

LCQ2: Agreement on Development Strategies for the Accounting Profession in Guangdong, Hong Kong and Macao

Following is a question by the Hon Edmund Wong and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (May 11):

Question:

In September last year, representatives of institutes of accountants and more than 150 accounting firms from Guangdong, Hong Kong and Macao signed the Agreement on Development Strategies for the Accounting Profession in Guangdong, Hong Kong and Macao (the Agreement). Under the framework of the Agreement, the signatories to the Agreement from the three places will put emphasis on the comprehensive strengthening of cooperation in five areas, namely strengthening information sharing, advancing facilitation for cooperation, organising personnel exchanges, focusing on business development, and deepening technological collaboration, so as to jointly serve the development of the Guangdong-Hong Kong-Macao Greater Bay Area. In this connection, will the Government inform this Council:

(1) whether it has, in the light of the Agreement, drawn up short, medium and long-term plans to strengthen the exchanges and training for the talents in the accountancy sectors of the three places, and whether it will instruct the Financial Reporting Council to enhance its work in this regard after the Council's functions have been expanded; if so, of the details; if not, the reasons for that; and

(2) as some members of the accountancy sector have relayed that Hong Kong's accounting firms which have currently established offices on the Mainland are mainly those of a larger scale, and they hope that more small and medium accounting firms of Hong Kong may develop their businesses on the Mainland under the Agreement, whether the Government will take measures to more proactively assist Hong Kong's small and medium accounting firms in developing their businesses on the Mainland, such as providing them with funding support; if so, of the details; if not, the reasons for that?

Reply:

President,

Thank you for the Hon Edmund Wong's question. My reply to the two parts of the question is as follows:

On the affairs of Hong Kong and Macao as well as the development of the

Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area), the National 14th Five-Year Plan has highlighted the deepening of co-operation among Guangdong, Hong Kong and Macao on various fronts, promotion of co-ordinated regional economic development and development of a world-class metropolitan cluster with enhanced competitiveness. The accountancy sector plays an important role in the overall development of our country, by supporting the high-quality development of various sectors such as finance, technology and logistics in the Greater Bay Area. The development of the Greater Bay Area in turn drives the market demand for professional accounting services and provides ample room for the accountancy sector to expand.

Regarding the first part of the question, we welcome and support the positive interaction among the accountancy sectors in Guangdong, Hong Kong and Macao. The Agreement on Development Strategies for the Accounting Profession in Guangdong, Hong Kong and Macao (the Agreement) was signed by the Guangdong Institute of Certified Public Accountants, the Hong Kong Association of Registered Public Interest Entity Auditors and the Union of Associations of Professional Accountants of Macau on behalf of 151 accounting firms from the three places in September last year. The Financial Secretary also attended the signing ceremony of the Agreement to witness this important milestone achieved in respect of the co-operation and exchanges among the accountancy sectors in Guangdong, Hong Kong and Macao. The Agreement provides an important platform for the signatories to explore and develop under the existing policy framework of the three places a new co-operation mechanism for the profession. We support the section of the Agreement relating to co-operation matters, which includes strengthening information sharing and personnel exchanges under the existing legal framework of the three places, so as to better facilitate co-operation in the provision of professional services, expand the scope of business and promote technological development of the accountancy and auditing sectors. We would be pleased to follow up on the communication mechanism and co-operation programmes to be developed under the Agreement for the three places, and to provide support when implementing our relevant policies and regulatory measures as appropriate. We also welcome suggestions from the Hong Kong accountancy sector for us to conduct timely reviews on the local legal framework for accounting services to respond to the development needs of the sector.

As for the second part of the question, we have all along been supportive of the Hong Kong accountancy sector in business expansion in the Mainland. In particular, on co-operation with Guangdong, we have secured the Mainland's support in launching various measures to facilitate the provision of professional services by Hong Kong accountants in the Mainland. Under the framework of the Agreement on Trade in Services of the Mainland and Hong Kong Closer Economic Partnership Arrangement, qualified Hong Kong accountants are exempted from certain papers when sitting for the examination for certified public accountants (CPA) in the Mainland. In respect of the requirements to become partners of partnership accounting firms in the Mainland, Hong Kong accountants who have obtained the Chinese CPA qualifications are given national treatment, which includes the explicit removal of the requirement that the right of control over Mainland accounting firms should be held by Mainland residents. Besides, when Hong Kong accountants apply for the

practising qualification in the Mainland or apply to become partners of accounting firms in the Mainland, the length of auditing experience that they have acquired in Hong Kong is considered equivalent to the length of auditing experience acquired in the Mainland. In other words, the Mainland rules and regulations have given Hong Kong accountants much room for business development in the Mainland, benefiting accounting professionals and accounting firms of various sizes in Hong Kong. We encourage the sector to actively leverage the existing facilitation measures and seek to provide professional services in different ways in the Mainland.

On that basis, we are now pursuing with the Mainland measures that may further facilitate Hong Kong accountants' practice in the Greater Bay Area, including exploring with the Qianhai Authority the proposal to allow Hong Kong practising CPAs without Chinese CPA practising qualifications to become partners of accounting firms in Qianhai and engage in specific business or perform certain managerial functions, as well as including Hong Kong practising CPAs in Qianhai's policies for high-end talent.

Looking ahead, the regulatory regime for the accounting profession in Hong Kong will enter a new stage. The Legislative Council (LegCo) passed the Financial Reporting Council (Amendment) Bill 2021 in October 2021 to reform the accounting regulatory regime in Hong Kong. Under the new regime, the Accounting and Financial Reporting Council (AFRC) is tasked to promote the development of the accountancy sector through effective regulation, and it has been given under the ordinance a statutory function of promoting the development of the accounting profession. Meanwhile, we plan to submit to the LegCo a bill to amend the Professional Accountants Ordinance, which aims at enhancing the election mechanism of the Council of the Hong Kong Institute of Certified Public Accountants (HKICPA), so as to ensure the Council's professionalism and representation in facilitating the HKICPA's performance of its role under the new regulatory regime.

We target to implement the new regulatory regime on October 1, 2022. Thereafter, we will work with the AFRC, the HKICPA and the accountancy sector to examine the professional issues faced by the sector, in particular the problems encountered when developing business in the Mainland. We will jointly draw up appropriate targeted measures to address the issues and promote the professional exchanges and development of the accountancy sectors in the Greater Bay Area.

Thank you, Mr President.