South China Morning Post
2014-12-22
(Page: B1)

Beijing eases way for accountants

Change in rules will allow partners in HK to set up shop in Guangdong, says industry chief

Byline: Enoch Yiu enoch.yiu@scmp.com

Hundreds of senior accountants in Hong Kong can set up business in Guangdong after Beijing's relaxation of rules last week that makes it easier for them to become partners in the province's accounting firms.

According to PricewaterhouseCoopers partner and the new president of the Hong Kong Institute of Certified Public Accountants, Dennis Ho Chiu-ping, the latest round of Closer Economic Partnership Arrangement announced on Thursday lays down that Hong Kong accountants with three years of experience in local companies can become partners of Guangdong-based accounting firms if they pass the mainland's accounting qualification examination.

"This would pave the way for accountants here to join Guangdong firms as partners, or set up new offices there with mainland partners," Ho said.

Previously, accountants were required to have three years of experience in mainland firms to become partners there, which effectively barred senior Hong Kong accountants from aspiring for such roles.

"If someone has been a partner in Hong Kong, which is the senior-most role in an accounting firm, it would be impossible for them to work in any junior capacity on the mainland for three years" Ho said.

With Beijing now removing the mainland experience as a criterion, there is no bar anymore for senior accountants to become partners in Guangdong companies.

"Guangdong is Hong Kong's neighbour, has a strong economic base and huge demand for accounting services," Ho said. "It's a great testing ground before expanding the system to other provinces."

The industry, however, was lobbying for more relaxation, he said.

"Even after the latest relaxation, Hong Kong accountants still can't open offices in Guangdong by themselves," he said. "They have to team up with mainland partners or join mainland firms as partners.

"We want to see Hong Kong accountants set up their own firms in Guangdong.

"Hong Kong allows mainland accountants to set up shop here with no need to team up with Hong Kong firms. We demand the same treatment for Hong Kong accountants in Guangdong."

Hong Kong accounting firms have been vocal against a proposed rule that would require them to tie up with mainland firms to audit companies listed outside the mainland but with operations there.

The new rule would also bar Hong Kong accountants from working on the mainland with a temporary licence, forcing them into a tie-up for such clients.

"The latter concern has now been removed," Ho said. "After discussions with the Ministry of Finance, mainland officials confirmed the new rules are not aimed at keeping Hong Kong accountants out of the mainland. They will adjust the details of the proposal."

He said the ministry had agreed not to implement the proposed rule soon to allow more time for discussion.

"The ministry's proposal is aimed at cracking down on some accounting firms illegally doing audits in the mainland," he said. "It's not aimed at closing the door on Hong Kong accountants.

"The HKICPA has conveyed the industry's concerns to the Ministry of Finance and they are willing to listen to our views.

"I am optimistic the final proposal would be positive for Hong Kong's accounting industry."

(Continued on B3, see next page)

South China Morning Post
2014-12-22
(Page: B3)

HKICPA fears FRC will be 'too powerful'

Accounting group objects to the regulator having investigation and disciplinary role

Byline: Enoch Yiu enoch.yiu@scmp.com

The Hong Kong Institute of Certified Public Accountants (HKICPA) has expressed reservations about two major audit reform proposals.

The government has just completed a consultation on handing more of the HKICPA's powers to the Financial Reporting Council (FRC) to add teeth to the regulator. The FRC in 2006 took over the power of investigating audit failures of listed companies but the HKICPA continues to license and set standards for the 38,000 accountants in the city.

Currently the FRC passes on the findings of its investigations to the HKICPA for the latter to decide on disciplinary action. This arrangement is seen as contrary to the international trend of allowing non-accounting bodies to play a greater role in audit regulation.

In the third quarter, the government completed a consultation process to allow the FRC to take over from the HKICPA the roles of practice review and setting of disciplinary action.

"We are not opposed to the reform but we fear the FRC would become too powerful if it is doing both the investigation and setting disciplinary action," Ho said, adding that it would be better to let a committee formed by independent members decide on the disciplinary action for errant auditors.

He said the current reform does not put emphasis on the quality of financial statements of listed companies. "It would be better for the stock exchange to require all listed companies to hire at least one qualified accountant to handle the financial statements to improve their quality and enhance transparency."

The HKICPA also has submitted its position paper to the stock exchange on its consultation on whether Hong Kong should allow companies to list with dual share structures. The exchange last month completed a consultation on the issue after losing e-commerce giant Alibaba Group's initial public offering.

Alibaba eventually listed in the US in September after the Hong Kong exchange refused to grant it the exemption to list in a structure that would allow its founder and key executives to nominate the majority of the board even though they hold a minority stake.

"The HKICPA is opposed to changes in the listing rules to allow dual share structures if there is no safeguard for investors. The US has class action, which Hong Kong doesn't. Investors here can rely only on regulators to protect their interests," Ho said.

"If the stock exchange proposes a whole set of rules to protect investors' interests when it allows dual share structures, we would consider supporting the change if the safety measures are strong enough."