

# **Policy Statement for the Issuance of Practising Certificates**

## Introduction

1. The Accounting and Financial Reporting Council (“**AFRC**”) is an independent body established under the Accounting and Financial Reporting Council Ordinance (Cap. 588) (“**AFRCO**”).
2. The AFRC is empowered to issue practising certificates to certified public accountants (“**CPA**”) under Division 1 of Part 2A of the AFRCO.

## Definitions

3. In this Policy Statement, the following terms have the meanings defined in the AFRCO as set out below (the definitions in the AFRCO shall prevail in case of any inconsistency):

Terms	Meanings defined in the AFRCO	Section under the AFRCO
approved accounting experience	Approved accounting experience means the professional accountancy experience approved as sufficient practical experience by the Council of the HKICPA.	20AAL(7)
CPA	A CPA means a person registered as a certified public accountant by virtue of section 22 of the PA Ordinance.	2(1)
certified public accountant (practising) (“ <b>CPA (practising)</b> ”)	A CPA (practising) means a CPA holding a practising certificate.	2(1)
corporate practice	A corporate practice means a company registered as a corporate practice under Division 3 of Part 2A of the AFRCO.	2(1)
CPA firm	A CPA firm means: <ul style="list-style-type: none"><li>• 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</li><li>• a firm of CPAs (practising) that practises accountancy in partnership and is registered under Division 2 of Part 2A of the AFRCO.</li></ul>	2(1)

Terms	Meanings defined in the AFRCO	Section under the AFRCO
HKICPA	HKICPA means the Hong Kong Institute of Certified Public Accountants incorporated by section 3 of the PA Ordinance.	2(1)
PA Ordinance	PA Ordinance means the Professional Accountants Ordinance (Cap. 50).	2(1)
practising certificate	A practising certificate means a practising certificate issued under section 20AAD or 20AAI of the AFRCO.	2(1)
specified accountancy body	A specified accountancy body means: <ul style="list-style-type: none"> <li>• an accountancy body between which and the HKICPA there is in force an agreement of mutual or reciprocal recognition; or</li> <li>• an accountancy body accepted by the Council of the HKICPA as described in section 24(1A) of the PA Ordinance.</li> </ul>	20AAL(7)
specified office	A specified office means the office of: <ul style="list-style-type: none"> <li>• a CPA (practising); or</li> <li>• a person practising public accountancy in the jurisdiction of a specified accountancy body.</li> </ul>	20AAL(7)

### Purpose of this document

4. The purpose of this Policy Statement is to provide an overview of the legal regime for the issuance of practising certificates to CPAs.
5. For an outline of the application and notification process, please refer to the [“Outline of the AFRC’s Process for the Issuance of Practising Certificates”](#) available on the AFRC’s website.

### Objectives of issuance of practising certificates

6. The AFRC is entrusted with the statutory duty to regulate the accountancy profession. An effective regulatory regime of the accountancy profession is crucial for the business community and is essential for maintaining Hong Kong’s status as an international financial centre.
7. All CPAs intending to practise and describe himself or herself as a CPA (practising) must apply for a practising certificate from the AFRC. Through the system of issuance of

practising certificates, the AFRC can uphold the standards of auditors, which is critical to enhancing the quality of financial reporting and audit quality in Hong Kong.

## Appointment or rendering service as an auditor

8. Only a CPA (practising), a CPA firm and a corporate practice may hold an appointment or render services, whether paid or unpaid, as: Section 20AAZZR of the AFRCO
- (a) an auditor of a company within the meaning of the Companies Ordinance (Cap. 622); or
  - (b) unless otherwise exempted by the AFRC, an auditor of accounts for the purposes of any other Ordinance.
9. Further, only a CPA (practising) may sign an audit report. This is regardless of whether the report is issued in the name of the CPA (practising), a CPA firm or a corporate practice. Section 20AAZZM of the AFRCO

## Eligibility for issuance of a practising certificate

### Approval criteria

10. A CPA may apply to the AFRC for a practising certificate. Section 20AA of the AFRCO
11. An application for a practising certificate will not be granted unless the AFRC is satisfied that the applicant: Sections 20AAB and 20AAL of the AFRCO
- (a) has had the following full time approved accounting experience<sup>1</sup> in one or more specified offices:
    - (i) at least 30 months acquired after the applicant has become a member of a specified accountancy body or a CPA; or
    - (ii) at least 4 years, and at least 1 year of that experience has been acquired after the applicant has become a member of a specified accountancy body or a CPA;
  - (b) possesses the local experience and knowledge of local law and practice that the Council of the HKICPA considers necessary<sup>1</sup>;
  - (c) has complied with the continuing professional development requirements set by the HKICPA<sup>1</sup>;
  - (d) is ordinarily resident in Hong Kong – in this respect, the AFRC will regard an applicant as being ordinarily resident in Hong Kong if the applicant has been present in Hong Kong for no less than 180 days during the period of 12 months preceding the application;
  - (e) is not a bankrupt and has not entered into a voluntary arrangement (as defined by section 2 of the Bankruptcy Ordinance (Cap. 6)) with his or her creditors;

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<sup>1</sup> Please refer to the HKICPA website (<https://www.hkicpa.org.hk/en>) for the relevant requirements.

