



Hong Kong Institute of
Certified Public Accountants
香港會計師公會



Revised Statement of Protocol

between

Financial Reporting Council

and

Hong Kong Institute of Certified Public Accountants

on Oversight Arrangements

16 August 2022

1. Introduction

- 1.1 This Statement of Protocol is entered into between the Financial Reporting Council of 24th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong; and the Hong Kong Institute of Certified Public Accountants of 37th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.
- 1.2 The Financial Reporting Council is empowered under section 10(2)(d) of the Financial Reporting Council Ordinance (Cap 588) to enter into this Statement of Protocol.
- 1.3 The Hong Kong Institute of Certified Public Accountants is empowered under section 18 of the Professional Accountants Ordinance (Cap 50) to enter into this Statement of Protocol.

2. Definitions

- 2.1 In this Statement of Protocol (including its annexes), save where the context otherwise requires, the following terms shall have the meanings attributed to them:

Term	Meaning
AFRC	Accounting and Financial Reporting Council
AFRCO	FRCO as amended by the Amendment Ordinance 2021, and as may be subsequently amended from time to time
Amendment Ordinance 2021	Financial Reporting Council (Amendment) Ordinance 2021 (41 of 2021)
CEO	Chief Executive Officer
Corporate practice	A company registered as a corporate practice under Division 3 of Part 2A of the AFRCO
CPA	A person registered as a certified public accountant by virtue of section 22 of the PAO
CPA (practising)	A CPA holding a practising certificate issued under section 20AAD or 20AAI of the AFRCO
CPA firm	A CPA (practising) who practises accountancy on the accountant's own account under a firm name registered

	under Division 2 of Part 2A of the AFRCO, or a firm of CPAs (practising) that practises accountancy in partnership and is registered under Division 2 of Part 2A of the AFRCO
CPD	Continuing professional development
Effective Date	The date this Statement comes into effect in accordance with Paragraph 10.3 below
FRC	Financial Reporting Council (to be renamed as the AFRC upon the commencement of the Amendment Ordinance 2021)
FRCO	Financial Reporting Council Ordinance (Cap 588)
HKICPA	Hong Kong Institute of Certified Public Accountants
HKICPA Council	Council of the HKICPA
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
IESBA	International Ethics Standards Board for Accountants
Information	All non-public information, records and documents passed between the Parties under and pursuant to this Statement
PAO	Professional Accountants Ordinance (Cap 50)
Party or Parties	FRC and HKICPA, separately or together
Practice unit	A practice unit means – (a) a CPA (practising) who practises accountancy on the accountant’s own account under the accountant’s own name as registered under section 22(2) of the PAO; (b) a CPA firm; or (c) a corporate practice
Previous Statement	Statement of Protocol entered into between the Parties on 27 September 2019
Specified Committees / Boards	The committees and boards of the HKICPA responsible for the matters concerning the HKICPA’s performance of the Specified Functions from time to time. The relevant committees and boards as of the date of this Statement are specified in Annex 1
Specified Functions	Functions of the HKICPA mentioned in section 9(b) of AFRCO
Statement	This Statement of Protocol

3. The Parties

3.1 The FRC is a statutory body established under the FRCO. Upon the commencement of the Amendment Ordinance 2021, the FRC will be renamed as the AFRC and its functions will include, among other things, the following:

(a) to regulate:

- (i) CPAs through issuing practising certificates, and through investigation and disciplinary sanction;
- (ii) CPA firms and corporate practices through registration, and practice units through inspection, investigation and disciplinary sanction; and
- (iii) auditors of listed entities through a registration and recognition mechanism, and through inspection, investigation and disciplinary sanction;

(b) to oversee the HKICPA's performance of the following functions:

- (i) ascertaining whether persons are qualified for registration as CPAs by conducting examinations and acting in such other manner as may be necessary, and dealing with applications and other matters relating to the registration of CPAs;
- (ii) arranging with accountancy bodies in places outside Hong Kong for the mutual or reciprocal recognition of accountants;
- (iii) setting CPD requirements for CPAs;
- (iv) issuing or specifying standards on professional ethics, and accounting, auditing and assurance practices, for CPAs; and
- (v) providing training for qualifying for registration as, and the CPD of, CPAs;

- (c) to monitor, through enquiries, the compliance by listed entities of regulatory requirements for financial reports;
- (d) with respect to each of the inspections, investigations or enquiries, to decide on, and carry out, the appropriate action in accordance with the AFRCO; and
- (e) to take any steps that the AFRC considers appropriate to promote and support the development of the accountancy profession.

