





The New Regulatory Role of the 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 24th 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



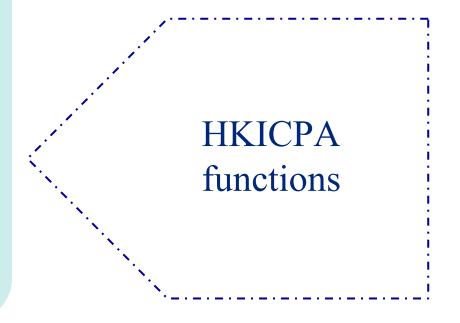
Post-reformation

Independent oversight

Registration

Standard setting

Continued professional development





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









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

