

# 立法會 *Legislative Council*

LC Paper No. CB(1)334/2022(03)

Ref: CB1/BC/3/22

## **Bills Committee on Professional Accountants (Amendment) Bill 2022**

### **Background brief**

#### **Purpose**

This paper provides background information on the Professional Accountants (Amendment) Bill 2022 (“the Bill”), and summarizes the discussion of the Panel on Financial Affairs (“FA Panel”) when it was consulted on the relevant legislative proposals at the meeting on 4 April 2022.

#### **Background**

##### The new regulatory regime for the accounting profession under the Financial Reporting Council (Amendment) Ordinance 2021

2. The Hong Kong Institute of Certified Public Accountants (“HKICPA”) is a statutory professional body established under the Professional Accountants Ordinance (Cap. 50) to regulate the accounting profession in Hong Kong. The Legislative Council (“LegCo”) passed the Financial Reporting Council (Amendment) Bill 2021 in October 2021 (enacted as the Financial Reporting Council (Amendment) Ordinance 2021) to enhance the regulatory regime of the accounting profession in Hong Kong (“the new regulatory regime”).<sup>1</sup> Under the new regulatory regime, major regulatory powers<sup>2</sup> will be transferred from HKICPA to the Financial Reporting Council (“FRC”) for independent regulation of the accounting profession, and FRC will be renamed as the Accounting and Financial Reporting Council (“AFRC”). Meanwhile,

---

<sup>1</sup> The Financial Reporting Council (Amendment) Ordinance 2021 (“the Amendment Ordinance 2021”) will come into operation on 1 October 2022 by virtue of the Financial Reporting Council (Amendment) Ordinance 2021 (Commencement) Notice published in the Gazette on 6 May 2022 (i.e. L.N. 65 of 2022).

<sup>2</sup> The regulatory powers include the powers to issue practising certificates and register practice units and Public Interest Entities auditors, inspect practice units, and investigate and discipline certified public accountants and practice units.

HKICPA will continue to be responsible for conducting professional examinations, registering certified public accountants (“CPAs”), issuing and specifying standards on professional ethics, accounting, auditing and assurance and continuing professional development (“CPD”) requirements for the accounting profession, and providing training for qualifying as and CPD of CPAs, subject to AFRC’s oversight. Under the new regulatory regime, HKICPA will remain the key institution keeping the standards of the profession.

### Composition of the Council of the Hong Kong Institute of Certified Public Accountants

3. The Council of HKICPA (“HKICPA Council”), which is the governing body of HKICPA, consists of 21 members as follows:

- (a) the Financial Secretary (“FS”) or his representative;
- (b) the Director of Accounting Services or his representative;
- (c) 14 CPAs elected at an annual general meeting of HKICPA;<sup>3</sup>
- (d) the immediate past President of HKICPA; and
- (e) four lay persons appointed by the Chief Executive.

In addition, the HKICPA Council may co-opt not more than two CPAs at the first meeting of the Council held after the annual general meeting, or as soon as practicable thereafter.

4. Currently, seven out of the 14 elected members of the HKICPA Council are alternately open for direct election by HKICPA members every year for a term of two years. According to the Administration, during the preparation for implementation of the new regulatory regime, it has received views and proposals from stakeholders of the accounting sector for enhancing the corporate governance and election mechanism of the HKICPA Council so as to enable HKICPA to more effectively adjust to its professional functions and establish closer linkage with AFRC under the new regime. After considering the views and suggestions from the accounting profession, the Administration considers it necessary to introduce legislative amendments to change the election arrangements of the HKICPA Council and enhance HKICPA’s administrative procedures for better governance and representativeness of the

---

<sup>3</sup> Not less than six shall be CPAs in full time practice as CPAs (practising), and not less than six shall be CPAs otherwise than in full time practice as CPAs (practising).

HKICPA Council, as well as to enable HKICPA to become a more effective conduit between AFRC and the profession.