3.2 The HKICPA is a statutory body established under the PAO. Upon the commencement of the Amendment Ordinance 2021, the functions of the HKICPA will include, among other things, the following:

- (a) to register CPAs in Hong Kong;
- (b) to regulate the practice of the accountancy profession;
- (c) to set codes of ethics and standards of accounting and auditing;
- (d) to regulate the quality of entry to the profession through its qualification programme and related courses;
- (e) to provide continuing education and other services to members; and
- (f) to promote the accountancy profession both in Hong Kong and overseas.

4. Purpose of this Statement

4.1 To facilitate cooperation between the Parties in discharging their respective statutory functions upon the commencement of the Amendment Ordinance 2021, the Parties have agreed to enter into this Statement to set out clearly the revised oversight arrangements to be put in place between the Parties.

4.2 Under section 10(1A) of the AFRCO, the AFRC may, for performing its functions under section 9(b) of the AFRCO (which is reproduced in Paragraph 3.1(b) above):

- (a) request the HKICPA to provide information and periodic reports on the HKICPA's performance of a Specified Function;
- (b) conduct assessment on the HKICPA's performance of a Specified Function; and
- (c) if satisfied that it is in the public interest to do so, give written directions to the HKICPA on the performance of a Specified Function.

4.3 Under section 10(1B) of the AFRCO, the HKICPA must comply with any direction given under section 10(1A)(c) of the AFRCO (i.e. Paragraph 4.2(c) above).

5. Status of this Statement

5.1 The Parties acknowledge and agree that:

- (a) they have entered into this Statement in good faith and for the purpose of facilitating a cooperative working relationship;
- (b) the provisions of this Statement should receive such fair, large, and liberal construction and interpretation as will best ensure the attainment of the objects of this Statement according to its true intent, meaning, and spirit;
- (c) this Statement is not intended to create any binding legal obligations, to fetter the discretion of the Parties in any way in discharging their functions or to create any rights in third parties; and
- (d) nothing in this Statement shall affect the rights of the Parties to exercise any of their powers or perform any of their functions under the AFRCO, the PAO or other relevant legislation.

6. AFRC's oversight over the HKICPA in relation to the performance of the Specified Functions

6.1 The Parties agree that representative(s) from the AFRC can sit on the

Specified Committees / Boards of the HKICPA as an observer i.e. with no right to participate in discussion or decision making, and have full access to materials provided to the Specified Committees / Boards in relation to the Specified Functions. The AFRC will determine solely in its discretion which meetings to attend.

6.2 Provision of information and periodic reports

6.2.1 The Parties agree that the HKICPA will provide the AFRC with:

- (a) the information on the applicable due process and the annual work plan in relation to the matters concerning the performance of each Specified Function in April of each year;
- (b) the composition and terms of reference of the Specified Committee(s)/ Board(s) in April of each year, and the policies and procedures for the nomination and evaluation of their members in October of each year (if revised) or confirmation that they have not been revised;
- (c) an “Activity Report” for each Specified Function (Annex 2 to Annex 5) (in a format agreed from time to time) containing such information as would enable the AFRC to understand the activities of HKICPA in relation to responsibilities in matters concerning the Specified Function for the preceding quarter on or before the 15th day of the first month of each quarter (if the 15th day is not a business day, the next business day);
- (d) appended to the respective Activity Reports, all relevant supporting materials including agendas and approved minutes of meetings of the Specified Committee(s) / Board(s) and the HKICPA Council in relation to the relevant Specified Function (including any amendments and proposed amendments to the due process) of the preceding quarter; and
- (e) any other information, documents or reports in the HKICPA’s possession that the AFRC may reasonably require for the performance of its oversight function as soon as possible or within a period as specified by the AFRC.

6.3 Assessment

6.3.1 The Parties agree that the AFRC will conduct regular assessments of the

performance of the HKICPA in relation to the Specified Functions. The HKICPA agrees to cooperate with the AFRC to the fullest extent in such assessments. The HKICPA will provide the AFRC with reasonable access to its premises, personnel, files, papers, correspondence, minutes, and any other documentation in its possession or in its power to obtain, and to make copies of such materials available to the AFRC insofar as that relates to the Specified Functions. The AFRC will take all reasonable steps in the course of the assessment to avoid any disruption to HKICPA's operations.

