



Dear Assignment/News/Business Editor

Membership consultation for listed company auditor regulatory framework begins

Institute's Sixth Long Range Plan lays out direction for profession, including regulatory issues

(HONG KONG, 8 October 2013) — As part of its ambition to strengthen and reinforce the standing and reputation of Hong Kong's capital markets and its audit profession, the Hong Kong Institute of CPAs ("Institute"), the only statutory body for the accountancy profession in Hong Kong, today announced a three-month consultation with its members on the draft proposed framework for independent regulation of listed company auditors ("draft framework"). The draft framework is the culmination of years of discussion and collaboration between the Institute, the Government's Financial Services and the Treasury Bureau ("Government"), and the Financial Reporting Council ("FRC").

"The Institute's work and time spent with the Government and FRC, since 2008, has been engaging and productive," says Susanna Chiu, president of the Institute. "The cooperation between the three bodies has yielded a set of suggestions and guidelines, in the form of the draft framework, for our members to now feedback on. Views and comments from Institute members are of huge importance as the framework and the consultation set the direction for the audit profession going forward."

The draft framework covers six areas of auditor regulation: registration, inspection, investigation, discipline, continuing professional development and standards setting. In certain areas, options for proposed changes are provided.

According to Clement Chan, chair of the audit profession reform working group and vice president of the Institute, "The audit profession has always had an effective listed company auditor regulatory system because the Institute has always placed much emphasis on ensuring it is aligned with international best practices. We need a world-class regime that's relevant and appropriate to Hong Kong so we can't just 'cut and paste' from other jurisdictions."

The proposed draft framework will involve an independent regulator carrying out some functions directly and exercise oversight on certain functions conducted by the accounting body, with reserve powers to act in exceptional circumstances, adds Chan.

Raphael Ding, chief executive of the Institute adds, "The new system will enable the Hong Kong regulator to become a member of International Forum of Independent Audit Regulators (IFIAR) and be recognized as equivalent by the European Commission. Our own research confirms that the audit regulation systems in a number of jurisdictions, who are members of IFIAR and are recognized as equivalent by the European Commission, vary so there is more than one oversight model that Hong Kong could adopt to gain recognition."

For example, the oversight bodies from Britain and Germany, two of the European Union's largest economies, do not involve in day-to-day decision-making on functions that they do not undertake directly, Ding continues.

As the largest professional body in Hong Kong, and as a top-tier global accounting body with founding status in the International Federation of Accountants and the Global Accounting Alliance, the Institute has a duty to uphold public interest and to do what's best for Hong Kong; this includes collaborating with relevant parties to come up with a listed company auditor regulatory framework specific to Hong Kong, adds Chiu.

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Editor's Note

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 nearly 36,000 members and more than 17,000 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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