Press Release
13 November 2007

The SFC and the Financial Reporting Council (FRC) have entered into a Memorandum of Understanding (MOU). This will facilitate co-ordination of effort and exchange of information between the two parties so that they can discharge their respective functions effectively under the Hong Kong regulatory regime, thereby enhancing the protection of investors and maintaining their confidence in Hong Kong.

The FRC is a statutory organisation which commenced operations in July 2007. Its main functions are to investigate, with respect to listed entities, auditing and reporting irregularities, enquire into non-compliance with financial reporting requirements and, where appropriate, to require listed entities to remove any non-compliance identified. The SFC is an independent statutory body responsible for regulating the securities and futures markets in Hong Kong.

Both the SFC and the FRC recognise the importance of the compliance with financial reporting standards by listed entities and the observance of proper standards by their auditors and reporting accountants.

The MOU sets out the working arrangements between the SFC and the FRC in areas of potential overlap of authority and/or matters of common interest. The MOU also outlines the framework for referral of cases between the two parties and establishes principal points of contact to ensure efficient and effective communication. The MOU is available on the websites of the SFC (http://www.sfc.hk) and the FRC (http://www.frc.org.hk).

The signatories to the MOU are Mr Martin Wheatley, the SFC's Chief Executive Officer, and Mr M T Shum, the FRC's Chief Executive Officer (Note 1).

Mr Wheatley said: "We welcome the MOU, which provides a framework for co-operation between the SFC and the FRC that will help the effective performance of each organisation's statutory functions."

Mr Shum said: "We are confident that the SFC and the FRC will work together to enhance the integrity of financial reporting of listed entities in Hong Kong."