPA inspector may—

- (a) inspect, examine or make copies of a required document; or
 - (b) take any abstract of, or extract from, a required document.
- (4) A CPA inspector exercising a power under this section must, if so requested by a person affected by the exercise, produce for inspection by the person a copy of the appointment provided to the CPA inspector under section 20ZZA(3).
- (5) Nothing in this section is to be taken to compel the production by a person of a record or document containing privileged communication by or to a legal practitioner in that capacity.
- (6) In this section—
- specified document* (指明文件) means any record or document specified by a CPA inspector, or any record or document that is of a class or description specified by a CPA inspector, for the purposes of subsection (1).

Subdivision 2—Inspection Report

20ZZD. Report for inspection in relation to practice units

- (1) A CPA inspector who carries out an inspection under this Division must prepare and submit to the AFRC a written report in relation to the inspection—
- (a) at the conclusion of the inspection; and
 - (b) if required by the AFRC—at any other stage of the inspection.
- (2) Before submitting an inspection report to the AFRC, the CPA inspector must—
- (a) send a dated draft of the report to—

- (i) the practice unit concerned; and
 - (ii) any other person named in the draft; and
- (b) give every person to whom the draft is sent under paragraph (a) a reasonable opportunity of being heard.
- (3) After submitting an inspection report to the AFRC, the CPA inspector must send a copy of the report to—
- (a) the practice unit concerned; and
 - (b) any other person named in the report.
- (4) When sending a draft or copy of the inspection report under this section, the CPA inspector must send it by registered post—
- (a) for the practice unit concerned—to the registered office of the unit; or
 - (b) for any other person named in the draft or report—to the last known address of the person.

20ZZE. AFRC's power to take follow-up action after inspection in relation to practice units

- (1) The AFRC may, having regard to an inspection report in relation to a practice unit—
- (a) decide no follow-up action is required;
 - (b) require the unit to take a measure or corrective action regarding compliance with a PAO professional standard;
 - (c) direct a CPA inspector to carry out a further inspection under this Division in relation to the unit within a period specified by the AFRC;
 - (d) initiate an investigation under section 20ZZH; or

- (e) impose a sanction on, or take an action in relation to, the unit or any certified public accountant to which the inspection relates under section 37CA or 37I(1A).
- (2) A period specified under subsection (1)(c) must not commence earlier than 6 months after the date of the direction concerned.

20ZZF. Change in composition of practice unit

- (1) This section applies to—
 - (a) any change in the composition of a practice unit whenever occurring; and
 - (b) any inspection under this Division whenever conducted.
- (2) If a change in the composition of a practice unit occurs, a reference in this Division to a practice unit includes the unit after the change.
- (3) A power under this Division is exercisable in relation to a practice unit despite any change in the composition of the unit.
- (4) A change in the composition of a practice unit does not affect—
 - (a) any right, obligation or liability acquired or incurred by, or accrued to, the unit under this Division before the change; or
 - (b) any inspection or further inspection in relation to the unit under this Division.
- (5) Any inspection or further inspection under this Division may be carried out and continued in relation to a practice unit despite any change or further changes in the composition of the unit.

- (6) In this section, a reference to a change in the composition of a practice unit is a reference to—
 - (a) a change in the name of the unit, whether or not following or in consequence of an event described in paragraph (b), (c) or (d);
 - (b) if the unit is a certified public accountant (practising) who practises accountancy on the accountant's own account—the admission by the accountant of any partner to the accountant's practice;
 - (c) if the unit is a firm of certified public accountants (practising)—a change in the persons who comprise the partners of the firm, but only if at least one of the partners of the firm before the change is a partner of the firm after the change; or
 - (d) if the unit is a corporate practice—a change in the persons who comprise the directors of the practice.

Division 3—Investigation in relation to Professional Persons**Subdivision 1—Conduct of Investigation****20ZZG. AFRC may appoint CPA investigators**

- (1) The AFRC may, in writing, appoint—
 - (a) an employee of the AFRC; or
 - (b) with the consent of the Financial Secretary, any other person,
 as a CPA investigator for the purposes of this Ordinance.
- (2) The AFRC must provide a CPA investigator with a copy of the appointment.

20ZZH. AFRC may direct investigation to be carried out in relation to professional persons

- (1) This section applies if the AFRC, for considering whether to impose a sanction under section 37CA, has reason to inquire into whether a professional person, or a person while being a professional person, has committed a professional irregularity within the meaning of section 3B.
- (2) The AFRC may direct a CPA investigator to carry out an investigation into the possible professional irregularity.
- (3) A direction under subsection (2) must not require an investigation to be carried out if—
 - (a) the person to be investigated is a PIE auditor or non-PIE auditor;
 - (b) the investigation relates to a PIE engagement or non-PIE engagement completed by the person; and
 - (c) the professional irregularity to be investigated is a practice irregularity within the meaning of section 4.
- (4) The AFRC must provide the CPA investigator with a copy of its direction.

20ZZI. AFRC may direct investigation in relation to professional persons to be suspended

- (1) The AFRC may direct a CPA investigator to suspend an investigation under this Division for a period of time the AFRC considers appropriate.
- (2) The AFRC must provide the CPA investigator with a copy of its direction.

20ZZJ. Powers of CPA investigator

- (1) For the purposes of an investigation under this Division, a CPA investigator may require a person specified in subsection (2)—
 - (a) to produce to the CPA investigator, or give the CPA investigator access to, within the time and at the place specified in the requirement, any specified document in the person's possession, or under the person's control, that the CPA investigator has reasonable cause to believe to be relevant to the investigation (*required document*);
 - (b) to give to the CPA investigator such explanation or further particulars in respect of a required document as the CPA investigator specifies; and
 - (c) to give to the CPA investigator all assistance in connection with the investigation that the person is reasonably able to give.
- (2) The person specified for subsection (1) is any of the following persons whom the CPA investigator has reasonable cause to believe to be in possession of, or in control of, a required document—
 - (a) a professional person;
 - (b) a person who is—
 - (i) an employee or former employee of a professional person; and
 - (ii) a student registered with the HKICPA;
 - (c) if the investigation relates to a practice unit—an employee or former employee of the unit;

- (d) if the investigation relates to a certified public accountant—the employer or former employer (if any) of the accountant.
- (3) A CPA investigator may—
- (a) inspect, examine or make copies of a required document; or
- (b) take any abstract of, or extract from, a required document.
- (4) A CPA investigator exercising a power under this section must, if so requested by a person affected by the exercise, produce for inspection by the person a copy of the appointment provided to the CPA investigator under section 20ZZG(2).
- (5) Nothing in this section is to be taken to compel the production by a person of a record or document containing privileged communication by or to a legal practitioner in that capacity.
- (6) In this section—

specified document (指明文件) means any record or document specified by a CPA investigator, or any record or document that is of a class or description specified by a CPA investigator, for the purposes of subsection (1).

20ZZK. AFRC to inform certain bodies of investigation in relation to professional persons

- (1) This section applies if—
- (a) the AFRC directs a CPA investigator to carry out an investigation under section 20ZZH; and
- (b) the investigation relates to the provision of services to any of the persons specified in subsection (3).

- (2) The AFRC must give a written notice to the specified enforcement agency referred to in subsection (4), informing it that the investigation is to be carried out.
- (3) The persons specified for subsection (1)(b) are—
- (a) a person that—
- (i) is an authorized institution; or
- (ii) to the AFRC's knowledge—
- (A) is a controller of an authorized institution;
- (B) has as its controller an authorized institution; or
- (C) has a controller that is also a controller of an authorized institution;
- (b) a person that is an insurer authorized under the Insurance Ordinance (Cap. 41);
- (c) a person that is—
- (i) a licensed person within the meaning of section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571); or
- (ii) a collective investment scheme authorized under section 104 of that Ordinance; and
- (d) a person that is an approved trustee within the meaning of section 2(1) of the Mandatory Provident Fund Schemes Ordinance (Cap. 485).
- (4) The notice is to be given to—
- (a) in the case of a person referred to in subsection (3)(a)—the Monetary Authority;

- (b) in the case of a person referred to in subsection (3)(b)—the Insurance Authority;
- (c) in the case of a person referred to in subsection (3)(c)—the Securities and Futures Commission;
- (d) in the case of a person referred to in subsection (3)(d)—the Mandatory Provident Fund Schemes Authority.

20ZZL. CPA investigator to consult before imposing requirements under section 20ZZJ

A CPA investigator must not impose a requirement on a person under section 20ZZJ unless, before doing so, the CPA investigator has consulted—

- (a) if the person—
 - (i) is an authorized institution; or
 - (ii) to the AFRC’s knowledge—
 - (A) is a controller of an authorized institution;
 - (B) has as its controller an authorized institution; or
 - (C) has a controller that is also a controller of an authorized institution,
- the Monetary Authority;
- (b) if the person is an insurer authorized under the Insurance Ordinance (Cap. 41)—the Insurance Authority;
- (c) if the person is—
 - (i) a licensed person within the meaning of section 1 of Part 1 of Schedule 1 to the

- Securities and Futures Ordinance (Cap. 571); or
- (ii) a responsible person of a collective investment scheme authorized under section 104 of that Ordinance,
- the Securities and Futures Commission; and
- (d) if the person is an approved trustee within the meaning of section 2(1) of the Mandatory Provident Fund Schemes Ordinance (Cap. 485)—the Mandatory Provident Fund Schemes Authority.

20ZZM. Use of incriminating evidence in proceedings after investigation in relation to professional persons

- (1) If a CPA investigator requires a person to give an explanation or further particulars under section 20ZZJ, the CPA investigator must ensure that the person has first been informed or reminded of the limitations imposed by subsection (2) on the admissibility in evidence of the requirement and of the explanation or particulars.
 - (2) Despite anything in this Ordinance, if—
 - (a) a CPA investigator requires a person to give an explanation or further particulars under section 20ZZJ; and
 - (b) the explanation or particulars might tend to incriminate the person and the person claims this before giving the explanation or particulars,
- the requirement, as well as the explanation or particulars, are not admissible in evidence against the person in criminal proceedings in a court of law other than those in which the person is charged with an offence under Part V

of the Crimes Ordinance (Cap. 200) in relation to the explanation or particulars.

Subdivision 2—Findings of Investigation

20ZZN. Report for investigation in relation to professional persons

- (1) As soon as practicable after the completion of an investigation under this Division, the CPA investigator must prepare and submit to the AFRC a written report in relation to the investigation.
- (2) The CPA investigator—
 - (a) may prepare an interim report in relation to the investigation if the CPA investigator considers it appropriate to do so; and
 - (b) if required by the AFRC—must prepare an interim report in relation to the investigation.
- (3) Before submitting an investigation report to the AFRC, the CPA investigator must—
 - (a) send a dated draft of the report to—
 - (i) the person investigated; and
 - (ii) any other person named in the draft; and
 - (b) give every person to whom the draft is sent under paragraph (a) a reasonable opportunity of being heard.
- (4) The AFRC may—
 - (a) adopt the investigation report submitted by the CPA investigator; and
 - (b) publish or otherwise disclose the report or any part of it.