- (f) is not subject to an order made by the Disciplinary Committee of the HKICPA or a sanction imposed by the AFRC that the applicant not be issued with a practising certificate either permanently or for a period of time as the respective Disciplinary Committee of the HKICPA or the AFRC considers appropriate;
  - (g) intends to practice as a CPA (practising); and
  - (h) satisfies the fit and proper requirement to be a CPA under the PA Ordinance.
12. The AFRC may dispense with the requirements under paragraphs 11(b) or (d) above if the AFRC considers that the applicant has acquired substantial experience in accountancy, either in Hong Kong or elsewhere, over a period of time considered sufficient by the AFRC. Section 20AAL of the AFRCO
  13. A person registered as a public accountant (as defined by section 2(1) of the PA Ordinance) immediately before 8 September 2004 is exempted from meeting the requirements set out in paragraphs 11(a), (b) and (d). Section 20AAL of the AFRCO
  14. A person commits an offence if the person fraudulently procures the issue of a practising certificate to the person or any other person by means of any misleading, false or fraudulent representation or statement, whether made orally or in writing. Section 20AAN of the AFRCO

### Decision on the application

15. The AFRC will consider the information submitted by the applicant as well as any other available information in its possession and then make a decision on the application. The AFRC may:
  - (a) grant the application without condition;
  - (b) grant the application subject to the condition that the applicant must comply within a period specified by the AFRC with additional continuing professional development requirements set by the AFRC; or
  - (c) refuse the application.Sections 20AAB and 20AAM of the AFRCO
16. The AFRC will inform the applicant of its decision by written notice. The written notice will include a statement of reasons where the application is refused by the AFRC. An applicant who is aggrieved by a decision of the AFRC to grant the application subject to condition or refuse the application may apply to the Accounting and Financial Reporting Review Tribunal (“**Tribunal**”) for a review of the decision (see paragraph 32 below). Sections 20AAC and 37Q of the AFRCO

### Issuance and validity period of a practising certificate

17. If the AFRC approves the application, the AFRC will issue a practising certificate to the applicant on payment of the fee specified in Schedule 3B of the AFRCO. Section 20AAD of the AFRCO
18. The practising certificate takes effect on the day specified by the AFRC in the written notice and expires on 31 December of the year in which the practising certificate takes effect. Section 20AAE of the AFRCO

## Renewal

19. The practising certificate is subject to annual renewal. A renewal application must be made by the CPA (practising) no later than 15 December of the year in which the current practising certificate expires. [Sections 20AAE and 20AAF of the AFRCO](#)
20. The AFRC will only grant a renewal application if it is satisfied that the CPA (practising) continues to meet all the requirements set out in paragraph 11 above. [Section 20AAG of the AFRCO](#)
21. The AFRC will consider the information submitted by the applicant as well as any other available information in its possession and then make a decision on the application. The AFRC may:
- (a) grant the application without condition;
  - (b) grant the application subject to the condition that the applicant must comply within a period specified by the AFRC with additional continuing professional development requirements set by the AFRC; or
  - (c) refuse the application.
22. The AFRC will inform the applicant of its decision by written notice. The written notice will include a statement of reasons where the application is refused by the AFRC. An applicant who is aggrieved by a decision of the AFRC to grant the application subject to condition or refuse the application may apply to the Tribunal for a review of the decision (see paragraph 32 below). [Sections 20AAH and 37Q of the AFRCO](#)
23. If the AFRC approves the renewal application, the AFRC will issue a renewed practising certificate to the applicant. The renewal will take effect on the day specified by the AFRC in the written notice and expires on 31 December of the year in which the renewal takes effect. [Sections 20AAI and 20AAK of the AFRCO](#)
24. Please note that the validity period of a current practising certificate will be extended if the CPA (practising) has made a renewal application but the application is not finally determined before the expiry of the current practising certificate. The current certificate will remain in force until:
- (a) if the certificate is renewed – the day on which the renewal takes effect; or
  - (b) if the renewal application is refused – the day on which the refusal takes effect.

