

Approaching A New Era 邁向新紀元



# The New Regulatory Role of the Financial Reporting Council

**Dr Kelvin Wong**

Chairman

Financial Reporting Council

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# **New Regulatory Role of the Financial Reporting Council**

# FRC (Amendment) Bill 2018

## - Current status

- Introduced to the Legislative Council on 24<sup>th</sup> January 2018
- Bills Committee set up to study the Bill in detail
  - Chairman: Hon Wong Ting-kwong, GBS, JP
  - Deputy Chairman: Hon Kenneth Leung
  - Completed the clause-by-clause examination
  - Committee stage amendments are now being considered

# Principle Impact

- Move from “self-regulation” to “independent oversight”
- Change of FRC’s role from investigator to fully fledged independent auditor oversight body
- Close the regulatory gap between HK and overseas auditors
- Align with international auditor regulatory regime
- Enhance investor protection

# Post-reformation

## Direct responsibility

Investigation

Inspection

Discipline

Recognition of overseas auditors

FRC existing function

To be transferred from HKICPA

New function

# Post-reformation

## Independent oversight

Registration

Standard setting

Continued professional development

HKICPA  
functions

# FRC (Amendment) Bill 2018

## – Scope of PIE Engagements

- The Bill includes
  - Annual financial statements
  - Listing documents
  - Accountant's report for a reverse takeover or a very substantial acquisition



# Important Aspects

- Accounting expertise throughout existing process and will be enhanced
- Composition of Council
  - All parties agree including the profession as represented by HKICPA
  - No further changes expected
- Policies, procedures and guidelines
  - Will be published and FRC will be held accountable for adherence
- Appeals process
  - 2 layers and better protection for respondents than other major markets

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# **Vision and Mission as the New Chairman of the Financial Reporting Council**

# Vision & Mission as Chairman of FRC

- Embed the FRC's core values in our new role
  - Integrity
  - Proficiency
  - Independence and impartiality
  - Accountability and transparency
- Maintain open and informative dialogue with all stakeholders
- Ensure effective and public communication of our policies and guidelines
- To be a member of the International Forum of Independent Audit Regulators
- To enhance quality of financial reporting and auditing in Hong Kong

# Concluding Remarks

- We look forward to the passage of the Bill
- We are preparing to take on the new challenges as the independent auditor regulator of Hong Kong