- (5) In deciding whether to publish or otherwise disclose an investigation report or any part of it, the AFRC must take into account—
 - (a) whether the publication or disclosure may adversely affect any of the following proceedings that have been, or are likely to be, instituted—
 - (i) any proceedings under Part 3C;
 - (ii) any criminal proceedings before a court or magistrate;
 - (iii) any proceedings before a tribunal established by or under an enactment;
 - (iv) any proceedings under section 41 of the PA Ordinance;
 - (v) any proceedings before a Disciplinary Committee constituted under section 33(3) of the PA Ordinance as in force immediately before the 2021 Ordinance commencement date;
 - (b) whether the publication or disclosure may adversely affect any person named in the report; and
 - (c) whether the publication or disclosure would be in the interest of the investing public or in the public interest.
- (6) A document purporting—
 - (a) to be a copy of an investigation report adopted under subsection (4); and
 - (b) to be certified by the chairperson of the AFRC as a true copy of such a report,

is admissible on its production, without further proof, as evidence of the facts stated in the report in any of the proceedings specified in subsection (7).

- (7) The proceedings are—
- (a) proceedings under Part 3C;
 - (b) civil proceedings before a court;
 - (c) proceedings before a tribunal established by or under an enactment;
 - (d) proceedings under section 41 of the PA Ordinance; or
 - (e) proceedings before a Disciplinary Committee constituted under section 33(3) of the PA Ordinance as in force immediately before the 2021 Ordinance commencement date.

20ZZO. Action by AFRC in relation to investigation under Division 3 of Part 3AA

- (1) This section applies if an investigation report is submitted to the AFRC under section 20ZZN.
- (2) The AFRC may, in relation to the investigation—
 - (a) close the case without further action; or
 - (b) impose a sanction on, or take an action in relation to, the person investigated under section 37CA or 37I(1A).
- (3) In exercising a power under subsection (2), the AFRC must have regard to the investigation report.
- (4) As soon as practicable after deciding to exercise a power under subsection (2), the AFRC must issue a written notice of the decision to the person investigated, unless the AFRC is satisfied that the notification may prejudice

an action by the AFRC, or a specified body, relating to the investigation.”.

43. Section 21A amended (FRC may appoint inspectors)

- (1) Section 21A, heading—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 21A(1)—

Repeal

“FRC may,”

Substitute

“AFRC may,”.

- (3) Section 21A(1)(a)—

Repeal

“FRC;”

Substitute

“AFRC;”.

- (4) Section 21A(3)—

Repeal

“FRC”

Substitute

“AFRC”.

44. Section 21B amended (FRC may direct inspection to be carried out for ascertaining compliance)

- (1) Section 21B, heading—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 21B(1)—

Repeal

“FRC”

Substitute

“AFRC”.

- (3) Section 21B(2)—

Repeal

“FRC may, in relation to an inspection—”

Substitute

“AFRC may, in relation to an inspection under this Division—”.

- (4) Section 21B(3)—

Repeal

“FRC”

Substitute

“AFRC”.

45. Section 21E amended (FRC may require information for determining frequency of inspection etc.)

- (1) Section 21E, heading—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 21E(1)—

Repeal

“FRC”

Substitute

“AFRC”.

- (3) Section 21E(1)(a)—

Repeal

“inspection”

Substitute

“inspection under this Division”.

- (4) Section 21E(1)(b)—

Repeal

“inspection”

Substitute

“inspection under this Division”.

- (5) Section 21E(1)(c)—

Repeal

“inspection”

Substitute

“inspection under this Division”.

- (6) Section 21E(2)(a) and (c)—

Repeal

“FRC”

Substitute

“AFRC”.

46. Section 21G amended (inspection report)

- (1) Section 21G, heading—

Repeal“**Inspection report**”**Substitute**“**Report for inspection in relation to PIE engagements**”.

- (2) Section 21G(1)—

Repeal

“an inspection must prepare and submit to the FRC”

Substitute

“an inspection under this Division must prepare and submit to the AFRC”.

- (3) Section 21G(1)(b)—

Repeal

“FRC”

Substitute

“AFRC”.

- (4) Section 21G(2) and (3)—

Repeal

“FRC”

Substitute

“AFRC”.

47. Section 21H amended (FRC’s power to take follow-up action)

- (1) Section 21H, heading—

Repeal“**FRC’s power to take follow-up action**”**Substitute**“**AFRC’s power to take follow-up action after inspection in relation to PIE engagements**”.

- (2) Section 21H—

Repeal

“FRC may,”

Substitute

“AFRC may,”.

- (3) Section 21H(c)—

Repeal

“inspection”

Substitute

“inspection under this Division”.

- (4) Section 21H(e)—

Repeal

“Division 2 or 3 of Part 3B;”

Substitute

“section 37D, 37E, 37F or 37I(1);”.

- (5) Section 21H(f)—

Repeal

“FRC”

Substitute

“AFRC”.

48. Section 22A amended (FRC may appoint investigators)

- (1) Section 22A, heading—

Repeal

“FRC”**Substitute****“AFRC”.**

- (2) Section 22A(1)—

Repeal**“FRC may,”****Substitute****“AFRC may,”.**

- (3) Section 22A(1)(a)—

Repeal**“FRC;”****Substitute****“AFRC;”.**

- (4) Section 22A(2)—

Repeal**“FRC”****Substitute****“AFRC”.****49. Section 23 amended (FRC may direct investigation to be carried out in relation to PIE auditors etc.)**

- (1) Section 23, heading—

Repeal**“FRC”****Substitute****“AFRC”.**

- (2) Section 23(1)—

Repeal**“FRC”****Substitute****“AFRC”.**

- (3) Section 23(1)(c)—

Repeal**“Division 2 of Part 3B,”****Substitute****“section 37D, 37E or 37F,”.**

- (4) Section 23(2) and (3)—

Repeal**“FRC”****Substitute****“AFRC”.****50. Section 23A amended (FRC may direct investigation to be carried out in relation to non-PIE auditors)**

- (1) Section 23A, heading—

Repeal**“FRC”****Substitute****“AFRC”.**

- (2) Section 23A(1)—

Repeal**“FRC” (wherever appearing)****Substitute****“AFRC”.**

- (3) Section 23A(2)—

Repeal

“FRC”

Substitute

“AFRC”.

- 51.
- Section 23B amended (FRC may direct investigation to be suspended)**

- (1) Section 23B, heading—

Repeal

“FRC may direct investigation”

Substitute

“AFRC may direct investigation in relation to PIE auditors etc.”.

- (2) Section 23B—

Repeal subsection (1)**Substitute**

“(1) The AFRC may direct an investigator to suspend an investigation under this Division for a period of time the AFRC considers appropriate.”.

- (3) Section 23B(2)—

Repeal

“FRC”

Substitute

“AFRC”.

- 52.
- Section 24 amended (FRC to inform certain bodies of investigation)**

- (1) Section 24, heading—

Repeal

“FRC to inform certain bodies of investigation”

Substitute

“AFRC to inform certain bodies of investigation in relation to PIE auditors etc.”.

- (2) Section 24(1)(a) and (1A)—

Repeal

“FRC”

Substitute

“AFRC”.

- (3) Section 24(2)(a)(ii)—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

- 53.
- Section 29 amended (investigator to consult before imposing certain requirements under sections 25 and 26)**

Section 29(a)(ii)—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

54. Section 30 heading amended (use of incriminating evidence in proceedings)

Section 30, heading, after “proceedings”—

Add

“after investigation in relation to PIE auditors etc.”.

55. Section 31A amended (investigation report)

(1) Section 31A, heading—

Repeal

“Investigation report”

Substitute

“Report for investigation in relation to PIE auditors etc.”.

(2) Section 31A(1)—

Repeal

“investigation, the investigator must prepare and submit to the FRC”

Substitute

“investigation under this Division, the investigator must prepare and submit to the AFRC”.

(3) Section 31A(2)(b), (3) and (4)—

Repeal

“FRC”

Substitute

“AFRC”.

(4) Section 31A(5)—

Repeal

“FRC”

Substitute

“AFRC”.

(5) Section 31A(5)(a)(iii)—

Repeal

“or”.

(6) Section 31A(5)(a)—

Repeal subparagraph (iv)**Substitute**

- “(iv) any proceedings under section 41 of the PA Ordinance;
 (v) any proceedings before a Disciplinary Committee constituted under section 33(3) of the PA Ordinance as in force immediately before the 2021 Ordinance commencement date;”.

(7) Section 31A(6)(b)—

Repeal

“FRC”

Substitute

“AFRC”.

(8) Section 31A(7)(c)—

Repeal

“or”.

(9) Section 31A(7)—

Repeal paragraph (d)**Substitute**

- “(d) proceedings under section 41 of the PA Ordinance; or
 (e) proceedings before a Disciplinary Committee constituted under section 33(3) of the PA Ordinance as in force

immediately before the 2021 Ordinance commencement date.”.

56. Section 31B amended (action by FRC in relation to investigation)

- (1) Section 31B, heading—

Repeal

“FRC in relation to investigation”

Substitute

“AFRC in relation to investigation under Division 3 of Part 3A”.

- (2) Section 31B(1)—

Repeal

“FRC”

Substitute

“AFRC”.

- (3) Section 31B(2)—

Repeal

“FRC may,”

Substitute

“AFRC may,”.

- (4) Section 31B(2)(b)—

Repeal

“FRC”

Substitute

“AFRC”.

- (5) Section 31B(3)—

Repeal

“FRC may also impose a sanction on, or take an action in relation to, the PIE auditor or registered responsible person concerned under Division 2 or 3 of Part 3B.”

Substitute

“AFRC may also impose a sanction on, or take an action in relation to, the PIE auditor or registered responsible person concerned under section 37D, 37E, 37F or 37I(1).”.

- (6) Section 31B(4)—

Repeal

“FRC”

Substitute

“AFRC”.

- (7) Section 31B(5)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

57. Section 31C amended (costs and expenses of investigation)

- (1) Section 31C, heading, after “**investigation**”—

Add

“**in relation to PIE auditors etc.**”.

- (2) Section 31C(1) and (2)—

Repeal

“FRC”

Substitute

“AFRC”.

58. Section 34 amended (magistrate's warrants)

(1) Section 34(4)(b)(ii)—

Repeal

“or”.

(2) Section 34(4)(b)—

Repeal subparagraph (iii)**Substitute**

“(iii) any proceedings under this Ordinance;

(iv) any proceedings under section 41 of the PA Ordinance; or

(v) any proceedings before a Disciplinary Committee constituted under section 33(3) of the PA Ordinance as in force immediately before the 2021 Ordinance commencement date.”.

59. Part 3B heading amended (disciplinary matters regarding PIE auditors and registered responsible persons)

Part 3B, heading—

Repeal

everything after “Matters”.

60. Section 37AA added

Part 3B, Division 1, before section 37A—

Add**“37AA. CPA misconduct by professional persons**

(1) For the purposes of this Ordinance, a professional person is guilty of CPA misconduct if the person—

(a) does an act or makes an omission that amounts to a professional irregularity within the meaning of section 3B;

(b) is convicted of an offence under section 21F or 31;

(c) is punished by the Court of First Instance under section 32(2)(b) for failing to comply with a requirement imposed under section 21C(2), 21D(1) or (2), 25(1) or 26(1) or (2) or for being involved in the failure; or

(d) is punished by the Court of First Instance under section 45(2)(b) for failing to comply with a requirement imposed under section 43 or for being involved in the failure.

(2) Without limiting subsection (1), where the professional person is a certified public accountant, the person is also guilty of CPA misconduct if the person—

(a) is convicted of an offence under Part V of the Crimes Ordinance (Cap. 200); or

(b) is convicted in Hong Kong or elsewhere of any offence involving dishonesty.