- 6.3.2 The AFRC will provide the HKICPA with 30 days' written notice of the commencement of an assessment, and an advance notice of any interview with a member of the HKICPA staff / member of a Specified Committee / Board / member of the HKICPA Council involved in the performance of the Specified Functions. The Parties agree to apply their best endeavours to complete the assessment and prepare a summary report (see Paragraph 6.3.6) within four months.
- 6.3.3 The AFRC may after the assessment make recommendations about the HKICPA's performance in relation to the Specified Functions. The HKICPA shall provide a written response including any follow-up action to the AFRC regarding such recommendations.
- 6.3.4 The Parties agree that if the AFRC is not satisfied that the proposed HKICPA responses will adequately address the recommendations, the AFRC shall advise the HKICPA of its concerns in writing. The Parties agree that they will make best endeavours to agree a resolution to the satisfaction of both Parties, including the involvement of Specified Committee(s)/ Board(s) of the HKICPA and/or HKICPA Council as necessary.
- 6.3.5 In the event that the AFRC remains unsatisfied with the proposed HKICPA responses the AFRC may exercise its power to issue directions under section 10(1A)(c) of the AFRCO (Paragraph 7 of this Statement).
- 6.3.6 The Parties agree that a summary report on the key findings and recommendations of the AFRC's assessment regarding the HKICPA's performance in relation to the Specified Functions will be published on a regular basis and be made available on the websites of the AFRC and the HKICPA.

7. Directions to HKICPA

- 7.1 The Parties further acknowledge and agree that in respect of the AFRC's oversight of the HKICPA's performance of the Specified Functions, if failure in the performance of the Specified Functions is identified by the AFRC and that failure is unable to be resolved by mutual agreement of remedial actions, upon being satisfied that it is in public interest to do so, the AFRC may exercise its powers under section 10(1A)(c) of the AFRCO and issue a written direction to the HKICPA.
- 7.2 The AFRC shall give the HKICPA not less than 30 days' notice in writing of its intention to exercise its powers under section 10(1A)(c) of the AFRCO and of the reasons therefor. The HKICPA may then make representations in writing to the AFRC and may attend the meeting of the AFRC to make any oral representations. The HKICPA shall submit any written representations it wishes to make within 14 days or, in case of urgent need, before any reasonable deadline the AFRC may set.
- 7.3 If the AFRC determines that the matter has still not been resolved satisfactorily, the AFRC may give HKICPA written directions as to the furtherance of any of its regulatory objectives. Pursuant to section 10(1B) of the AFRCO, HKICPA must comply with any direction given by the AFRC.

8. Liaison

- 8.1 The CEO of the AFRC (or their representatives) and Chief Executive & Registrar of the HKICPA (or their representatives) will meet at least once a year to review the operation of this Statement and any significant matters arising subsequent to the last meeting. The review may include:
- (a) any matters or issues relating to the HKICPA's performance of the Specified Functions or the AFRC's oversight of HKICPA thereof; and
 - (b) any policy or other matters, including but not limited to potential changes to:
 - (i) the qualifications for registration as CPAs and the due process of dealing with the applications and other matters relating to the registration of CPAs;

- (ii) any policies and the due process for arranging with accountancy bodies in places outside Hong Kong for the mutual or reciprocal recognition of accountants;
- (iii) any policies and the due process for setting CPD requirements for CPAs;
- (iv) any policies and the due process for issuing or specifying standards on professional ethics, and accounting, auditing and assurance practices, for CPAs; and
- (v) any policies and the due process for providing training for qualifying for registration as, and the CPD of, CPAs.

8.2 Ad hoc meetings will also be held to inform the AFRC of any urgent or emerging significant issues as they arise, with a view to ensuring that AFRC's views are taken fully into account before decisions are taken.

8.3 Proper records shall be kept of these meetings.

9. Sharing of information and confidentiality

9.1 To the extent permitted by applicable law, each of the Parties will make all reasonable efforts to ensure that the other Party is provided with all relevant information so that it may effectively perform its statutory functions.

9.2 The Parties will hold confidential all Information received under or pursuant to this Statement, and will not disclose such Information without the written consent of the other, unless:

- (a) required by law or permitted by section 51 of the AFRCO; or
- (b) for the purpose of seeking advice from, or giving advice by, counsel, or a solicitor, or other professional adviser, acting or proposing to act in a professional capacity in connection with any matter arising under the AFRCO.

Where legally permissible, the other Party will be notified upon receipt of a

demand for release of Information.

9.3 The Parties will ensure that confidentiality also applies to those who are or have been authorised to have access to any Information according to the applicable laws, in particular:

(a) persons employed, contracted by, or associated with the Parties; or

(b) persons involved in the governance of the Parties.

9.4 The Parties will ensure that any Information provided under this Statement is protected at least to the same extent and with the same care as they would protect their own Information of a similar nature and that it is retained and destroyed in accordance with appropriate retention policies.

