



Our Ref.: C/EC

26 May 2017

Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017  
The United States of America

Dear Sir,

**IESBA Exposure Draft  
Improving the Structure of the Code of Ethics  
for Professional Accountants—Phase 2**

The Hong Kong Institute of Certified Public Accountants is the only body authorised by law to set and promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong. We are grateful for the opportunity to provide you with our comments on this Exposure Draft.

We support the proposals in the Exposure Draft. We consider that the proposals align with the conclusions made by the IESBA under phase 1 of the Structure of the Code project and have not resulted in unintended changes in the meaning of the existing Code. In addition, based on the proposed timeline of the IESBA projects, we agree with the proposed effective date for the restructured Code.

Nevertheless, we suggest that the IESBA considers adding, to section 240 *Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making*, guidance on how to address threats created by financial interests. We note that paragraph R270.5 of the proposed restructured Code sets out the ways to address threats created by pressure under the Conceptual Framework. We recommend that the IESBA adds a similar paragraph in section 240 and provide examples of safeguards, which may include establishing appropriate oversight and restructuring certain responsibilities and duties of the professional accountants.

If you have any questions regarding the matters raised above, please contact Eky Liu, Associate Director of the Standard Setting Department ([eky@hki CPA.org.hk](mailto:eky@hki CPA.org.hk)).

Yours faithfully,

Chris Joy  
Executive Director

CJ/EL