(3) However, a professional person who does an act or makes an omission referred to in subsection (1)(a) is not to be regarded as being guilty of CPA misconduct if—

(a) the person is a PIE auditor;

(b) the act or omission amounts to a practice irregularity within the meaning of section 4; and

(c) the person has accordingly committed misconduct as described in section 37A.”.

61. Section 37A amended (misconduct by PIE auditors)

(1) Section 37A(a)—

Repeal

“Ordinance;”

Substitute

“Ordinance (other than section 58A and the provisions of Parts 2A and 3AA);”.

- (2) Section 37A(c)—

Repeal

“Ordinance;”

Substitute

“Ordinance (other than the provisions of Parts 2A and 3AA);”.

- (3) Section 37A(d)—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

62. Section 37B amended (misconduct by registered responsible persons)

- (1) Section 37B(a)—

Repeal

“Ordinance;”

Substitute

“Ordinance (other than section 58A and the provisions of Parts 2A and 3AA);”.

- (2) Section 37B(b)—

Repeal

“Ordinance;”

Substitute

“Ordinance (other than the provisions of Parts 2A and 3AA);”.

- (3) Section 37B(c)—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

63. Section 37C amended (whether act or omission likely to be prejudicial to interest of investing public etc.)

- (1) Section 37C(1)—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 37C(2)(a)—

Repeal

“FRC”

Substitute

“AFRC”.

- (3) Section 37C(2)(d)—

Repeal

“Professional Accountants Ordinance (Cap. 50)”

Substitute

“PA Ordinance”.

64. Section 37CA added

Part 3B, Division 2, before section 37D—

Add**“37CA. Sanctions for CPA misconduct**

- (1) The AFRC may impose one or more of the sanctions specified in subsection (2)—
 - (a) on a professional person if the AFRC is satisfied that the person is guilty of CPA misconduct; or
 - (b) on a person if the AFRC is satisfied that the person was guilty of CPA misconduct while being a professional person.
- (2) The sanctions that may be imposed are—
 - (a) to reprimand the person publicly or privately;
 - (b) subject to section 37H, to order the person to pay a pecuniary penalty not exceeding \$500,000 to the AFRC;
 - (c) to order the person to pay the costs and expenses of, and costs and expenses incidental to, an investigation in relation to the person under Division 3 of Part 3AA;
 - (d) if the person is a professional person—
 - (i) to revoke the person’s registration; or
 - (ii) to suspend the person’s registration for a period of time, or until the occurrence of an event, that the AFRC considers appropriate;
 - (e) if the person has a practising certificate—to cancel the practising certificate; and
 - (f) to order that the person not be issued with a practising certificate either permanently or for a

period of time that the AFRC considers appropriate.

- (3) If a person is ordered to pay any penalty, costs or expenses under this section, the AFRC may recover the penalty, costs or expenses from the person as a civil debt.
- (4) If a certified public accountant’s registration is revoked or suspended under subsection (2)(d)—
 - (a) the AFRC must inform the HKICPA Registrar of the revocation or suspension; and
 - (b) the HKICPA Registrar must—
 - (i) remove the accountant’s name from the CPA register; and
 - (ii) for a suspension under subsection (2)(d)(ii)— restore the accountant’s name to the CPA register when the suspension ends.
- (5) Nothing in this section requires the AFRC to inquire into the question whether a person was properly convicted of any offence, but the AFRC may consider—
 - (a) the record of a case in which a conviction was recorded; and
 - (b) any other evidence that may show the nature and gravity of the offence.”.

65. Section 37F amended (other cases)

- (1) Section 37F, heading, after “cases”—

Add**“in relation to PIE auditors and registered responsible persons”.**

- (2) Section 37F(1)—

Repeal

“FRC may impose a sanction under section 37D(3)(a)(i) or (ii) in relation to a registered PIE auditor if the FRC”

Substitute

“AFRC may impose a sanction under section 37D(3)(a)(i) or (ii) in relation to a registered PIE auditor if the AFRC”.

- (3) Section 37F(1)(a)(iii), (b)(iii) and (c)(iv) and (v)—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

- (4) Section 37F(2)—

Repeal

“FRC may impose a sanction under section 37E(3)(a) in relation to a registered responsible person of a registered PIE auditor if the FRC”

Substitute

“AFRC may impose a sanction under section 37E(3)(a) in relation to a registered responsible person of a registered PIE auditor if the AFRC”.

- (5) Section 37F(2)(c)—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

66. Section 37G amended (FRC to inform sanctions imposed)

- (1) Section 37G, heading—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 37G(1)—

Repeal

“FRC”

Substitute

“AFRC”.

- (3) Section 37G(2)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

67. Section 37H amended (guidelines for exercise of power to impose pecuniary penalty)

Section 37H(1)—

Repeal

“FRC must not impose a pecuniary penalty under section”

Substitute

“AFRC must not impose a pecuniary penalty under section 37CA(2)(b).”.

68. Section 37I amended (FRC’s power to take action in place of or in addition to imposing sanctions with consent)

- (1) Section 37I, heading—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

- (2) Before section 37I(1)—

Add

“(1A) At any time when the AFRC is contemplating whether to impose a sanction on a person under section 37CA, the AFRC may, with the person’s written consent—

- (a) take any action referred to in section 37CA(2) in relation to the person; or
- (b) take any other action in relation to the person that the AFRC considers appropriate.”.

- (3) Section 37I(1)—

Repeal

“FRC is contemplating whether to impose a sanction on a person under section 37D, 37E or 37F, the FRC”

Substitute

“AFRC is contemplating whether to impose a sanction on a person under section 37D, 37E or 37F, the AFRC”.

- (4) Section 37I(1)(b)—

Repeal

“FRC”

Substitute

“AFRC”.

- (5) Section 37I(2)—

Repeal

everything after “The” and before “37D,”

Substitute

“AFRC may take an action under subsection (1A) or (1) in relation to the person in place of, or in addition to, imposing any sanction on the person under section 37CA,”.

- (6) Section 37I(3)—

Repeal

“FRC may only take an action under subsection (1)”

Substitute

“AFRC may only take an action under subsection (1A) or (1)”.

- (7) Section 37I(4)—

Repeal

everything after “subsection” and before “and”

Substitute

“(1A) or (1) in relation to the person, the AFRC must issue a written notice to the person, which must specify the action to be taken by the AFRC,”.

69. Section 37J amended (pecuniary penalty order)

- (1) Section 37J(1)—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Before section 37J(1)(a)—

Add

“(aa) section 37CA(2)(b);”.

- (3) Section 37J(1)(c)—

Repeal

“37I(1).”

Substitute

“37I(1A) or (1).”

- (4) Section 37J(2)—

Repeal

“FRC”

Substitute

“AFRC”.

- (5) Section 37J(2)(a), before “37D(3)(b)(iv)”—

Add

“37CA(2)(b).”

- (6) Section 37J(2)(b)—

Repeal

“37I(1)”

Substitute

“37I(1A) or (1).”

- (7) Section 37J(3) and (6)—

Repeal

“FRC”

Substitute

“AFRC”.

70. Section 37K amended (disclosure of sanctions etc.)

- (1) Section 37K(1)—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 37K(1)(a), before “37D,”—

Add

“37CA.”

- (3) Section 37K(2)—

Repeal

“FRC”

Substitute

“AFRC”.

- (4) Section 37K(3)(a)(i)—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

- (5) Section 37K(3)(b), Chinese text—

Repeal

“財匯”

Substitute

“會財”.

- (6) Section 37K(4)—

Repeal

“The FRC must”

Substitute

“The AFRC must”.

- (7) Section 37K(4)(a), before “37D(3)(b)(i)”—

Add

“37CA(2)(a),”.

- (8) Section 37K(4)(c)—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

71. **Section 37L amended (FRC may have regard to any information or material when making decisions)**

- (1) Section 37L, heading—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 37L—

Repeal

“FRC”

Substitute

“AFRC”.

72. **Part 3C heading amended (reviews and appeals regarding decisions on PIE auditors etc.)**

Part 3C, heading, after “on”—

Add

“**Certified Public Accountants, Practice Units and**”.

73. **Section 37M amended (interpretation)**

Section 37M, definition of *specified period*—

Repeal

“a period of 21 days beginning after the day on which”

Substitute

“the period of 21 days beginning on the day after”.

74. **Part 3C, Division 2 heading amended (Public Interest Entities Auditors Review Tribunal)**

Part 3C, Division 2, heading—

Repeal

“**Public Interest Entities Auditors**”

Substitute

“**Accounting and Financial Reporting**”.

75. **Section 37N amended (establishment of Public Interest Entities Auditors Review Tribunal)**

- (1) Section 37N, heading—

Repeal

“**Establishment of Public Interest Entities Auditors**”

Substitute

“**Accounting and Financial Reporting**”.

- (2) Section 37N—

Repeal subsection (1)

Substitute

“(1) On and after the 2021 Ordinance commencement date, the tribunal established under the former section 37N(1) and known as the “Public Interest Entities Auditors Review Tribunal” in English and “公眾利益實體核數師覆核審裁處” in Chinese immediately before that date is known as—

- (a) the “Accounting and Financial Reporting Review Tribunal” in English; and
- (b) “會計及財務匯報覆核審裁處” in Chinese.

(1A) Despite the repeal of the former section 37N(1)—

- (a) the tribunal established under that section continues in existence as the Tribunal on and after the 2021 Ordinance commencement date; and
- (b) accordingly, the jurisdiction, powers, functions and duties of that tribunal are not affected in any way by the change of name effected by subsection (1).

(1B) To avoid doubt, the repeal of the former section 37N(1) or the change of name effected by subsection (1) does not affect any power exercised or function or duty performed by that tribunal before the 2021 Ordinance commencement date.”.

(3) After section 37N(3)—

Add

“(4) In this section—

former section 37N(1) (原有第 37N(1)條) means section 37N(1) as in force immediately before the 2021 Ordinance commencement date.”.

76. Section 42 amended (FRC to notify certain bodies of powers under Division 2 being exercisable)

(1) Section 42, heading—

Repeal

“FRC”

Substitute

“AFRC”.

(2) Section 42(1)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

(3) Section 42(2)(a)(ii)—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

77. Section 43 amended (powers to require production of records and documents and provision of information and explanation)

Section 43(2)(a)(ii)—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

78. Section 47 amended (enquiry reports)

(1) Section 47(2) and (3)—

Repeal

“FRC”

Substitute

“AFRC”.

(2) Section 47(4)—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

- (3) Section 47(5)—

Repeal

“FRC”

Substitute

“AFRC”.

- (4) Section 47(6)—

Repeal

“FRC”

Substitute

“AFRC”.

- (5) Section 47(6)(a)(iii)—

Repeal

“or”.

- (6) Section 47(6)(a)—

Repeal subparagraph (iv)

Substitute

- “(iv) any proceedings under section 41 of the PA Ordinance;
(v) any proceedings before a Disciplinary Committee constituted under section 33(3) of the PA Ordinance as in force immediately before the 2021 Ordinance commencement date;”.

- (7) Section 47(7)(b)—

Repeal

“FRC”

Substitute

“AFRC”.

- (8) Section 47(8)(c)—

Repeal

“or”.

