



24 January 2019

Our Ref.: C/AASC

Insurance Authority
19th Floor, 41 Heung Yip Road
Wong Chuk Hang
Hong Kong
Attn: Policy and Development Division

Dear Sir/Madam,

Consultation on the Revised Draft Guideline on Enterprise Risk Management

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. The HKICPA sets auditing and assurance standards, ethical standards and financial reporting standards in Hong Kong. We welcome the opportunity to provide our comments on the captioned Consultation on the Revised Draft Guideline on Enterprise Risk Management (ERM Guideline).

In our previous submission on the draft ERM Guideline dated 9 July 2018, we suggested the Insurance Authority (IA) to clarify the qualification of the reviewer regarding the review of the ERM framework as required under paragraph 8.2.2 of the draft ERM Guideline: "for Tier 1 group(s), the ERM framework should be reviewed by an independent party¹⁹ at least every three years...". In footnote 19 to this paragraph, it further stated that "The ERM framework review may be carried out by an internal or external body as long as the reviewer is independent and not responsible for, nor been actively involved in, the part of the ERM framework that it reviews."

We note that in the current draft ERM Guideline under consultation, it has been revised to focus, in relation to group risk, on requirements at the solo level and the three-tier group-wide supervisory approach has been removed. Accordingly, paragraph 8.2.2 is removed and the requirement on the reviewer previously stated in footnote 19 is now moved to footnote 29 to paragraph 8.2.1.

Consistent with our previous submission, we would suggest more clarity on the qualification of the reviewer in the revised ERM Guideline, for example, would an internal auditor or external auditor be considered as the suitably experienced individual or independent reviewer acceptable to the Insurance Authority (IA)? In addition, we would suggest the IA develops guidance on the reporting requirements for the independent review as set out in paragraph 8.2.1. This will help set out the IA's expectation on the scope and nature of the independent review.



We trust that our comments are of assistance to the IA in finalising the revised ERM Guideline. If you require any clarification on our comments, please do not hesitate to contact our Selene Ho, Deputy Director at selene@hki CPA.org.hk.

Yours faithfully,

A handwritten signature in black ink that reads 'Chris Joy'. The signature is written in a cursive, slightly slanted style. Below the name, there is a horizontal line that extends to the right, ending in a small hook.

Chris Joy
Executive Director

SH/al