

Speech

Speech by SFST at the 2008 Annual Dinner of the Hong Kong Institute of Certified Public Accountants (English only)

Wednesday, December 3, 2008

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the 2008 Annual Dinner of the Hong Kong Institute of Certified Public Accountants today (December 3) (English only):

Albert (Au), Distinguished Guests, Ladies and Gentlemen,

Good evening.

It is a great pleasure to join you for your Annual Dinner.

The theme of tonight's Dinner, "Success along memory lane" is a good and timely one.

We are experiencing turbulent economic times as we tackle the global financial crisis. With news of failing international banks and companies appearing every week, there is a sense of uncertainty and weariness about the future.

It is also an opportune time to look back down memory lane at what contributed to the success of Hong Kong and be assured that, together we will stand up to the test.

Soon after the then Hong Kong Society of Accountants (HKSA) was established in 1973, the world went through its first oil crisis. Since then, the HKSA, as well as the accountancy sector, have grown with the Hong Kong economy. We have overcome the challenges of uncertainty before Hong Kong's reunification with the Mainland in 1997, as well as during the Asian financial crisis in late 1990s and the SARS outbreak in 2003.

So let us remain confident in our proven abilities. I assure you that we in the Government are doing all we can to boost the economy, maintain financial

stability and facilitate market development. At the customer level, we have announced the use of the Exchange Fund to guarantee repayment of customer deposits until the end of 2010. At the industry level, the Hong Kong Monetary Authority has introduced a series of measures to facilitate interbank liquidity and liquidity for SMEs.

At the market level, we are taking various measures to facilitate market development. We are also committed to reviewing the regulatory framework with a view to improving market quality.

Significant contribution of the accountancy sector to HK's development as an IFC

With the economy experiencing a downturn, the role of our accountants is all the more important to individual companies as well as to Hong Kong as an international financial centre. Whether you are practising accountants in audit firms, or non-practising accountants working in the commercial sector, we look to you to uphold the highest degree of professionalism and integrity to safeguard the quality of financial reporting. This is a key to Hong Kong's continued success as an international financial centre.

In these turbulent times, there has been heightened attention to, and much discussion on better disclosure and transparency. In preparing or auditing accounts, you are at the forefront of ensuring proper and timely disclosure. I see better corporate governance as the direction that companies, as well as Hong Kong as a whole, should take in order to rise above the financial crisis. We rely on our accountants as the gatekeepers and champions of better corporate governance.

Integration of HK and Mainland financial markets

Hong Kong has been the premium capital formation centre for Mainland enterprises as well as an efficient platform for inward investment of foreign funds into the Mainland. We are a multiple-lane highway connecting the Mainland to the rest of the world.

The Mainland's continuous high-growth levels in the past few years have resulted in massive accumulation of wealth. As a result, Mainland authorities

have progressively allowed financial institutions to invest overseas. Hong Kong has been the major beneficiary of the outflow of capital. Hong Kong remains the only jurisdiction outside the Mainland in which banks may transact business using the Renminbi (RMB). Hong Kong is also the first place outside the Mainland to operate a RMB bond market.

The integration of our financial market with that of the Mainland is not only evident through the listing of Mainland enterprises in Hong Kong or the launching of RMB financial products. We have also witnessed the growing exchange of professional talent that is instrumental to the integration and development of financial markets on both sides of the boundary.

Many of you have experience in working in the Mainland or with Mainland clients. You may have acted as auditors or reporting accountants for Mainland companies seeking to list in Hong Kong, or you may have been posted to offices in the Mainland. In doing so, you play an important part in upgrading the corporate governance standards in Hong Kong and in the Mainland.

Business opportunities provided by CEPA

Our unique free trade pact with the Mainland, the Closer Economic Partnership Arrangement, or CEPA, provides a business platform through which the two sides combine their comparative advantages and work out opportunities for co-operation.

For the accountancy sector, CEPA has helped to lower the barrier for Hong Kong accountants and audit firms to enter the Mainland market. Most recently, Supplement V to CEPA and the two supplementary agreements signed in July this year have:

* Provided mutual exemption of one more examination subject, "financial reporting", between members of CICPA (Chinese Institute of Certified Public Accountants) and HKICPA (Hong Kong Institute of Certified Public Accountants) Qualification Programme. This is in addition to the existing two exempted subjects, "audit" and "financial management";

* Extended the scope of beneficiaries to all HKICPA members who were not qualified solely through the Qualification Programme;

- * Committed to explore mutual recognition of Accounting Professional Technicians' qualifications;
- * Extended the validity period of temporary audit permits from two to five years; and
- * Committed to set up an examination centre in Hong Kong for Mainland's Accounting Professional Technician Qualification Examination. And set up examination centres in Shenzhen and Dongguan for Hong Kong residents to sit the Mainland's accounting qualification examination.

We believe that these measures will further facilitate the exchange of professional talent between Hong Kong and the Mainland.

All this would not be possible without the HKICPA's commitment and foresight. I am particularly impressed by the achievements of the Institute in the past decade. These achievements include the development of Hong Kong's very own "Qualification Programme" in 1999. This is now recognised by more than 10 overseas accountancy bodies around the world.

Another achievement has been the convergence of the Hong Kong Financial Reporting Standards with International Financial Reporting Standards in 2005, and efforts to ensure on-going maintenance.

And in 2006, we saw the launch of the new Practice Review Programme to improve quality assurance.

Ladies and gentlemen, this year marks the 35th anniversary of the Institute. We are grateful for your dedication and enterprise over the years. With continual hard work, commitment and co-operation between the accounting sector and the Government, I have no doubt we will ride out the current financial storm with confidence.

Thank you.