- (9) Section 47(8)—

Repeal paragraph (d)

Substitute

- “(d) proceedings under section 41 of the PA Ordinance; or
(e) proceedings before a Disciplinary Committee constituted under section 33(3) of the PA Ordinance as in force immediately before the 2021 Ordinance commencement date.”.

79. Section 48 amended (FRC’s powers to close case, suspend enquiry and follow up, etc.)

- (1) Section 48, heading—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

- (2) Section 48(1), (2) and (3)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

80. Part 4, Division 4 heading amended (FRC's powers to secure removal of relevant non-compliance)

Part 4, Division 4, heading—

Repeal

“FRC’s”

Substitute

“AFRC’s”.

81. Section 49 amended (FRC to give notice to operator of listed entities to secure removal of relevant non-compliance)

(1) Section 49, heading—

Repeal

“FRC”

Substitute

“AFRC”.

(2) Section 49(1)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

(3) Section 49(2)(a) and (b)(i) and (ii)—

Repeal

“FRC”

Substitute

“AFRC”.

82. Section 50 amended (FRC may apply to Court of First Instance to secure removal of relevant non-compliance)

(1) Section 50, heading—

Repeal

“FRC”

Substitute

“AFRC”.

(2) Section 50(1)(a)—

Repeal

“FRC”

Substitute

“AFRC”.

(3) Section 50(1)(b)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

(4) Section 50(2), (4), (7)(b) and (9)—

Repeal

“FRC”

Substitute

“AFRC”.

83. Section 50C amended (levies payable by PIE auditors)

(1) Section 50C(2)—

Repeal

“HKICPA or the FRC, as the case requires,”

Substitute

“AFRC”.

- (2) Section 50C(2)—

Repeal

“HKICPA or the FRC reasonably”

Substitute

“AFRC reasonably”.

- (3) Section 50C(3)—

Repeal

everything after “levy”

Substitute

“to the AFRC in the way and within the time specified by the AFRC.”.

- (4) Section 50C—

Repeal subsections (4) and (5).**84. Section 50F amended (FRC may recover levy as civil debt)**

- (1) Section 50F, heading—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 50F—

Repeal

“FRC”

Substitute

“AFRC”.

85. Section 50G amended (FRC may authorize persons to inspect accounts etc.)

- (1) Section 50G, heading—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 50G(1)—

Repeal

“FRC”

Substitute

“AFRC”.

86. Section 51 amended (preservation of secrecy)

- (1) Section 51(3)—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 51(3)(b)(xii)—

Repeal

“the Market Misconduct Tribunal”

Substitute

“a tribunal established by or under an enactment”.

- (3) Section 51(3)(c), before “an investigation”—

Add

“an investigation under Part 3AA,”.

- (4) Section 51(4)—
Repeal
 “FRC” (wherever appearing)
Substitute
 “AFRC”.
- (5) Section 51(6)(a) and (7)—
Repeal
 “FRC”
Substitute
 “AFRC”.
- (6) Section 51(13)(a)—
Repeal
 “FRC”
Substitute
 “AFRC”.
- (7) Section 51(13)—
Repeal paragraph (ab)
Substitute
 “(ab) a CPA inspector, CPA investigator, inspector or investigator; or”.
- (8) Section 51(13)(b)(i)(A), (B) and (C)—
Repeal
 “FRC” (wherever appearing)
Substitute
 “AFRC”.

87. Section 52 amended (protection of informers)

- (1) Section 52(1)(c)—
Repeal
 “the Market Misconduct Tribunal; or”
Substitute
 “a tribunal established by or under an enactment (*statutory tribunal*);”.
- (2) Section 52(1)—
Repeal paragraph (d)
Substitute
 “(d) any proceedings under section 41 of the PA Ordinance; or
 (e) any proceedings before a Disciplinary Committee constituted under section 33(3) of the PA Ordinance as in force immediately before the 2021 Ordinance commencement date (*Disciplinary Committee*).”.
- (3) Section 52(3)—
Repeal
 “the Market Misconduct Tribunal or the Disciplinary Committee constituted under section 33(3) of the Professional Accountants Ordinance (Cap. 50),”
Substitute
 “the statutory tribunal or the Disciplinary Committee.”.
- (4) Section 52(4)—
Repeal
 “the Market Misconduct Tribunal”
Substitute
 “the statutory tribunal”.

- (5) Section 52(5), after “sections”—

Add

“20ZZN,”.

- (6) Section 52(6)(a)—

Repeal

“FRC, an investigator or a Review Committee with respect to an investigation under Part”

Substitute

“AFRC, a CPA investigator, an investigator or a Review Committee with respect to an investigation under Part 3AA or”.

- (7) Section 52(6)(b)—

Repeal

“FRC”

Substitute

“AFRC, a CPA investigator”.

88. Section 53 amended (avoidance of conflict of interests)

- (1) Section 53(1)(a)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

- (2) Section 53(2)—

Repeal

everything after “an interest”

Substitute

“that is of a class or description determined by the AFRC under subsection (3)(a), the person must immediately disclose the interest to the AFRC.”.

- (3) Section 53—

Repeal subsections (3), (4), (5) and (6)**Substitute**

- “(3) The AFRC may—

- (a) determine the class or description of the interest required to be disclosed;
- (b) determine the details of the interest required to be disclosed and the way in which the interest is to be disclosed; and
- (c) from time to time change any matter determined under paragraph (a) or (b).

- (4) Particulars of a disclosure made under this section must be recorded by the AFRC in a book kept for the purpose and that book must be open at all reasonable hours for inspection by the public.

- (5) After a person has disclosed an interest in a matter, the person must not, unless the AFRC otherwise determines—

- (a) be present during a deliberation of the AFRC with respect to the matter; or
- (b) take part in a decision of the AFRC with respect to the matter.

- (6) For the purpose of making a determination by the AFRC under subsection (5), a person who has an interest in a matter to which the disclosure relates must not—

- (a) be present during the AFRC’s deliberation for making the determination; or

(b) take part in the AFRC's making of the determination.”.

(4) Section 53(7)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

(5) Section 53(7)(a)—

Repeal

“3A, or an exercise of power under Part 3B—the”

Substitute

“3AA or 3A, or an exercise of power under Part 3B—the practice unit, certified professional accountant,”.

(6) Section 53—

Repeal subsection (8).

(7) Section 53(9)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

(8) Section 53—

Repeal subsection (10).

89. Section 54 amended (immunity)

Section 54(3), definition of *specified requirement*, before paragraph

(a)—

Add

“(aa) section 20ZZC(1);

(aab) section 20ZZJ(1);”.

90. Section 55 amended (immunity in respect of communication with FRC by PIE auditors and non-PIE auditors)

(1) Section 55, heading—

Repeal

“FRC by PIE auditors and non-PIE auditors”

Substitute

“AFRC”.

(2) Section 55(1)—

Repeal

“FRC”

Substitute

“AFRC”.

(3) Section 55(1)—

Repeal

everything after “specified matter”

Substitute

“—

- (a) in relation to a listed entity of which the person becomes or became aware while working in or for the PIE auditor or non-PIE auditor of the entity; or
- (b) in relation to a practice unit of which the person becomes or became aware while working in or for the unit,

the person does not incur any civil liability, whether arising in contract, tort, defamation, equity or otherwise, by reason only of the communication.”.

(4) Section 55(3)—

Repeal the definition of *specified matter***Substitute**

“*specified matter* (指明事宜)—

- (a) in relation to a listed entity—means a matter, whether occurring before, during or after the entity is or was listed, that, in the opinion of a person referred to in subsection (1)(a), suggests that—
 - (i) a practice irregularity within the meaning of section 4 has been committed in relation to a PIE engagement or non-PIE engagement carried out for the entity; or
 - (ii) there is a relevant non-compliance in relation to the entity; or
- (b) in relation to a practice unit—means a matter that, in the opinion of a person referred to in subsection (1)(b), suggests that a professional person is guilty of CPA misconduct within the meaning of section 37AA in relation to the unit.”.

91. Section 57 amended (production of information in information systems)

Section 57(1)(a) and (2)(a)—

Repeal

“3A”

Substitute

“3AA, 3A”.

92. Section 58 amended (lien claimed on records or documents)

Section 58, before “3A”—

Add

“3AA,”.

93. Section 58A added

After section 58—

Add**“58A. Offences in relation to certificate or document presented to AFRC**

- (1) A person commits an offence if the person—
 - (a) impersonates a person (*person A*) referred to in any certificate or document presented to the AFRC; or
 - (b) falsely represents himself, herself or itself as being person A.
- (2) A person who commits an offence under subsection (1) is liable on conviction to a fine at level 4 and to imprisonment for 12 months.”.

94. Section 60B amended (FRC may make regulations)

(1) Section 60B, heading—

Repeal

“FRC”

Substitute

“AFRC”.

(2) Section 60B(1)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

- (3) Section 60B(2)—

Repeal

“FRC”

Substitute

“AFRC”.

95. Section 60C amended (FRC must publish draft regulations)

- (1) Section 60C, heading—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 60C(1) and (2)—

Repeal

“FRC”

Substitute

“AFRC”.

- (3) Section 60C(3)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

- (4) Section 60C(4)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

- (5) Section 60C(5)—

Repeal

“FRC”

Substitute

“AFRC”.

96. Section 60D amended (FRC may specify forms)

- (1) Section 60D, heading—

Repeal

“FRC”

Substitute

“AFRC”.

- (2) Section 60D(1)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

- (3) Section 60D(2)(c)—

Repeal

“FRC”

Substitute

“AFRC”.

97. **Part 7 repealed (savings and transitional arrangements for Financial Reporting Council (Amendment) Ordinance 2019 (3 of 2019))**

Part 7—

Repeal the Part.

98. **Part 8 added**

Before Schedule 1—

Add

“Part 8

2021 Amending Ordinance—Regulations for Transitional and Saving Provisions and Consequential Amendments

94. **2021 Amending Ordinance—regulations for transitional and saving provisions and consequential amendments**

- (1) The Secretary may by regulation make transitional and saving provisions consequent on the enactment of the 2021 Amending Ordinance.
- (2) Without limiting subsection (1), the regulations may in particular provide for—
 - (a) the application of this Ordinance, or the PA Ordinance, as amended by the 2021 Amending Ordinance;
 - (b) the continued application of a provision of the pre-amended Ordinance or of the pre-amended PAO for a period, or until the happening of an event, specified in the regulations; or

- (c) the application of section 23 of the Interpretation and General Clauses Ordinance (Cap. 1) in addition to the regulations.
- (3) Without limiting subsections (1) and (2), the regulations may include matters relating to—
 - (a) existing certified public accountants and existing practice units under the pre-amended PAO;
 - (b) existing PIE auditors under the pre-amended Ordinance;
 - (c) existing practising certificates issued to certified public accountants under the pre-amended PAO;
 - (d) pending applications—
 - (i) for the registration of practice units and the issue of practising certificates under the pre-amended PAO; and
 - (ii) for the registration of PIE auditors under the pre-amended Ordinance;
 - (e) ongoing practice reviews carried out under the pre-amended PAO;
 - (f) complaints made under the pre-amended PAO;
 - (g) appeals on disciplinary sanction decisions; and
 - (h) the obtaining of information from the HKICPA for the purposes of paragraphs (a), (b), (c), (d), (e), (f) and (g).
 - (4) For the purposes of subsection (2)(b), in relation to the provisions that continue to apply because of the regulations—
 - (a) different periods may be specified for different provisions; and

- (b) different events may be specified for different provisions.
- (5) Further, the Secretary may by regulation make consequential or related amendments to any enactment as are necessary consequent on the enactment of the 2021 Amending Ordinance.
- (6) For the purposes of subsection (5), the regulations may include transitional and saving provisions relating to the consequential or related amendments.
- (7) The regulations may provide for any provision of the regulations to take effect on a date earlier than the date of publication of the regulations (*publication date*) but not earlier than the day on which section 98 of the 2021 Amending Ordinance comes into operation.
- (8) To the extent to which a provision of the regulations takes effect on a date earlier than the publication date, the provision does not operate so as—
- (a) to affect, in a way prejudicial to any person (other than the Government or a public body), the rights of that person before the publication date; or
 - (b) to impose liabilities on a person (other than the Government or a public body) in respect of anything done, or omitted to be done, before the publication date.
- (9) In this section—
- pre-amended Ordinance* (《原有本條例》) means this Ordinance as in force immediately before the 2021 Ordinance commencement date;
- pre-amended PAO* (《原有專業會計師條例》) means the PA Ordinance as in force immediately before the 2021 Ordinance commencement date;

regulations (《規例》) means regulations made under this section;

Secretary (局長) means the Secretary for Financial Services and the Treasury.”.