### **The Professional Accountants (Amendment) Bill 2022**

5. The Bill was published in the Gazette on 13 May 2022 and received its First Reading at the LegCo meeting of 18 May 2022. In gist, the Bill seeks to:

- (a) raise the number of nominations to be obtained from HKICPA members by a candidate from two CPAs (i.e. one as a proposer and the other as a seconder) to 10 CPAs (i.e. one as a proposer and nine as seconders), and impose a new requirement for the candidate to also obtain nomination from two members of the Advisory Committee to AFRC<sup>4</sup> as seconders in order to stand for the HKICPA Council election;
- (b) align the election cycle of all the 14 elected HKICPA Council members to become biennially, and make arrangements for the continued service of elected members who have served as Vice-Presidents for at least one full Vice-President term as the elected members of the new term of the HKICPA Council upon fulfilment of the nomination requirements for election as elected Council members; and
- (c) enhance the administrative procedures of HKICPA provided in the Professional Accountants By-laws (Cap. 50A).<sup>5</sup>

6. Details of the major provisions of the Bill are set out in paragraph 20 of the LegCo Brief (File Ref: ACCT/2/1/2C issued on 11 May 2022), and paragraphs 5 to 10 of the Legal Service Division Report on the Bill (LC Paper No. LS33/2022). The Bill, if passed, would come into operation on 1 November 2022.

---

<sup>4</sup> The Amendment Ordinance 2021 provides that an Advisory Committee will be established to advise AFRC on policy matters concerning any of its regulatory objectives and functions. Members of the Advisory Committee will be appointed by FS in consultation with AFRC, and they will comprise, inter alia, practitioners, service users and other stakeholders of the accounting profession.

<sup>5</sup> The proposed amendments include allowing HKICPA to hold general meetings in online or hybrid mode, and allowing HKICPA to issue notices or documents by electronic means.

## **Discussion of the Panel on Financial Affairs**

7. The Administration briefed FA Panel on the relevant legislative proposals on 4 April 2022. The major views and concerns expressed by Panel members are summarized in the ensuing paragraphs.

### Nomination threshold for election to the Council of the Hong Kong Institute of Certified Public Accountants

8. Members noted that under the Administration's proposals, a candidate for election to the HKICPA Council was required to obtain nomination from two members of the Advisory Committee to be established and who were not from the AFRC management. Members were concerned that aspiring candidates might encounter difficulty in liaising with members of the Advisory Committee and soliciting their support for nomination, and members of the Advisory Committee might not have a good understanding of HKICPA's work and issues of concern of the accounting sector.

9. The Administration responded that besides the Chairman, the Chief Executive Officer and not more than two executive directors of AFRC, the Advisory Committee would comprise eight to 12 other persons to be appointed by FS in consultation with AFRC, including practitioners, service users and other stakeholders of the accounting sector. Thus, the Advisory Committee would be in a position to reflect the views of different stakeholders of the accounting sector to AFRC. The Administration planned to establish the Advisory Committee in July 2022 prior to the proposed commencement of the new regulatory regime on 1 October 2022 such that the Advisory Committee not only could offer advice on the preparatory work of the new regulatory regime, but also could start the liaison with the profession and relevant stakeholders at an early stage.

10. Some members stressed the importance of maintaining a proper balance between the participation of senior and junior accountants in the HKICPA Council for ensuring the professionalism of its work and providing room for further development of the profession. They enquired whether the Administration would consider designating seats in the HKICPA Council for young accountants.

11. The Administration pointed out that the enhanced election mechanism would provide sufficient access to all members of the profession, including young accountants, to run in the HKICPA Council election, as well as to elect candidates with suitable calibre to serve as Council members. Both the Administration and AFRC valued the views of accountants of different age groups on professional and development issues of the accounting sector, and

would take them into full consideration for the effective implementation of the new regulatory regime.

Election cycle for elected members of the Council of the Hong Kong Institute of Certified Public Accountants

12. Members enquired about the rationale for the proposal of extending the term of office of the incumbent President and Vice-Presidents of the HKICPA Council from end-2022 to end-2023, and whether the Administration would consider extending the term of office of the 14 elected Council members to four years with half of them retiring from office every two years in order to enhance the stability of Council membership.