10. Effective Date and miscellaneous

10.1 The Parties agree that this Statement will remain in force and effect unless and until the Parties agree in writing to terminate the whole or any part of it. The Parties further agree that the annexes to the Statement may be revised by an exchange of letters between the CEO of the AFRC and the Chief Executive & Registrar of the HKICPA without amending, restating, or re-signing this Statement.

10.2 Subject to Paragraph 10.4 below, this Statement shall supersede the Previous Statement with effect from the Effective Date.

10.3 This Statement shall come into effect on 1 October 2022 or such other date as may be mutually agreed in writing between the Parties.

10.4 The Previous Statement shall continue to have effect insofar as it relates to the AFRC's oversight of the HKICPA's performance of the specified functions as set out in Paragraph 3.1(b) of the Previous Statement that have been carried out by the HKICPA before the Effective Date.

Signed for and on behalf of
FINANCIAL REPORTING COUNCIL

Marek Grabowski
Chief Executive Officer
Dated 16 August 2022

Signed for and on behalf of
HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Margaret Chan
Chief Executive & Registrar
Dated 16 August 2022

Specified Function	Specified Committee / Board
Ascertaining whether persons are qualified for registration as CPAs by conducting examinations and acting in such other manner as may be necessary, and dealing with applications and other matters relating to the registration of CPAs	<ul style="list-style-type: none"> • Registration Committee • Qualification and Examination Board
Arranging with accountancy bodies in places outside Hong Kong for the mutual or reciprocal recognition of accountants	<ul style="list-style-type: none"> • Registration Committee
Setting CPD requirements for CPAs	<ul style="list-style-type: none"> • Registration Committee
Issuing or specifying standards on professional ethics, and accounting, auditing and assurance practices, for CPAs	<ul style="list-style-type: none"> • Auditing and Assurance Standards Committee • Ethics Committee • Financial Reporting Standards Committee
Providing training for qualifying for registration as, and the CPD of, CPAs	<ul style="list-style-type: none"> • Professional Development Committee • Qualification Oversight Board

Activity Report for the Specified Function mentioned in section 9(b)(i) of the AFRCO

(Ascertaining whether persons are qualified for registration as CPAs by conducting examinations and acting in such other manner as may be necessary, and dealing with applications and other matters relating to the registration of CPAs)

Covering the period of : _____

1. Number of CPAs:

	All CPAs	Analysed by: Number of CPAs who qualified under -				
		section 24(1)(c)(i) of the PAO <i>(registered student)</i>	section 24(1)(c)(ii) of the PAO <i>(member of a recognized accountancy body)</i>	section 24(1)(c)(iii)(A) of the PAO <i>(member of an accountancy body for which members the Council has granted full exemption)</i>	section 24(1)(c)(iii)(B) of the PAO <i>(member of an accountancy body for which members the Council has granted partial exemption)</i>	section 24(1)(c)(iv) of the PAO <i>(registered as a professional accountant before 8 September 2004)</i>
Balance at close of preceding quarter						
Renewals						
New applications @						
Expiry						
Reinstatement from suspension of registration under section 37CA(4)(b)(ii) of the AFRCO						
Removals #						
Balance at close of the quarter						
@ Among new application which:						
- Number of registrations previously removed from the register in consequence of any misleading, false or fraudulent statement, declaration or representation, either oral or in writing						
- Number of registrations previously removed from the register pursuant to an order made under section 35(1)(a) of the PAO (as in force at the relevant time)						
- Number of registrations previously revoked under section 37CA(2)(d)(i) of the AFRCO						

Reasons for the removal of CPAs otherwise than by reason of a failure to renew a registration under section 28 of the PAO:

	Number of CPAs
Resigned	
Deceased	
Had been registered by mistake or in consequence of any misleading, false or fraudulent statement, declaration or representation, either oral or in writing ^	
Pursuant to a disciplinary order under section 35(1)(a) of the PAO (as in force at the relevant time) or section 37CA(2)(d) of the AFRCO ^	
Total number of CPAs removed during the period	

^ Please provide details of any follow-up actions taken by the HKICPA.

2. Other than exemptions granted under section 24(1)(c)(iii) of the PAO, new or revised exemptions granted by the HKICPA Council under section 24(1A) of the PAO during the period:

Name of the accountancy body	Effective date	Details of the new or revised exemption

3. Copies of any resolution of the HKICPA Council and any other documents relevant to a new or revised exemption granted during the period should be provided.