99. Schedule 1 amended (definitions of *relevant financial report* and *relevant requirement*)

Schedule 1, Part 1, definition of *relevant requirement*, paragraphs (a)(ii) and (b)(i)—

Repeal

“Professional Accountants Ordinance (Cap. 50)”

Substitute

“PA Ordinance”.

100. Schedule 2 amended (Financial Reporting Council)

(1) Schedule 2, heading, before “**Financial**”—

Add

“**Accounting and**”.

(2) Schedule 2—

Repeal

“[ss. 7”

Substitute

“[ss. 7, 10A”.

(3) Schedule 2, section 1(1), definition of *Chairperson*—

Repeal

“FRC”

Substitute

“AFRC”.

- (4) Schedule 2, section 1(1), definition of *Chief Executive Officer*—
Repeal
 “FRC”
Substitute
 “AFRC”.
- (5) Schedule 2, section 1(1), definition of *Deputy Chairperson*—
Repeal
 “FRC;”
Substitute
 “AFRC.”.
- (6) Schedule 2, section 1(1)—
Repeal the definition of FRC member.
- (7) Schedule 2, section 1(1)—
Add in alphabetical order
 “*AFRC member* (會財局成員) means a member of the AFRC appointed under section 7;”.
- (8) Schedule 2, Part 2, heading—
Repeal
 “FRC”
Substitute
 “AFRC”.
- (9) Schedule 2, section 2—
Repeal
 “FRC”
Substitute

- “AFRC”.
- (10) Schedule 2, section 3, heading—
Repeal
 “FRC”
Substitute
 “AFRC”.
- (11) Schedule 2, section 3—
Repeal
 “FRC” (wherever appearing)
Substitute
 “AFRC”.
- (12) Schedule 2, section 4, heading—
Repeal
 “FRC”
Substitute
 “AFRC”.
- (13) Schedule 2, section 4—
Repeal
 “FRC” (wherever appearing)
Substitute
 “AFRC”.
- (14) Schedule 2, section 5, heading—
Repeal
 “FRC”
Substitute
 “AFRC”.

- (15) Schedule 2, section 5(1)—
Repeal
 “FRC”
Substitute
 “AFRC”.
- (16) Schedule 2, section 6, heading—
Repeal
 “FRC”
Substitute
 “AFRC”.
- (17) Schedule 2, section 6(1)—
Repeal
 “FRC” (wherever appearing)
Substitute
 “AFRC”.
- (18) Schedule 2, section 7(2)(a), (3)(d), (4)(a), (5)(b) and (f), (6) and (7)—
Repeal
 “FRC”
Substitute
 “AFRC”.
- (19) Schedule 2, section 8(1)(a), (3)(a) and (5)—
Repeal
 “FRC”
Substitute
 “AFRC”.

- (20) Schedule 2, Part 4, heading—
Repeal
 “FRC”
Substitute
 “AFRC”.
- (21) Schedule 2, section 9—
Repeal
 “FRC” (wherever appearing)
Substitute
 “AFRC”.
- (22) Schedule 2, section 10—
Repeal
 “FRC” (wherever appearing)
Substitute
 “AFRC”.
- (23) Schedule 2, section 11—
Repeal
 “FRC” (wherever appearing)
Substitute
 “AFRC”.
- (24) Schedule 2, section 12—
Repeal
 “FRC” (wherever appearing)
Substitute
 “AFRC”.

- (25) Schedule 2, section 13(1), (2), (3)(b) and (c)(i) and (ii), (4)(b), (5) and (6)(a) and (b)—

Repeal

“FRC”

Substitute

“AFRC”.

- (26) Schedule 2, after Part 4—

Add**“Part 4A****Advisory Committee****13A. Composition of Advisory Committee**

- (1) The Advisory Committee is to consist of the following members—
- (a) the chairperson of the AFRC;
 - (b) the chief executive officer of the AFRC;
 - (c) not more than 2 executive directors of the AFRC (other than the chief executive officer), as appointed by the AFRC; and
 - (d) at least 8 but not more than 12 other persons, as appointed by the Financial Secretary after consulting the AFRC.
- (2) To avoid doubt, if a person ceases to be—
- (a) the chairperson of the AFRC;
 - (b) the chief executive officer of the AFRC; or

- (c) for a person appointed by the AFRC under subsection (1)(c)—an executive director of the AFRC,

the person ceases to be a member of the Advisory Committee.

13B. Resignation of members

- (1) A member of the Advisory Committee may at any time resign from office by written notice to the Financial Secretary or (for a member appointed under section 13A(1)(c) of this Schedule) to the AFRC.
- (2) A notice of resignation takes effect on—
- (a) the day on which the notice is received by the Financial Secretary or the AFRC (as appropriate); or
 - (b) if a later day is specified in the notice—that later day.

13C. Removal of members

The Financial Secretary may remove from office a member of the Advisory Committee appointed under section 13A(1)(c) or (d) of this Schedule by written notice to the member.

13D. Meetings of Advisory Committee

- (1) A meeting of the Advisory Committee may be convened by—
- (a) the chairperson of the AFRC;
 - (b) the chief executive officer of the AFRC; or
 - (c) any other 3 members of the Advisory Committee.
- (2) At a meeting of the Advisory Committee—

- (a) if the chairperson of the AFRC is present, the chairperson is to preside over the meeting; or
- (b) if the chairperson of the AFRC is not present, the members of the Advisory Committee present are to choose one among themselves to preside over the meeting.”.

(27) Schedule 2, section 14—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

(28) Schedule 2, section 15—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

(29) Schedule 2, section 16—

Repeal

“FRC”

Substitute

“AFRC”.

101. Schedule 3A amended (non-delegable functions of FRC)

(1) Schedule 3A, heading—

Repeal

“FRC”

Substitute

“AFRC”.

(2) Schedule 3A, section 1—

Repeal

“FRC are”

Substitute

“AFRC are”.

(3) Schedule 3A, section 1(c), (e) and (f)—

Repeal

“FRC”

Substitute

“AFRC”.

(4) Schedule 3A, after section 1(g)—

Add

“(ga) to appoint a person to be a CPA inspector under section 20ZZA;

(gb) to appoint a person to be a CPA investigator under section 20ZZG;”.

(5) Schedule 3A, after section 1(k)—

Add

“(ka) to appoint a person to be a member of the Advisory Committee under section 13A(1)(c) of Schedule 2;”.

102. Schedule 3B amended (fees)

(1) Schedule 3B—

Repeal

“[ss. 20G”

Substitute

“[ss. 20AAD, 20AAI, 20AAS, 20AAX, 20AAZM, 20AAZR, 20AAZZJ, 20G”.

(2) Schedule 3B, before item 1—

Add

1A.	Issue of a practising certificate under section 20AAD	0
1AB.	Issue of a practising certificate on renewal under section 20AAI	0
1AC.	Application for registration of a firm name or firm under section 20AAS	0
1AD.	Application for renewal of registration of a firm name or firm under section 20AAX	0
1AE.	Application for registration as a corporate practice under section 20AAZM	0
1AF.	Application for renewal of registration as a corporate practice under section 20AAZR	0
1AG.	Provision of a copy of an entry in, or an extract of, the AFRC register under section 20AAZZJ(2)(a)	50 per copy
1AH.	Provision of a certified true copy of an entry in, or an extract of, the AFRC register under section 20AAZZJ(2)(b)	150 per copy”.

103. Schedule 6 amended (provisions relating to Review Committee and its members)

(1) Schedule 6, section 1(5)—

Repeal

“FRC”

Substitute

“AFRC”.

(2) Schedule 6, section 2(1)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

(3) Schedule 6, section 3, heading—

Repeal

“FRC”

Substitute

“AFRC”.

(4) Schedule 6, section 3(1)—

Repeal

“FRC”

Substitute

“AFRC”.

(5) Schedule 6, section 3(2)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

- (6) Schedule 6, section 4(1) and (2)—

Repeal

“FRC”

Substitute

“AFRC”.

104. Schedule 7 amended (calculation of levies)

- (1) Schedule 7, section 3(3)—

Repeal

“HKICPA or the FRC (as the case requires)”

Substitute

“AFRC”.

- (2) Schedule 7, section 3(3)(b)—

Repeal

“HKICPA or the FRC”

Substitute

“AFRC”.

105. “AFRC” substituted for “FRC”

The following provisions—

- (a) section 11(1), (2), (3), (4), (5) and (7);
- (b) section 16;
- (c) section 17;
- (d) section 18;
- (e) section 19(1), (3) and (4);
- (f) section 20(1);

- (g) section 20ZE(1) and (2)(a);
- (h) section 20ZF;
- (i) section 20ZG;
- (j) section 20ZH;
- (k) section 20ZI(1) and (2);
- (l) section 20ZK(1) and (3)(a);
- (m) section 20ZL;
- (n) section 20ZM;
- (o) section 20ZO(a)(i) and (ii);
- (p) section 20ZP;
- (q) section 20ZS(1), (2), (3) and (4);
- (r) section 20ZT(1), (5) and (6);
- (s) section 20ZU(2);
- (t) section 20ZV(2), (3), (4) and (5);
- (u) section 20ZW(1);
- (v) section 22(2)(a) and (b) and (3);
- (w) section 37D(1), (2) and (3)(a)(ii) and (b)(ii) and (iii);
- (x) section 37E(1), (2) and (3)(a)(ii) and (b)(ii);
- (y) section 37Q(3)(b);
- (z) section 37Z(2);
- (za) section 38(1);
- (zb) section 39(1);
- (zc) section 40;
- (zd) section 50A(3);
- (ze) section 50B(3);
- (zf) section 50D;

- (zg) section 60A(1), (2) and (4);
 (zh) Schedule 4, sections 1(1), (3) and (4), 2(1), 3(1), (2) and (4) and 4(1A)(a), (b) and (c) and (5)—

Repeal

“FRC” (wherever appearing)

Substitute

“AFRC”.

