

**Mainland won't shut out local auditors**

***Beijing officials confirm there is no blanket ban on taking all audit papers out of the mainland, only those deemed to contain state secrets***

Byline: Enoch Yiu enoch.yiu@scmp.com

Ministry of Finance officials have assured the body representing the local accounting industry that they have no intention of closing the mainland's door to overseas accountants, including those from Hong Kong, and that proposed new rules are only aimed at tightening regulation of overseas accountants working there.

Hong Kong Institute of Certified Public Accountants (HKICPA) president Clement Chan, who attended a meeting with ministry officials yesterday, told the South China Morning Post they had responded positively to local accountants' concerns about its proposed new audit rules.

"It went well," Chan said. "They clarified their direction has always been keeping their market open but they want to strengthen the regulatory measures on the illegal cross-border audit activities carried out by foreign auditors on Chinese-based companies."

He said ministry officials would continue to collect views from Hong Kong before the new audit regulation was implemented to ensure it had no negative impact on accountants in the city.

The Post reported last month that the ministry had proposed introducing new audit rules later this year that would require international accounting firms to team up with one of the 100-odd mainland accounting firms to perform audits on mainland companies.

They would also prohibit international accounting firms from sending their staff to the mainland under temporary licences, which was seen as spelling doom for Hong Kong accountants, because global accounting firms would be likely to scale down their hiring in the city and step up hiring on the mainland.

HKICPA representatives and Hong Kong government officials had separate meetings with ministry officials yesterday, while Securities and Futures Commission executives will meet the officials later this week.

A source who attended the HKICPA meeting said the MOF also clarified that while the new rules would require overseas accountants to strictly follow the mainland's state secrets regulations, that did not mean there would be a blanket ban on taking all audit papers out of the mainland, with the restriction only applying to audit papers deemed to contain state secrets.

"This clarifies the situation on when and how the auditors would be allowed to take their audit papers out of the country," the source said.

A Hong Kong court ruled last month in favour of the SFC in a legal battle with accounting firm EY, saying EY could not use state secrets as a blanket excuse for not handing audit papers to the city regulator for investigation.

A spokeswoman for the Financial Services and the Treasury Bureau said government officials had relayed the concerns of local accountants to ministry officials yesterday and the two sides had agreed to continue talks aimed at clarifying the details of the new audit rules.

Caption: Clement Chan says Beijing will seek more views to ensure new audit rules do not negatively impact local accountants . Photo: K. Y. Cheng