



Dear Assignment/News/Business Assignment Editor

Expectations of the accountancy profession for the next Chief Executive of HKSAR government

(HONG KONG, 14 March 2017) — The Hong Kong Institute of Certified Public Accountants announced today the expectations of the profession for the next Chief Executive of Hong Kong Special Administrative Region government as follows:

1. Audit regulatory reform

Establish a robust, independent, fair and just audit regulatory system in Hong Kong that is internationally recognized and suits local circumstances – strengthening the role of Hong Kong as an international financial centre.

Specifically, we call for the government to:

- ensure separation of inspection, investigation and disciplinary functions within the independent oversight body.
- ensure that the independent oversight body includes a sufficient number of people with relevant auditing experience and knowledge.
- provide more details on sanctioning guidelines, and operational cost of the independent oversight body, whose funding should come from investors.
- provide a mechanism for setting, approving and monitoring the independent oversight body's budget to give comfort over its accountability and prudent financial management.

2. Cross-border opportunities

The future Hong Kong chief executive should continue to work with the Mainland government to expand the opportunities for our members over the border, including but not limited to:

- allowing Hong Kong CPAs to become non-practising partners of Mainland CPA practices to inject expertise and experience in non-auditing services.
- allowing Hong Kong CPAs to provide tax-related services to Mainland enterprises and residents.
- allowing Hong Kong CPAs who have obtained Chinese Institute of CPAs qualification to establish Mainland CPA partnership or limited

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liability practices without Mainland CPAs to be majority shareholders or partners or to join CPA partnership or limited liability practices.

3. Professional liability reform

A statutory cap on auditor's liability and proportionate liability should be introduced to:

- improve capital market stability.
- create the conditions for more CPAs firms to enter the listed company audit market, so providing more choice and expanding the talent pool.

4. Review of tax system of Hong Kong

We welcome the government to set up a tax policy unit which the Institute has been advocating for a number of years. However, more information is needed about the composition as it is crucial in driving the direction of tax policy. The tax policy unit should look at how to:

- enhance the overall competitiveness of Hong Kong's tax regime.
- modernize the Inland Revenue Ordinance.
- address the potential impact of international tax developments.

5. Corporate governance

Government should continue to give priority to corporate governance in both private and public sectors to support Hong Kong's efforts to remain a leading financial centre.

6. Introduction of corporate rescue regime

Hong Kong still lacks statutory provisions for rescuing financially distressed companies, which puts us at a disadvantage to our competitors in the region.

The government should move forward quickly with legislation in this area, which was first proposed by the Law Reform Commission over 20 years ago.

It is hoped that the 30 EC members (accountancy subsector) would relay the above to the candidates running for the chief executive election when they meet with them and that they would take these areas into consideration when they discharge their duties as EC members.

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About the Hong Kong Institute of CPAs

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to Certified Public Accountants in Hong Kong. The Institute has more than 40,000 members and 19,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation *CPA*.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of the Global Accounting Alliance - an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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