Part 3**Related and Consequential Amendments****Division 1—Amendments to Professional Accountants
Ordinance (Cap. 50)****106. Long title substituted**

The long title—

Repeal the long title**Substitute**

“An Ordinance to establish the Hong Kong Institute of Certified Public Accountants; to provide for its functions of registering certified public accountants and setting professional requirements for them; and to provide for related matters.”.

107. Section 2 amended (interpretation)

- (1) Section 2(1), definition of *Disciplinary Committee*, after “33(3)”—

Add

“of the pre-amended Ordinance”.

- (2) Section 2(1)—

- (a) definition of *certified public accountant (practising)*;
 (b) definition of *corporate practice*;
 (c) definition of *Disciplinary Committee Convenor*;
 (d) definition of *Disciplinary Panels*;
 (e) definition of *firm name*;

- (f) definition of *FRC*;
- (g) definition of *Investigation Committee*;
- (h) definition of *Investigation Committee Convenor*;
- (i) definition of *Investigation Panels*;
- (j) definition of *practice review*;
- (k) definition of *Practice Review Committee*;
- (l) definition of *practice unit*;
- (m) definition of *practising certificate*;
- (n) definition of *registered office*;
- (o) definition of *reviewer*—

Repeal the definitions.

- (3) Section 2(1), before the definition of
- appointed day*
-

Add

“*2021 Amending Ordinance* (《2021 年修訂條例》) means the Financial Reporting Council (Amendment) Ordinance 2021 (of 2021);

2021 Ordinance commencement date (《2021 年條例》生效日期) means the day on which section 3 of the 2021 Amending Ordinance comes into operation;”.

- (4) Section 2(1)—

Add in alphabetical order

“*AFRC* (會財局) means the Accounting and Financial Reporting Council continued under section 6 of the AFRC Ordinance;

AFRC Ordinance (《會財局條例》) means the Accounting and Financial Reporting Council Ordinance (Cap. 588);

certified public accountant (practising) (執業會計師) has the meaning given by section 2(1) of the AFRC Ordinance;

corporate practice (執業法團) has the meaning given by section 2(1) of the AFRC Ordinance;

practising certificate (執業證書) has the meaning given by section 2(1) of the AFRC Ordinance;

pre-amended Ordinance (《原有本條例》) means this Ordinance as in force immediately before the 2021 Ordinance commencement date;”.

- (5) Section 2(2)—

Repeal

“sections 27(4)(b), 28D(10)(b)(i), 35(3) and 38(2),”

Substitute

“section 27(4)(b),”.

108. Section 7 amended (objects of the Institute)

- (1) Section 7(a)—

Repeal

“, firms of certified public accountants (practising) and corporate practices”.

- (2) Section 7—

Repeal paragraph (h).**109. Section 7A amended (power of Institute to make contributions to FRC)**

- (1) Section 7A, heading—

Repeal

“FRC”

Substitute

“AFRC”.

(2) Section 7A—

Repeal

“FRC such amount, as the Institute thinks fit, of the costs and expenses reasonably incurred by the FRC for the performance of the FRC’s”

Substitute

“AFRC such amount, as the Institute considers appropriate, of the costs and expenses reasonably incurred by the AFRC for the performance of the AFRC’s”.

110. Section 8 amended (power of Institute to make by-laws)

Section 8(1)—

Repeal paragraph (a).

111. Section 9 amended (general meetings)

Section 9(4)—

Repeal

everything after “18B,”

Substitute

“26 or 27.”.

112. Section 10 amended (establishment and composition of the Council)

Section 10—

Repeal subsection (5)

Substitute

“(5) For the purposes of subsections (2)(c) and (4), a person is regarded as ordinarily resident in Hong Kong if the person

has been present in Hong Kong for not less than 180 days in the preceding 12 months.”.

113. Section 15 amended (vacation of office by Council members)

Section 15(1)(e)—

Repeal

“section 35(1)(a);”

Substitute

“35(1)(a) of the pre-amended Ordinance or section 37CA(4) of the AFRC Ordinance;”.

114. Section 18 amended (particular powers of Council)

Section 18(1)(aa)—

Repeal

“the practice units, or a class of the practice units,”

Substitute

“certified public accountants, or a class or description of members of the Institute as may be specified by the Institute,”.

115. Section 18B amended (Council’s power to give directions)

(1) Section 18B(1)(a)—

Repeal

“or firm name, or the issue of a practising certificate”.

(2) Section 18B(1)(b)—

Repeal

everything after “certificate of registration”

Substitute

“in the possession, custody or control of the certified public accountant if the registration to which the certificate relates has ceased to be valid.”.

- (3) Section 18B(1)—

Repeal paragraph (c).

- (4) Section 18B—

Repeal subsection (1A).

- (5) Section 18B(2)—

Repeal

everything after “for the”

Substitute

“purposes of sections 3B(1)(f)(i) and 4(2)(a)(vi), (3)(b), (4)(b) and (5)(g) of the AFRC Ordinance.”.

- (6) Section 18B—

Repeal subsection (4).

116. Section 22 amended (register of certified public accountants)

- (1) Section 22(1A)—

Repeal

“shall be divided into 2 parts as follows”

Substitute

“must”.

- (2) Section 22(1A)(a)—

Repeal

“Part I which shall”.

- (3) Section 22(1A)(a)(ii)—

Repeal

“or section 28C; and”

Substitute a full stop.

- (4) Section 22(1A)—

Repeal paragraph (b).

- (5) Section 22(2)(b)—

Repeal

“or, if he holds a practising certificate, his residential address and his registered office under section 31”.

- (6) Section 22(3)—

Repeal

“accountant, a certified public accountant (practising), a firm of certified public accountants (practising) or a corporate practice”

Substitute

“accountant”.

117. Section 27 amended (removal from register of certain persons)

- (1) Section 27(1)(a)(iv)—

Repeal the semicolon

Substitute a full stop.

- (2) Section 27(1)—

Repeal paragraph (b).

- (3) Section 27(6)—

Repeal

“35—”

Substitute

“35 of the pre-amended Ordinance or section 37CA of the AFRC Ordinance—”.

118. Sections 28A to 31 repealed

Sections 28A, 28B, 28C, 28D, 28E, 28F, 28G, 28H, 29, 29A, 30 and 31—

Repeal the sections.

119. Section 32 amended (publication of list of certified public accountants holding practising certificates and list of firm names and evidence of same)

(1) Section 32, heading—

Repeal

“Publication of list of certified public accountants holding practising certificates and list of firm names and evidence of same”

Substitute

“Evidence related to register”.

(2) Section 32—

Repeal subsections (1), (2) and (3).

(3) Section 32(4)—

Repeal

“or firm has or has not been entered in or has been removed from the register, or that a person registered holds or does not hold a practising certificate or that a corporate practice”.

120. Part IVA repealed (practice reviews)

Part IVA—

Repeal the Part.

121. Part V heading substituted

Part V, heading—

Repeal the heading

Substitute

**“Part V
Appeals”.**

122. Sections 33 to 40 repealed

Sections 33, 33B, 34, 35, 35A, 35B, 36, 37, 38, 39 and 40—

Repeal the sections.

123. Section 41 amended (appeals)

(1) Section 41(1)(b)(i)—

Repeal the semicolon

Substitute a comma.

(2) Section 41(1)—

Repeal paragraphs (b)(ii) and (iii) and (c).

(3) Section 41(1)—

Repeal

“or decision”.

(4) Section 41(3), proviso, paragraph (a)—

Repeal

“section 26(1);”

Substitute

“section 26(1); or”.

(5) Section 41(3), proviso, paragraph (b)—

Repeal the semicolon

Substitute a full stop.

- (6) Section 41(3), proviso—

Repeal paragraphs (bb), (c) and (d).

124. **Section 41A repealed (application of disciplinary provisions to firms)**

Section 41A—

Repeal the section.

125. **Part VA repealed (investigations into misconduct of certified public accountants)**

Part VA—

Repeal the Part.

126. **Section 42 amended (offences and penalties)**

- (1) Section 42(1)(a), after “36(1)(b)”—

Add

“of the pre-amended Ordinance”.

- (2) Section 42(1)—

Repeal paragraph (e).

- (3) Section 42(1)(f)—

Repeal

“or to practise as a certified public accountant (practising)”.

- (4) Section 42(1)—

Repeal paragraphs (g), (ha) and (i).

- (5) Section 42(1)(ia)(ii)—

Repeal the semicolon

Substitute a comma.

- (6) Section 42(1)—

Repeal paragraphs (j), (k) and (l).

- (7) Section 42(1)—

Repeal

everything after “conviction”

Substitute

“to a fine at level 4 and to imprisonment for 12 months.”.

- (8) Section 42—

Repeal subsection (4).

- (9) At the end of section 42—

Add

“(6) To avoid doubt—

- (a) subsections (1)(a) and (d) and (3) apply in relation to a complaint that is dealt with by a Disciplinary Committee because of the regulations made under Part 8 of the AFRC Ordinance;
- (b) without limiting the application of the 2021 Amending Ordinance on and after the 2021 Ordinance commencement date, subsection (1)(b) and (c) applies in relation to any act done by a person before that date despite any amendments effected by the 2021 Amending Ordinance; and
- (c) nothing in this subsection limits the application of section 23 of the Interpretation and General Clauses Ordinance (Cap. 1).”.

127. **Section 45 repealed (fees and expenses)**

Section 45—

Repeal the section.**128. Section 49 amended (resignation from the Institute)**

(1) Section 49(3)(a)—

Repeal

everything after “justify the”

Substitute

“revocation or suspension of the accountant’s registration under section 37CA(2)(d) of the AFRC Ordinance;”.

(2) Section 49(3)(b)—

Repeal

everything after “aware”

Substitute

“that—

- (i) a complaint concerning the accountant has been submitted and is before the Council or a Disciplinary Committee because of the regulations made under Part 8 of the AFRC Ordinance; or
- (ii) a sanction may be imposed on the accountant under section 37CA of the AFRC Ordinance; or”.

129. Section 50 repealed (application of a corporate practice for removal from the register)

Section 50—

Repeal the section.**130. Section 51 amended (power of Council to make rules)**

(1) Section 51(1)(a)—

Repeal

everything after “registration”

Substitute

“, or registered, under the AFRC Ordinance;”.

(2) Section 51(1)(e)(v), after “rules;”—

Add

“and”.

(3) Section 51(1)—

Repeal paragraph (f).

(4) Section 51(3)—

Repeal

“section 28D”

Substitute

“section 20AAZY of the AFRC Ordinance”.

131. Section 52 amended (Council may delegate)

Section 52(1)(b)—

Repeal

“Financial Reporting Council Ordinance (Cap. 588)”

Substitute

“AFRC Ordinance”.

Division 2—Amendments to Professional Accountants By-laws (Cap. 50 sub. leg. A)**132. By-law 2 amended (nominations of members of Council)**

By-law 2—

Repeal paragraph (6)**Substitute**

“(6) For the purposes of paragraph (1A), a person is regarded as ordinarily resident in Hong Kong if the person has been present in Hong Kong for not less than 180 days in the preceding 12 months.”.

133. By-law 20 amended (appointment and functions of registration committee)

By-law 20(1)—

Repeal

“sections 25, 28A(1) and (2), 28B and 28D(4)”

Substitute

“section 25”.

134. Parts VI and VII repealed

Parts VI and VII—

Repeal the Parts.

135. By-law 30 amended (meaning of registered student)

(1) By-law 30, heading—

Repeal

“Meaning of registered student”

Substitute

“Interpretation”.