## Obligations of a CPA (practising)

### Registered office

25. A CPA (practising) must have a registered office in Hong Kong to which all communications and notices may be addressed. [Section 20AAQ of the AFRCO](#)
26. A person who contravenes the above requirement without reasonable excuse commits an offence. [Section 20AAQ of the AFRCO](#)

## Notification of changes in particulars

27. If there is a change in the full name, address of registered office, telephone number and/or electronic mail address of a CPA (practising), the CPA (practising) must, within 14 days after the day on which the change takes place, inform the AFRC of the change by submitting a completed notification form "[Notification for Change in Particulars of a CPA \(Practising\)](#)" (Form PC-3) to the AFRC. Section 20AAR of the AFRCO
28. A person who contravenes the above requirement without reasonable excuse commits an offence. Section 20AAR of the AFRCO

## **Cancellation or suspension of a practising certificate on non-disciplinary grounds**

29. The AFRC may cancel the practising certificate held by a CPA (practising) if: Section 20AAO of the AFRCO
- (a) the accountant fails to commence practice within 6 months after the date of issue of the practising certificate; or
  - (b) the accountant has become bankrupt or has entered into a voluntary arrangement (as defined by section 2 of the Bankruptcy Ordinance (Cap. 6)) with the accountant's creditors.
30. The AFRC may also cancel or suspend the practising certificate held by a CPA (practising) if: Section 20AAO of the AFRCO
- (a) the accountant requests the AFRC to do so;
  - (b) the AFRC is satisfied that the practising certificate has been issued:
    - (i) by mistake; or
    - (ii) in consequence of any misleading, false or fraudulent statement, declaration or representation, whether made orally or in writing; or
  - (c) the AFRC is of the opinion that the accountant has failed to comply with any condition imposed regarding the additional continuing professional development requirements.
31. The CPA (practising) will be informed of any such cancellation or suspension by written notice with a statement of reasons for the decision. A CPA (practising) who is aggrieved by the AFRC's decision to cancel or suspend the practising certificate may apply to the Tribunal for a review of the decision (see paragraph 32 below). Sections 20AAP and 37Q of the AFRCO

## **Review of the AFRC's decision**

32. Any person who is aggrieved by a decision of the AFRC made in relation to the person to: Sections 20AAB, 20AAG, 20AAP, 37M and 37Q of the AFRCO
- (a) refuse a practising certificate or renewal application;
  - (b) impose a condition when granting a practising certificate application or renewal application; or

- (c) cancel or suspend a practising certificate on non-disciplinary grounds, may, within 21 days beginning on the day after a notice of the decision is issued by the AFRC, apply to the Tribunal for a review of that decision.
33. The Tribunal is independent of the AFRC. The Tribunal consists of a chairperson and two other ordinary members from the Tribunal panel, all of whom must not be public officers. The chairperson and members of the Tribunal panel must be appointed by the Chief Executive of the HKSAR. [Section 37N and Schedule 4A of the AFRCO](#)
34. The Tribunal may determine a review in relation to the decision by: [Section 37T of the AFRCO](#)
- (a) confirming, varying or setting aside the decision; or
  - (b) remitting the matter in question to the AFRC with any direction it considers appropriate.
35. If the decision is set aside, the Tribunal may make another decision it considers appropriate in substitution. [Section 37T of the AFRCO](#)

## Appeal

36. If the AFRC or a party to a review is dissatisfied with the determination of the review made by the Tribunal, the person may, within 30 days after the day on which the determination is issued to the AFRC or the party, apply to the Court of Appeal for leave to appeal against that determination on a question of law and/or fact. [Sections 37ZF and 37ZG of the AFRCO](#)
37. Leave to appeal may only be granted if the Court of Appeal is satisfied that the appeal has a reasonable prospect of success or there are some other reasons in the interests of justice that the appeal should be heard. [Section 37ZG of the AFRCO](#)
38. On an appeal against a determination of the Tribunal, the Court of Appeal may: [Section 37ZH of the AFRCO](#)
- (a) allow the appeal;
  - (b) dismiss the appeal;
  - (c) vary or set aside the determination; or
  - (d) remit the matter in question to the Tribunal or the AFRC with any direction it considers appropriate.
39. If a determination of the Tribunal is set aside, the Court of Appeal may make another determination it considers appropriate in substitution. [Section 37ZH of the AFRCO](#)

## Disclaimer

40. This document provides a summary for reference only. It is not legal advice. Applicants should seek their own legal advice. In the event of any inconsistency between this document and the AFRCO, the AFRCO shall prevail.