4. CPD audit for CPAs:

	Total number of CPAs as at close of the quarter	Number of CPAs selected for CPD audit during the period	Number of CPAs found to have failed to comply with CPD requirements in the audit by nature of non-compliance	Follow-up actions taken by the HKICPA, including any regulatory actions imposed on the CPAs concerned	Remarks
CPAs					

5. If the HKICPA is considering a revision to the existing qualifications for registration as CPAs, please set out below the scope of the proposed revision, the proposed effective date, the rationale and the considerations in determining the proposed revision. Agendas and approved minutes of the relevant committee(s) / board(s) of the HKICPA and/or the HKICPA Council in relation to such revision should also be provided.
6. Remarks (if any, e.g. any emerging significant issues that need to be drawn to the AFRC's attention).

Submitted by:

[Name and title]

Activity Report for the Specified Function mentioned in section 9(b)(ii) of the AFRCO

(Arranging with accountancy bodies in places outside Hong Kong for the mutual or reciprocal recognition of accountants)

Covering the period of : _____

1. New or revised mutual or reciprocal recognition agreements entered into during the period:

Name of the accountancy body in a place outside of Hong Kong	Effective date	Details of the new or revised agreement

2. Copies of the new or revised mutual or reciprocal recognition agreement entered into during the period should be provided.

3. If the HKICPA is considering a new arrangement or a revision to an existing arrangement with an accountancy body in a place outside Hong Kong for the mutual or reciprocal recognition of accountants, please set out below the scope of the proposed arrangement or revision, the rationale and the considerations in determining the proposed arrangement or revision. Agendas and approved minutes of the relevant committee(s) / board(s) of the HKICPA and/or the HKICPA Council in relation to the new arrangement or the revision should also be provided.

4. Existing mutual or reciprocal recognition agreements terminated or expired without renewal during the period:

Name of the accountancy body in a place outside of Hong Kong	Date of termination / expiry	Details

5. Remarks (if any, e.g. any emerging significant issues that need to be drawn to the AFRC's attention).

Submitted by:

[Name and title]

Activity Report for the Specified Function mentioned in sections 9(b)(iii) and (iv) of the AFRCO
(Setting CPD requirements for CPAs and Issuing or specifying standards on professional ethics, and accounting, auditing and assurance practices, for CPAs)

Covering the period of : _____

A. International and local events

1. International and local events attended in the period:

Name of event	Date	Name of attendee	Particulars

2. International and local events to be attended:

Name of event	Date	Particulars

3. Events held by international standard setters in the period where HKICPA was invited but did not attend:

Name of event	Date	Particulars

B. CPD requirements for CPAs

4. Newly issued or revised CPD requirements for CPAs issued in the period:

Detail of the new / revised CPD requirement	Effective Date	Objective	Remark

5. Copies of the newly issued or revised CPD requirements should be provided.

6. Existing CPD requirements for CPAs removed / repealed during the period:

Detail of the removed / repealed CPD requirement	Effective date of removal / repeal	Objective	Remark

C. **Standards on professional ethics, and accounting, auditing and assurance practices, for CPAs (“Standards”)**

7. Newly issued or revised Standards issued in the period:

Name of Standard	Effective date	Any departure from the equivalent standards / pronouncements issued by the IAASB, IASB or IESBA (Y/N/Not applicable)

8. Copies of the newly issued or revised Standards, highlighting any provisions which depart from the equivalent standards / pronouncements issued by the IAASB, IASB or IESBA and the reasons for departure should be provided.

9. New Standards specified in the period:

Name of Standard	Effective date	Objective

10. Copies of the newly specified Standards should be provided.

11. Existing Standards removed / repealed during the period:

Name of Standard	Effective date of removal / repeal	Objective

D. Other matters

12. Remarks (if any, e.g. any emerging significant issues that need to be drawn to the AFRC's attention).

Submitted by:

[Name and title]

Activity Report for the Specified Function mentioned in section 9(b)(v) of the AFRCO

(Providing training for qualifying for registration as, and the CPD of, CPAs)

Covering the period of : _____

1. Training provided for qualifying for registration as CPAs during the period:

Name of training course	Duration	Type of training (Financial reporting/ Auditing/ Ethics/ Regulatory requirement/ Other)	Training date

2. Training provided for the CPD of CPAs during the period:

Name of training course	Duration	Type of training (Financial reporting/ Auditing/ Ethics/ Regulatory requirement/ Other)	Training date	Professional standards/ regulatory requirement

3. Remarks (if any, e.g. any emerging significant issues that need to be drawn to the AFRC's attention).

Submitted by:

[Name and title]