(2) By-law 30, definition of *registered student*—

Repeal

“Institute.”

Substitute

“Institute;”.

(3) By-law 30—

Add in alphabetical order

“*Student Disciplinary Committee* (學生紀律委員會) means a Student Disciplinary Committee constituted under by-law 33A(3).”.

136. By-law 33A added

After by-law 33—

Add

“33A. Student Disciplinary Panel

(1) The Council is to establish the Student Disciplinary Panel for constituting Student Disciplinary Committees.

(2) Members of the Student Disciplinary Panel are to be appointed by the Council.

(3) The Council may from time to time appoint members of the Student Disciplinary Panel to constitute a Student Disciplinary Committee for dealing with a complaint under by-law 34.”.

137. By-law 34 amended (disciplinary provisions)

(1) By-law 34—

Repeal

“Disciplinary Committee” (wherever appearing)

Substitute

“Student Disciplinary Committee”.

(2) By-law 34, Chinese text—

Repeal

“成立” (wherever appearing)

Substitute

“組成”。

138. By-law 35 amended (powers of Disciplinary Committee)

- (1) By-law 35, heading—

Repeal

“Disciplinary Committee”

Substitute

“Student Disciplinary Committee”.

- (2) By-law 35(1) and (1A)—

Repeal

“Disciplinary Committee” (wherever appearing)

Substitute

“Student Disciplinary Committee”.

- (3) By-law 35(3)—

Repeal

everything after “by-law”

Substitute

“the Student Disciplinary Committee has the following powers—

- (a) to take evidence on oath;
- (b) to summon a person to attend the proceedings to give evidence or produce a document or any other thing in the person’s possession, and to examine the person as a witness;
- (c) to award to a witness the expenses that, in the opinion of the Student Disciplinary Committee, the witness has incurred by reason of attendance.”.

139. By-law 35A amended (payment of fees to members of Disciplinary Committee)

- (1) By-law 35A, heading—

Repeal

“Disciplinary Committee”

Substitute

“Student Disciplinary Committee”.

- (2) By-law 35A—

Repeal

“Disciplinary Committee”

Substitute

“Student Disciplinary Committee”.

140. By-law 35B amended (consent order)

- (1) By-law 35B—

Repeal

“Disciplinary Committee” (wherever appearing)

Substitute

“Student Disciplinary Committee”.

- (2) By-law 35B(4)(b), Chinese text—

Repeal

“成立”

Substitute

“組成”。

141. By-law 36 amended (appeal to Council)

- By-law 36(3)(b)—

Repeal

“Disciplinary Committee”

Substitute

“Student Disciplinary Committee”.

142. By-law 36A amended (conduct of proceedings and representation)

By-law 36A—

Repeal

“Disciplinary Committee”

Substitute

“Student Disciplinary Committee”.

143. By-law 38 amended (restriction on taking examinations)

By-law 38(1)(b)(i)—

Repeal

“Ordinance;”

Substitute

“Ordinance and the AFRC Ordinance;”.

Explanatory Memorandum

The main object of this Bill is to amend the Financial Reporting Council Ordinance (Cap. 588) (*FRCO*), and the Professional Accountants Ordinance (Cap. 50) (*PAO*) (consequentially), to enhance the regulatory and oversight functions of the Financial Reporting Council (*FRC*). Currently, the FRC has oversight powers over many key aspects of the regulatory regime over professional accountants (provided for in the PAO) and regulatory powers over PIE auditors who are registered under the FRCO but by the Hong Kong Institute of Certified Public Accountants (*HKICPA*). Under the proposed regulatory regime, the FRC will—

- (a) be the registration authority for PIE auditors, CPA firms and corporate practices;
 - (b) have the function of issuing practising certificates for the practice of accountancy; and
 - (c) have inspection powers over practice units and investigation and disciplinary powers over practice units and certified public accountants.
2. The Bill has 3 Parts. Part 1 provides for preliminary matters such as short title and commencement. Part 2 contains amendments to the FRCO. Part 3 makes related and consequential amendments to the PAO and its subsidiary legislation. The Bill also proposes to rename the FRC as the Accounting and Financial Reporting Council (*AFRC*) to be in line with the new regime proposed by the Bill.

Part 1—Preliminary

3. Clause 1 sets out the short title and provides for commencement.
4. Clause 2 is the standard enactments amended clause included in amending legislation.

Part 2—Amendments to FRCO

5. Clause 3 amends the long title of the FRCO to reflect the FRC's enhanced functions.
6. Clause 4 amends the current short title of the FRCO to change it to the Accounting and Financial Reporting Council Ordinance.
7. Clauses 5 and 6 amend sections 2 and 3A of the FRCO to amend or repeal existing definitions or to add new definitions. In several existing definitions, the references to the PAO are replaced by references to the corresponding new provisions in the FRCO or new definitions that refer to the FRCO in place of the PAO. The opportunity is also taken to replace the remaining references to the PAO in full by the shorter term of PA Ordinance. Some of the key new or amended definitions are *AFRC register*, *certified public accountant (practising)*, *corporate practice*, *CPA firm*, *CPA misconduct*, *firm name*, *practice unit* and *professional person*. Amendments are also made to the definitions of *decision authority* and *specified decision* to reflect the enhanced functions of the FRC.
8. Clause 7 adds a new section 3B to the FRCO to set out the meaning of professional irregularity in relation to a professional person (defined to mean a certified public accountant or a practice unit). This section sets out in detail what constitutes a professional irregularity, which is relevant for the concept of CPA misconduct under the new section 37AA (added by clause 60).
9. Clause 8 amends section 4(2) and (4) of the FRCO, which provides for instances of practice irregularity by PIE auditors and non-PIE auditors, to take into account that the practice name of such auditors would be registered in the PIE auditors register (for PIE auditors) or in the AFRC register (for non-PIE auditors).
10. Clause 10 amends section 6 of the FRCO to change the name of the FRC to the AFRC. (In the paragraphs that follow the FRC is referred to as the "AFRC".)

11. Clause 12 amends section 9 of the FRCO to include the new functions proposed to be conferred on the AFRC by the Bill.
12. Clause 13 amends section 10 of the FRCO to include a power for the AFRC to request the HKICPA to provide information for performing its enhanced regulatory functions.
13. Clause 14 adds a new section 10A to the FRCO to provide for the establishment of an Advisory Committee to advise the AFRC on its policy for achieving its regulatory objectives and functions.
14. Clause 15 amends section 12 of the FRCO to include CPA misconduct by a professional person among the matters on which assistance may be given to a specified authority (defined by section 2 of the FRCO).
15. Clause 19 adds a new Part 2A to the FRCO.

New Part 2A of FRCO—Issue of Practising Certificate and Registration of Firm Name, Firm and Corporate Practice etc.*Division 1—Issue of Practising Certificate to Certified Public Accountant*

16. Division 1 provides for the following matters under 5 Subdivisions—
 - (a) Subdivision 1—provides for the issue by the AFRC of practising certificates to certified public accountants (who are registered under the PAO) and accordingly provides for how to make the application, decision on the application, notification of the decision, issue of a practising certificate and the validity period of a practising certificate;
 - (b) Subdivision 2—provides for similar matters for the renewal of practising certificates;

- (c) Subdivision 3—provides for the eligibility requirements for the application for the issue or renewal of a practising certificate;
- (d) Subdivision 4—provides for the cancellation or suspension of a practising certificate on non-disciplinary grounds;
- (e) Subdivision 5—provides for the obligations of a certified public accountant (practising).

Division 2—Registration of Firm Name or Firm

17. Division 2 provides for the following matters under 5 Subdivisions—
- (a) Subdivision 1—provides for the registration of firm names and firms (for an accountant to practise on his or her own account under a firm name and for accountants to practise in partnership as a firm) on application to the AFRC (the registration authority), and includes matters relating to decision on the application, notification of the decision, issue of a certificate of registration and the validity period of the registration;
 - (b) Subdivision 2—includes similar provisions for application for the renewal of registration;
 - (c) Subdivision 3—sets out the requirements for registration and renewal of registration;
 - (d) Subdivision 4—sets out the grounds on which the registration of a firm name or firm may be revoked or suspended and provides for the notification of the decision to do so and the effect of revocation or suspension of registration;
 - (e) Subdivision 5—provides for the obligations of a CPA firm.

Division 3—Registration of Corporate Practice

18. Division 3 provides for the following matters under 5 Subdivisions—
- (a) Subdivision 1—provides for the registration of corporate practices on application to the AFRC (the registration authority), and includes matters relating to decision on the application, notification of the decision, issue of a certificate of registration and the validity period of the registration;
 - (b) Subdivision 2—includes similar provisions for application for the renewal of registration;
 - (c) Subdivision 3—sets out the requirements for registration and renewal of registration;
 - (d) Subdivision 4—sets out the grounds on which the registration of a corporate practice may be revoked or suspended and provides for the notification of the decision to do so and the effect of revocation or suspension of registration;
 - (e) Subdivision 5—provides for the obligations of a corporate practice.

Division 4—Register of Certified Public Accountants (Practising), CPA Firms and Corporate Practices

19. Division 4 requires the AFRC to establish and maintain a register of certified public accountants (practising), CPA firms and corporate practices. For the first category, the register must contain the name, the address of the registered office, the qualifications because of which the person was issued a practising certificate and any other particulars that the AFRC considers appropriate. For the second and third categories, the register must contain the name of the firm or the corporate practice, the address of the registered office and any other particulars the AFRC considers appropriate. This Division also contains provisions—

- (a) to make the register available for public inspection to ascertain whether a person is dealing with a certified public accountant (practising) or a practice unit; and
- (b) to make it an offence for a person to falsify or cause to be falsified the register.

Division 5—Prohibitions and Related Offences

- 20. Division 5 proposes to add to the FRCO several new sections to provide for various prohibitions (based on similar provisions in the PAO) such as a prohibition on pretending to be qualified to practise as a certified public accountant (practising), a prohibition on signing audit report without a practising certificate, a prohibition on advertising as certified public accountant (practising) and CPA firm, and a prohibition on holding out as a corporate practice. This Division also creates several offences relating to the prohibitions.
- 21. Clauses 20 to 36 amend Subdivisions 2 to 6 of Division 2 of Part 3 of the FRCO so that the function of registration of PIE auditors is transferred from the HKICPA Council to the AFRC. Accordingly, in all the supplementary provisions the references to the HKICPA Council are replaced by the references to the AFRC.
- 22. Clause 37 amends section 20ZJ of the FRCO to repeal a transitional arrangement (because it is no longer necessary) relating to the timing of an application for recognition of a PIE-auditor. In view of the repeal, clause 38 consequentially amends section 20ZN of the FRCO.
- 23. Clause 40 amends section 20ZX of the FRCO so that the function of establishing the register of PIE auditors is conferred on the AFRC and clause 41 consequentially amends section 20ZY of the FRCO.

New Part 3AA of FRCO—Inspection and Investigation in relation to Practice Units etc.

- 24. Clause 42 adds a new Part 3AA to provide for inspection in relation to practice units and investigation in relation to professional persons, which will replace practice reviews and investigations currently conducted under the PAO.
- 25. The inspection and investigation provisions in the new Part 3AA follow the existing procedure for inspection and investigation of PIE auditors and non-PIE auditors etc. in Part 3A of the FRCO and expressly exclude the inspection and investigation of those auditors in relation to the PIE engagements or non-PIE engagements they complete.

