

## **AFRC Chairman Dr Kelvin Wong's Welcome Address at AFRC Regional Regulatory Forum**

2 December 2024

The Honorable Paul Chan, 尊敬的财政部副部长郭婷婷 (The Honorable Vice Minister of Finance Guo Tingting), Sir David Tweedie, distinguished guests, ladies and gentlemen, a very good morning to you.

It is my great pleasure to warmly welcome all of you to the AFRC Regional Regulatory Forum, the first-ever forum organised by an auditor regulator for both regulators and the regulated markets.

We are deeply honoured to have Vice Minister Guo with us today, and I extend my special gratitude to the HKSAR Government for their support in hosting this forum in Hong Kong, a prominent international financial hub.

I would like to express my sincere appreciation to our distinguished guests, including regulators from the accounting and financial sectors, enforcement agencies, and the global chairs and vice chairs of the Big Four accounting firms who have travelled here to join us. Your presence, alongside with the professional bodies, firm leaders, and practitioners, underscore the importance of our gathering.

The role of the accountants and accounting firms is often understated, yet it is indispensable. Consider the towering skyscraper like the International Financial Centre nearby, a marvel of engineering housing a vibrant shopping centre and high-value commercial spaces. At its core lies the accounting profession, a crucial yet often unseen foundation that supports the stability and development of our capital market.

Accountants and accounting firms are foundational to the corporate world and the functioning of the modern financial system. Your influence extends to how we work, manage, invest, and govern. No wonder you are called the "high priests of capitalism." You protect the public interest and serve as the conscience of the free market, inspiring investor confidence through reliable corporate reporting, which drives growth in capital markets and economic development.

I envision a utopian world where regulators and the regulated market collaborate closely to ensure audit firms deliver only high-quality services that meet the expectations of both their clients and the public. In this ideal scenario, we would witness competent partnerships between preparers and auditors, diligent audit committees, and shareholders with complete trust in financial reports. Demand would align with supply as audit firms provide their services at fair prices.

However, in today's reality, we face a complex web of challenges influenced by economic conditions, business competition, and geopolitical tensions. The accounting industry reflects both its internal dynamics and its external environment. Together, we must explore solutions to the complexities we encounter and navigate a landscape that even the most seasoned explorers like Christopher Columbus would find daunting.

The tone at the top is crucial, as firm leadership must balance risk and reward—a challenge that is even more pronounced for smaller firms with limited resources. As the saying goes, "rock-a-bye baby on the treetop": when the wind blows, the cradle will rock. If the foundation is not secure, the consequences will be severe.

The purpose of today's forum, therefore, is to encourage accountants, auditors, and key players in our ecosystem to fulfil their roles in supporting financial stability in our capital markets. Our theme, "Transforming Regulation, Governance, and Development for a Resilient and Sustainable Future," reflects our belief that good regulation is necessary but not sufficient for the long-term healthy development of the accounting profession. I envision a future where all key players are dedicated to continuous improvement in their respective culture and governance practices. Only through a collective dedication and commitment from all key stakeholders to upholding the highest standards of financial reporting can we achieve a resilient and sustainable future.

The dynamic market conditions present significant challenges for both regulators and the accounting profession. As we navigate a complex ecosystem of diverse stakeholders, critical issues such as global coordination of standards, transparency, technological disruption, sustainability reporting, and compliance navigation require our collective attention. By strengthening ties among stakeholders, we can uphold the principles of integrity, trust, and transparency in financial reporting and governance.

I am concerned that audit quality may be perceived as negotiable, especially in a market where audit fees are subject to negotiation. This concern is compounded by clients who may prioritize receiving a clean opinion over the quality of financial reporting.

To address these concerns, the AFRC advocates for the Regional Regulatory Forum to engage stakeholders in meaningful discussions aimed at reinstating public trust in the accounting profession while promoting sustainable business practices and good governance.

Effective collaboration, both locally and across jurisdictions, is essential for a stable and resilient global financial system. Hence, collaborative regulatory frameworks enhance transparency and instil greater confidence among global investors. Keeping that in mind, we look forward to strengthening our engagements with regulatory counterparts, professional associations, and standards setters.

We are privileged to host an exceptional panel of speakers today, including regulatory experts, practitioners, academics, economists, business leaders, and investors, who will share their insights with us.

In Luca Pacioli's groundbreaking Renaissance work, *Summa de Arithmetica* (1494), he emphasized the importance of balance in accounting: for every credit, there must be a corresponding debit. He advised that one should not go to rest until the debits equalled the credits. Today, I hope you will find much to learn from our experts, and I encourage you to reflect on these discussions. Most importantly, I wish you restful nights after today's forum. For our friends from abroad, I hope you enjoy a pleasant stay in vibrant Hong Kong, a dynamic and welcoming international city, and last but not least, a shopping paradise!

Thank you!