

## **Press Release**

### **Consultation launched on improving regulatory regime for listed entity auditors**

Friday, June 20, 2014

The Government today (June 20) launched a three-month public consultation on proposals to improve the regulatory regime for listed entity auditors.

"It is important for Hong Kong to sustain a robust regime for the regulation of listed entity auditors so as to safeguard the interests of the investing public and to reinforce Hong Kong's status as an international financial centre and capital market," said the Secretary for Financial Services and the Treasury, Professor K C Chan.

"The Government proposes to reform the present regime which is considered by many as largely a self-regulatory regime," Professor Chan added. "The initiative strives to bring Hong Kong's regime in line with international standards that the oversight of the regulation of listed entity auditors should be independent of the audit profession. It will be beneficial not only to the audit profession but also Hong Kong as a whole."

The reform proposals aim to enhance the independence of Hong Kong's regulatory regime for listed entity auditors from the audit profession, with a view to ensuring that it is benchmarked against international standards and continues to be appropriate in the local context.

A government spokesman said that having engaged the Hong Kong Institute of Certified Public Accountants (HKICPA), the Financial Reporting Council (FRC) and relevant stakeholders on the direction and scope of the reform since late 2011, the Government had taken into account their views in formulating the proposals for this important subject.

The spokesman said that the audit profession also acknowledged that there was a need to improve the regulatory regime for listed entity auditors. The proposals reflected the outcome of a lengthy process of market engagement by the Government.

He said that in better protecting the public interest, and enhancing

international recognition of Hong Kong auditors, the proposals also sought to minimise the impact on the audit profession.

Under the reform proposals, FRC's regulatory remit will be expanded to oversee the regulatory regime for listed entity auditors, and the HKICPA will be designated by law to perform the statutory functions of registration, setting of continuing professional development requirements and setting of standards on professional ethics, auditing and assurance with respect to listed entity auditors under the independent oversight by the FRC.

In addition to its existing investigatory functions and powers under the Financial Reporting Council Ordinance (Cap. 588), the FRC will be vested with inspection and disciplinary functions and powers with regard to listed entity auditors for their audit engagements with listed entities.

The annex sets out the key functions to be performed by the HKICPA and the FRC under the proposals.

Based on the "user pays" principle and the principle that the auditor oversight body should be operationally and financially independent of the Administration, the Government proposes that the future FRC will be funded by levies coming, on an equal basis, from three sources, namely levies on listed entities, securities transactions and listed entity auditors.

The spokesman said that to ensure that the FRC would comprise members with the relevant expertise and knowledge of listed entities and auditing their financial reports, the proposals also provide for the future FRC to include at least two members having knowledge of and experience in carrying out audits of Hong Kong listed entities.

The Government will study carefully all comments received during the public consultation in preparing the necessary legislation, and plans to introduce the enabling legislation into the Legislative Council in 2015.

The consultation paper can be downloaded from the website of the Financial Services and the Treasury Bureau ([www.fstb.gov.hk/fsb/ppr/consult/consult\\_rpirrlea.htm](http://www.fstb.gov.hk/fsb/ppr/consult/consult_rpirrlea.htm)).

Members of the public are welcome to submit their comments on or before September 19, 2014, by mail to Division 4, Financial Services Branch, Financial Services and the Treasury Bureau, 15/F, Queensway Government Offices, 66 Queensway, Hong Kong, or by fax to 2869 4195, or by email to [rpirrlea@fstb.gov.hk](mailto:rpirrlea@fstb.gov.hk).

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