Division 1—Preliminary

- 26. Division 1 contains definitions of *inspection report* and *investigation report* for the purposes of the new Part 3AA.

Division 2—Inspection in relation to Practice Units

- 27. Division 2 provides (in the new sections 20ZZA to 20ZZF) for the conduct of inspection by appointing CPA inspectors; the matters to which an inspection may relate; the powers of a CPA inspector to require the production of documents etc.; the preparation of an inspection report at the conclusion of or an earlier stage of the inspection; and the action to be taken by the AFRC on the basis of the report.

Division 3—Investigation in relation to Professional Persons

- 28. Division 3 provides for investigations in relation to professional persons. Briefly—
 - (a) the new section 20ZZG empowers the AFRC to appoint a CPA investigator;
 - (b) the new section 20ZZH states that the AFRC may direct the CPA investigator to carry out an investigation into a

- possible professional irregularity for considering whether to impose a sanction under the new section 37CA (sanctions for CPA misconduct);
- (c) the new section 20ZZI provides that the AFRC may direct that the investigation be suspended;
- (d) the new section 20ZZJ provides for the powers of the CPA investigator to require from certain specified persons the production of documents, an explanation or further particulars relating to a document and other assistance;
- (e) the new section 20ZZK provides that if the professional person to be investigated is providing services to certain specified persons, the AFRC must give to the enforcement agency (specified with reference to each specified person) a notice that an investigation is to be carried out;
- (f) the new section 20ZZL provides that a CPA investigator, before imposing a requirement under the new section 20ZZJ on certain specified persons, must consult the relevant authority specified with reference to the specified person;
- (g) the new section 20ZZM provides for—
- (i) the limitations on the use of an explanation or further particulars required to be given by a person under the new section 20ZZJ in criminal proceedings if the person claims that the explanation or particulars might incriminate the person; and
 - (ii) the requirement to inform the person of the limitations;
- (h) the new section 20ZZN—

- (i) requires the CPA investigator to submit a written report to the AFRC relating to the investigation;
 - (ii) provides that the AFRC may publish or disclose the report or a part of it after taking into account whether it would adversely affect certain specified proceedings; and
 - (iii) also provides that a certified copy of an investigation report is admissible on production without proof in certain specified proceedings; and
- (i) the new section 20ZZO provides that when the report is submitted to the AFRC, it may close the case without further action or impose a sanction under the new section 37CA or take action under the new section 37I(1A).
29. Clauses 43 to 57 basically make technical and consequential amendments to existing FRCO provisions that deal with inspection and investigation in relation to PIE auditors and non-PIE auditors etc. to distinguish them from similar provisions in the new Part 3AA dealing with inspection in relation to practice units and investigation in relation to professional persons.
30. Clause 58 makes consequential amendments to section 34 of the FRCO in view of the repeal of provisions relating to disciplinary proceedings in the PAO.
31. Clause 59 amends the heading of Part 3B of the FRCO (**Part 3B**) in view of the new provisions proposed to be added to that Part.
32. Clause 60 adds a new section 37AA to Part 3B to provide for the meaning of **CPA misconduct**, which is relevant for disciplinary action in relation to a professional person. That section sets out in detail what constitutes CPA misconduct.
33. Clauses 61, 62 and 63 include consequential amendments to sections 37A, 37B and 37C of the FRCO to exclude from their ambit

provisions in the new Part 3AA relating to professional persons and also to make other technical amendments.

34. Clause 64 adds a new section 37CA to Part 3B to set out the disciplinary sanctions to be imposed on a professional person, or a former professional person, found guilty of CPA misconduct. The sanctions follow similar sanctions imposed on a PIE auditor and a non-PIE auditor for misconduct under the existing provisions of the FRCO.
35. The following clauses amend Part 3B consequent to including disciplinary sanctions for CPA misconduct in that Part—
- (a) clause 67—amends section 37H of the FRCO to extend the requirements relating to guidelines for imposing pecuniary penalties to sanctions imposed under the new section 37CA;
 - (b) clause 68—amends section 37I of the FRCO to bring within its ambit action that may be taken in respect of a person on whom the AFRC is contemplating whether or not to impose a sanction under the new section 37CA;
 - (c) clause 69—amends section 37J of the FRCO to include in it the provisions relating to a pecuniary penalty order made under the new section 37CA(2) for CPA misconduct;
 - (d) clause 70—amends section 37K of the FRCO to bring sanctions for CPA misconduct within requirements relating to disclosure in that section.
36. Clauses 72 and 74 amend the FRCO to reflect the extension of the review and appeal mechanism currently applicable to decisions regarding PIE auditors etc. to decisions regarding certified public accountants and practice units. The decisions regarding the new categories are subject to the review and appeal mechanism because

of the amendments to the definitions of *decision authority* and *specified decision* in section 2(1) of the FRCO.

37. Clause 75 amends section 37N of the FRCO to change the name of the Public Interest Entities Auditors Review Tribunal to the Accounting and Financial Reporting Review Tribunal on account of its extended functions.
38. Clause 83 amends section 50C of the FRCO (contained in the Financial Reporting Council (Amendment) Ordinance 2019 (3 of 2019) (*2019 Amending Ordinance*)) that will be incorporated into the FRCO on 1 January 2022) to make changes to the way of paying the levy and to include the new name “AFRC”.
39. Clause 86 amends section 51 of the FRCO to include a CPA inspector and CPA investigator among the persons on whom there is a duty to preserve secrecy and to include any statutory tribunal among those to whom disclosure is permitted.
40. Clause 87 amends section 52 of the FRCO—
- (a) to extend the protection of informers to proceedings before any statutory tribunal;
 - (b) to provide that the provision has effect despite the provision on investigation reports in relation to professional persons; and
 - (c) to include in the definition of *relevant person* a person who has given information in respect of an investigation into a professional person.
41. Clause 88 amends section 53 of the FRCO to replace the existing situations of conflict of interests with a power for the AFRC to determine the class or description of interests to be declared as conflict of interest situations, to provide for the recording of disclosures relating to them and to provide for non-participation after disclosing an interest. Also, the existing offence provision for non-disclosure of an interest is proposed to be repealed.

42. Clause 89 amends section 54 of the FRCO to include in the definition of *specified requirement*, for the purposes of immunity under that section, new sections that empower CPA inspectors and CPA investigators to require information and documents from persons.
43. Clause 90 amends section 55 of the FRCO so that the immunity given in respect of communications to the AFRC is proposed to include—
- (a) in relation to a listed entity, communications made by a person while working in or for a PIE auditor or non-PIE auditor of the entity; and
 - (b) in relation to a practice unit, communications made by a person while working in or for the unit.
44. Clause 91 amends section 57 of the FRCO to extend the power to require production in a legible form to records or documents required to be produced under the new Part 3AA.
45. Clause 92 extends the provisions relating to a lien on records or documents in section 58 of the FRCO to records or documents required to be produced under the new Part 3AA.
46. Clause 93 adds a new section 58A to the FRCO to make it an offence to impersonate a person or fraudulently represent a person referred to in a document or certificate presented to the AFRC.
47. Clause 97 repeals Part 7 of the FRCO (which contains transitional arrangements for the 2019 amending Ordinance) because it is no longer necessary.

New Part 8 of FRCO—2021 Amending Ordinance—Regulations for Transitional and Saving Provisions and Consequential Amendments

48. Clause 98 adds a new Part 8 to the FRCO to empower the Secretary for Financial Services and the Treasury to make regulations for transitional and saving provisions consequent to the enactment of the Bill and to make consequential amendments to other enactments

- consequent to that enactment. The regulations are intended to manage the transition from the current regulatory regime under the PAO to the proposed regime under the FRCO and to make consequential and related amendments to enactments (external or otherwise) resulting from the amendments in the Bill.
49. Clause 100(26) adds a new Part 4A to Schedule 2 to the FRCO to include in relation to the Advisory Committee (established by the new section 10A of the FRCO) provisions relating to the composition of the Committee and procedural matters.
50. Clause 101 amends Schedule 3A to the FRCO to include the power to appoint a CPA inspector, a CPA investigator and a member of the Advisory Committee (established by the new section 10A of the FRCO) among the non-delegable functions of the AFRC.
51. Clause 102 amends Schedule 3B to the FRCO to specify fees (proposed to be set at “0” initially) in relation to the issue of practising certificates and registration of practice units.
52. Part 2 of the Bill also contains a large number of clauses—
- (a) to make amendments to replace references to the FRC by AFRC, and the Professional Accountants Ordinance (Cap. 50) by PA Ordinance; and
 - (b) to make other consequential and technical amendments to the existing provisions of the FRCO resulting from the changes of name and the substantive amendments.

Part 3—Related and Consequential Amendments

53. Part 3 of the Bill contains related and consequential amendments to the PAO and its subsidiary legislation resulting from the transfer of certain aspects of the regulatory regime under the PAO to the FRCO. The following is a brief description of the amendments to the PAO and its subsidiary legislation in that Part—

- (a) clause 106—amends the long title of the PAO to reflect the HKICPA’s functions after the amendments proposed in the Bill;
- (b) clause 107—amends section 2 of the PAO to repeal or amend existing definitions or to add new ones, for the interpretation of the PAO as proposed to be amended;
- (c) clauses 108 and 110—amend sections 7 and 8 of the PAO to revise the objects of the HKICPA and the power to make by-laws consequent to the transfer of functions to the AFRC;
- (d) clause 113—amends section 15 of the PAO to include among the grounds for vacating office the removal of name under section 35(1)(a) (under the PAO before amendment by the Bill) and under the new section 37CA(4) of the FRCO;
- (e) clause 115—amends section 18B of the PAO to reflect the transfer of functions from the HKICPA Council to the AFRC;
- (f) clauses 116 and 117—amend sections 22 and 27 of the PAO consequentially because the functions of issuing practising certificates and registration of practice units are transferred to the AFRC;
- (g) clauses 118, 120 to 122, 124, 125, 127 and 129—repeal provisions in the PAO relating to the registration of practice units, practising certificates, and practice reviews and disciplinary proceedings consequent to the transfer of functions to the AFRC;
- (h) clause 123—amends section 41 of the PAO to remove from its ambit appeals from decisions relating to practice units;

- (i) clause 126—amends section 42 of the PAO, but preserves its effect in relation to disciplinary proceedings continued under the transitional regulations to be made under the new Part 8 of the FRCO;
- (j) clauses 119 and 128 to 131—contain other consequential and technical amendments to the PAO;
- (k) clauses 132 to 143—contain consequential, technical and related amendments to the Professional Accountants By-laws (Cap. 50 sub. leg. A).

ECONOMIC, FINANCIAL AND CIVIL SERVICE IMPLICATIONS

Economic Implications

The proposal will reinforce Hong Kong's position as an international financial centre and better safeguard the interests of the general public. While the appropriate fees to be collected by the FRC for practising certificates and registration applications will be determined in due course, they should not bring about substantial additional cost burden on the accounting profession.

Financial and Civil Service Implications

2. The FRC will utilise the unspent balance of seed capital injected to it by the Government in 2019 to fund its operation at the initial stage of the further reformed regime, and be funded by the fees collected for practising certificates and registration applications in the long run. The arrangement entails no financial implication on the Government.

3. The proposal does not have any civil service implication on the Government as the FRC is a statutory body which employs its own staff.