13. The Administration advised that the next HKICPA Council election was scheduled for November to December 2022. As the new regulatory regime was planned for commencement on 1 October 2022, it was proposed that the term of office of seven Council members which would end in end-2022 as well as that of the President and Vice Presidents be extended to end-2023 so that HKICPA would not need to hold the election in end-2022 allowing it to focus its resources for the implementation of the new regulatory regime and prepare for the elections in 2023. As regards the tenure of elected members of the HKICPA Council, the Administration considered that the existing two-year tenure should be maintained as members of the profession might find it difficult to commit to serving as Council members for as long as four years.

Financial arrangements of the Hong Kong Institute of Certified Public Accountants under the new regulatory regime of the accounting profession

14. Some members asked if the Administration would provide financial assistance to HKICPA for conducting professional training programmes for the accounting sector given that HKICPA's income might reduce after the transfer of its existing regulatory powers to AFRC, and whether there would be cost implications on the accounting sector after implementation of the new regulatory regime.

15. The Administration pointed out that while the major regulatory powers in relation to the accounting profession would be transferred from HKICPA to AFRC under the new regulatory regime, HKICPA would continue to discharge a number of statutory professional functions and collect fees for such functions. In addition, as the fees for issue of practising certificates and registration of practice units would be exempted in the first year of implementation of the new regulatory regime and AFRC would start collecting the fees which would initially be set at a level no higher than that currently collected by HKICPA

thereafter, it was envisaged that the new regime would not bring about additional financial burden on the profession.

### **Latest development**

16. At its meeting on 20 May 2022, the House Committee agreed to form a Bills Committee to study the Bill.

### **Relevant papers**

17. A list of relevant papers is in the **Appendix**.

Council Business Division 1 and Public Complaints Office  
Legislative Council Secretariat  
2 June 2022

## List of relevant papers

| Date            | Event   | Papers/Minutes of meeting   |
|-----------------|---|---|
| 20 October 2021 | The Legislative Council ("LegCo") passed the Financial Reporting Council (Amendment) Bill 2021  | <p><a href="#"><u>The Bill passed</u></a></p> <p><a href="#"><u>Legislative Council Brief</u></a></p> <p><a href="#"><u>Report of the Bills Committee</u></a><br/>(LC Paper No. CB(1)1417/20-21)</p>  |
| 4 April 2022    | The Panel on Financial Affairs was briefed on the progress of preparatory work for the new regulatory regime of accounting profession and the proposed amendments to revise the election arrangements of the Council of the Hong Kong Institute of Certified Public Accountants | <p><a href="#"><u>Administration's paper on progress of preparatory work for the new regulatory regime of accounting profession</u></a><br/>(LC Paper No. CB(1)156/2022(04))</p> <p><a href="#"><u>Administration's paper on revising the election arrangements of the Council of the Hong Kong Institute of Certified Public Accountants</u></a><br/>(LC Paper No. CB(1)156/2022(06))</p> <p><a href="#"><u>Background brief on the Financial Reporting Council and the new regulatory regime for the accounting profession prepared by the Legislative Council Secretariat</u></a><br/>(LC Paper No. CB(1)156/2022(05))</p> |
| 11 May 2022     | The Three Pieces of Subsidiary Legislation Relating to the Implementation of the New Regulatory Regime for the Accountancy Profession was tabled before LegCo   | <p><a href="#"><u>The Financial Reporting Council (Amendment) Ordinance 2021 (Commencement) Notice</u></a></p> <p><a href="#"><u>The Accounting and Financial Reporting Council (Transitional and Saving Provisions and Consequential Amendments) Regulation</u></a></p> <p><a href="#"><u>The Accounting and Financial Reporting Council Ordinance (Amendment of Schedule 3B) Notice 2022</u></a></p>  |

| <b>Date</b> | <b>Event</b>  | <b>Papers/Minutes of meeting</b>  |
|-------------|---|---|
|             |   | <a href="#"><u>Legal Service Division Report</u></a><br>(LC Paper No. LS30/2022)  |
| 18 May 2022 | The Professional Accountants (Amendment) Bill 2022 received its First reading | <a href="#"><u>Legislative Council Brief</u></a><br>(File Ref: ACCT/2/1/2C)<br><br><a href="#"><u>Legal Service Division Report</u></a><br>(LC Paper No. LS33/2022) |