



Minutes of the 263<sup>rd</sup> meeting of the Ethics Committee held on Thursday, 23 May 2024 at 12:30p.m. in Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong (and via video conference)

Present: Ms. Mary Xuereb (Chair)  
Mr. Horace Ma (Deputy Chair) (Dial-in)  
Mr. Paul Chan (Dial-in)  
Mr. Dennis Chan (Dial-in)  
Ms. Elly Chui  
Mr. Eric Hung  
Ms. Elaine Kwong (Dial-in)  
Mr. Charbon Lo  
Ms. Mary Lau  
Mr. Dacky Leung (Dial-in)  
Mr. Rudolf Leung (Dial-in)  
Mr. Ricky Wong (Dial-in)  
Ms. Cecilia Yam

In attendance: Mr. Chris Joy, Director  
Ms. Cecilia Kwei, Director, Standard Setting  
Ms. Selene Ho, Deputy Director, Standard Setting  
Ms. Grace Lau, Associate Director, Standard Setting  
Ms. Cherry Yau, Associate Director, Standard Setting

Observer: Mr. Jason Bradley, Accounting and Financial Reporting Council (Dial-in)

**1950. Minutes of the 262<sup>nd</sup> meeting**

The Committee approved the minutes of the 262<sup>nd</sup> meeting.

**1951. Work Plan Status Report**

The Committee considered the report and noted the progress of various projects.

In response to a member's enquiry, SSD reported that implementation materials regarding the sustainability ethics and independence standards, if any, would be planned after the pronouncements are approved by the IESBA in December 2024.

The Committee noted that the optimal capacity for each ICAC workshop organized by the Hong Kong International Academy Against Corruption is 30 participants due to its interactive nature and engagement of participants in active discussions and exchanges. The Committee suggested the workshop to be re-run to accommodate the demand.

**1952. Proposed local refinements to the definitions of listed entity and public interest entity in the Code (Phase 1)**

The consultation to the Phase 1 of the local refinements to the definitions of listed entity and public interest entity ("PIE") in the *Code of Ethics for Professional Accountants* ended on 27 April 2024. SSD reported comments received during the consultation period and proposed the following changes from the Phase 1 exposure draft:

Action

- For authorized insurers defined under the Insurance Ordinance, expand the exception from being mandatory PIEs under Part 4A, Chapter A of the Code to special purpose insurers.
- For Occupational Retirement Schemes (“ORSO schemes”), only schemes registered under the Occupational Retirement Schemes Ordinance which are exempted under section 5 of the Mandatory Provident Fund Schemes Ordinance (i.e., MPF-exempted ORSO registered schemes) with total assets exceeding HK\$100 million by reference to the most recent set of audited financial statements are PIEs.

As a result, SSD had prepared the proposed final pronouncement and basis for conclusions for Phase 1, incorporating changes resulting from the consultation for consideration by the Committee.

During the deliberation, a member referred to the feedback from one of the stakeholders and raised concerns regarding the criteria used to determine the PIE status of MPF-exempted ORSO registered schemes. In light of this, the Committee agreed to conduct a targeted information gathering exercise on the existing PIE policy of CPA firms regarding ORSO schemes. This information would contribute to the finalization of the PIE proposal for ORSO schemes.

The Committee approved the post-consultation changes made; and the proposed final pronouncement and basis for conclusions for Phase 1, subject to the consideration of the number of members as an additional criteria to be used for the MPF-exempted ORSO registered schemes.

*(Ms. Elaine Kwong left the meeting at this juncture.)*

*[Post meeting notes:*

- (i) A request for information on firms’ existing PIE policy regarding ORSO schemes was sent to members working in professional firms on 28 May. Based on the information gathered, the criteria for determining the PIE status of MPF-exempted ORSO registered schemes were revised and circulated to the Committee for approval on 28 May. The revised criteria were approved by the Committee on 30 May.*
- (ii) On further consideration of preliminary comments from the Accounting and Financial Reporting Council (“AFRC”) on the revised criteria approved on 30 May, the Committee agreed to approve the final pronouncement and basis for conclusions without the revised criteria. The final pronouncement and basis for conclusions were approved by the Committee on 21 June. ]*

**1953. Proposed local refinements to the definitions of listed entity and public interest entity in the Code (Phase 2)**

The Committee received a summary of the seven potential PIE categories they had previously deliberated on and agreed upon for Phase 2. To comprehend the determination of additional PIE categories, members working in professional firms were requested to provide their responses to specific questions that they previously submitted to the AFRC. These questions related to the types of their audit clients and the revenue range generated by certain types of audit clients. This approach aimed to minimize the Institute’s effort to carry out extensive data collection for similar information, while saving firms’ burden to compile new data. To allow for a representative dataset, the Committee also agreed that SSD would approach the AFRC to obtain the aggregate responses they received from professional firms on an anonymous basis, subject to the AFRC’s consent and policies.

(Ms. Mary Lau left the meeting at this juncture.)

Additionally, SSD presented its analysis and recommendations regarding potential additional PIE categories that were proposed by the Committee at the last meeting. After careful consideration, the Committee determined that non-bank operators of stored value facilities within the regime of the Payment Systems and Stored Value Facilities Ordinance fulfilled the criteria for being classified as a PIE category in Phase 2.

*[Post meeting note: A request for information on firms' certain information submitted to the AFRC was sent to members of professional firms on 25 April.]*

**1954. IESBA National Standards Setters (“NSS”) meeting**

The Committee noted that SSD staff participated the IESBA NSS meeting held on 2 and 3 May and the key points discussed during the meeting. SSD would keep the Committee posted on any significant developments in the key projects of the IESBA.

**1955. Any other business**

A member suggested to enhance HKICPA members' awareness to uphold integrity, making reference to a recent case reported by the US regulator which involved improper answer sharing on tests for training activities. The Committee acknowledged the suggestion and would leave the consideration to the Institute.

There being no further business, the meeting closed at 2:05 p.m.

MARY XUEREB  
CHAIR

24 June 2024