

Policy Statement for Inspection of Practice Units

**with respect to compliance with Anti-
Money Laundering and Counter-
Terrorist Financing Requirements**

Purpose of this document

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 purpose of this Policy Statement is to provide an overview of the legal regime of the AFRC's powers to conduct inspections in relation to compliance with the anti-money laundering and counter-terrorist financing requirements applicable to accounting professionals.

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
AML/CTF requirement	An AML/CTF requirement means a requirement set out in Part 2, 3 or 4 of Schedule 2 to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) as may be applicable.	3B(5)
certified public accountant (“ CPA ”)	A CPA means a person registered as a certified public accountant by virtue of section 22 of the Professional Accountants Ordinance (Cap. 50) (“ PA Ordinance ”).	2(1)
CPA firm	A CPA firm means: <ul style="list-style-type: none"> • 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 • a firm of CPAs (practising) that practises accountancy in partnership and is registered under Division 2 of Part 2A of the AFRCO. 	2(1)

certified public accountant (practising) (“ CPA (practising) ”)	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)
Listing Rules	The Listing Rules mean: <ul style="list-style-type: none"> the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited; or the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, <p>approved by the Securities and Futures Commission under section 24 of the Securities and Futures Ordinance (Cap. 571), and as in force at the material time.</p>	2(1)
public interest entity (“ PIE ”)	A PIE means a listed corporation the listed securities of which comprise at least shares or stocks, or a listed collective investment scheme.	3(1)
PIE auditor	A PIE auditor means a registered or recognized PIE auditor.	3A
PIE engagement	A PIE engagement means any of the following types of engagements for the preparation of: <ul style="list-style-type: none"> an auditor’s report on a PIE’s financial statements/ annual accounts required by section 379 of the Companies Ordinance 	3A; Part 1 of Schedule 1A

	<p>(Cap. 622), the Listing Rules or any relevant code;</p> <ul style="list-style-type: none"> • a specified report required to be included in a listing document for the listing of a corporation's shares or stocks or for the listing of a collective investment scheme; or • an accountant's report required under the Listing Rules to be included in a circular issued by a PIE for a reverse takeover or a very substantial acquisition. 	
non-PIE	A non-PIE means a listed corporation the listed securities of which do not comprise shares or stocks.	3(1)
non-PIE auditor	A non-PIE auditor means a practice unit that undertakes or carries out a non-PIE engagement.	3A
non-PIE engagement	<p>A non-PIE engagement means any of the following types of engagements for the preparation of:</p> <ul style="list-style-type: none"> • an auditor's report on a non-PIE's financial statements required to be prepared under section 379 of the Companies Ordinance (Cap. 622) or annual accounts required to be prepared under the Listing Rules; or • a specified report required to be included in a listing document for the listing of a corporation's securities (other than shares and stocks). 	3A; Part 2 of Schedule 1A
PAO professional standard	A PAO professional standard means any statement of professional ethics, or standard of accounting, auditing or assurance practices, issued or specified, or deemed to have been issued or specified, under section 18A of the PA Ordinance.	2(1)

professional standard	<p>A professional standard means:</p> <ul style="list-style-type: none"> • a PAO professional standard; • any standard on professional ethics, or accounting, auditing or assurance practices, issued or specified by the International Accounting Standards Board, the International Auditing and Assurance Standards Board or the International Ethics Standards Board for Accountants; • any standard on professional ethics, or accounting, auditing or assurance practices, comparable to those referred to above which is allowed by the Securities and Futures Commission pursuant to the relevant code or by the Hong Kong Exchanges and Clearing Limited pursuant to the Listing Rules; or • any standard on professional ethics, or accounting, auditing or assurance practices, specified in the Listing Rules. 	2(1)
professional person	A professional person means a CPA or a practice unit.	2(1)
registered responsible person	<p>A registered responsible person means any of the following individuals whose name is recorded in the PIE auditors register as a responsible person of a registered PIE auditor:</p> <ul style="list-style-type: none"> • an engagement partner; • an engagement quality control reviewer; or • a quality control system responsible person. 	2(1)

Inspections regarding compliance with anti-money laundering and counter-terrorist financing requirements

4. The AFRC is entrusted with the statutory duty to regulate the accountancy profession. An effective regulatory regime of the accounting profession is crucial for the business community and is essential for maintaining Hong Kong's status as an international financial centre.
5. The Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) ("**AMLO**") is one of the key legislations setting out Hong Kong's legal framework on anti-money laundering and counter-terrorist financing.
6. The AMLO imposes various AML/CTF requirements, including customer due diligence ("**CDD**") and record-keeping requirements, with which financial institutions and "designated non-financial businesses and professions" ("**DNFBPs**") must comply. ([Section 5A of the AMLO](#))
7. Under the AMLO, DNFBPs are defined to include an "accounting professional" ("**accounting professional**"), which in turn is defined to mean a CPA, a CPA (practising), a corporate practice or a CPA firm. As the definition of "accounting professional" in the AMLO and the definition of "professional person" in the AFRCO cover the same range of persons and entities in the accounting profession, the rest of this policy statement will, for the sake of clarity, refer only to "professional persons" in the context of AML/CTF requirements. ([Schedule 1, Part 2, Section 1 of the AMLO](#))
8. The AFRC and the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") have both been designated as a "regulatory body" under AMLO in respect of compliance by professional persons with the CDD and record-keeping requirements under AMLO. The AFRC would carry out inspections for the purpose of ascertaining compliance with such CDD and record-keeping requirements and the HKICPA may publish any guideline that it considers appropriate for providing guidance in relation to the operation of such CDD and record-keeping requirements. ([Schedule 1, Part 2, Section 1 of the AMLO](#))
9. In this regard, the HKICPA has published its "Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants" ("**AML Guidelines**"), which form part of the HKICPA's "Code of Ethics for Professional Accountants" ("**Code of Ethics**").

10. The Code of Ethics (including the AML Guidelines) constitutes a PAO professional standard (hence also a professional standard) under the AFRCO. [\(Section 2\(1\) of the AFRCO\)](#)
11. Therefore, the AFRC may make use of its powers under the AFRCO to carry out inspections under both Part 3A (of PIE auditors in respect of PIE engagements) and Part 3AA (of practice units in respect of engagements other than PIE engagements) for the purpose of ascertaining compliance with the AML Guidelines.
12. For the AFRC's policy and high-level procedures for inspections, please refer to (i) the "Policy Statement for Inspection of PIE Auditors with respect to PIE Engagements"; (ii) the "Outline of the AFRC's Inspection Process for PIE Auditors"; (iii) the "Policy Statement for Inspection of Practice Units with respect to engagements other than PIE Engagements"; and (iv) the "Outline of the AFRC's Inspection Process for Practice Units that are not PIE Auditors", which are available on the AFRC's website (www.afrc.org.hk).
13. Pursuant to section 3B of the AFRCO, a failure by a professional person to comply with an applicable AML/CTF requirement constitutes a professional irregularity, and may result in the imposition of disciplinary sanctions. [\(Section 3B of the AFRCO\)](#)
14. Pursuant to section 4 of the AFRCO, a failure or neglect to observe, maintain or otherwise apply the AML Guidelines (which, as indicated above, constitutes a professional standard) by (i) a PIE auditor or non-PIE auditor (whether it is a corporate practice, a CPA (practising), or a firm of CPAs (practising)), or (ii) a registered responsible person of a registered PIE auditor, in relation to PIE engagements completed on or after 1 October 2019, constitutes a practice irregularity, and may result in the imposition of disciplinary sanctions. [\(Section 4 of the AFRCO\)](#)

Disclaimer

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