

**List of key functions to be performed by the HKICPA and the FRC
under the proposals**

- (a) A new register of listed entity auditors will be established and the HKICPA shall perform the role of the Registrar. As the Registrar, the HKICPA will be vested with the associated registration functions and powers, subject to independent oversight by the FRC. There will be no material change to the existing entry requirements for a registered listed entity auditor. Pre-existing listed entity auditors and practice units who are qualified to be listed entity auditors under the present regime will continue to be eligible to be a registered listed entity auditor upon the coming into effect of the new regime.
- (b) The HKICPA will continue to perform its existing statutory functions and exercise the powers in setting continuing professional development requirements and professional ethics, auditing and assurance standards, which will be subject to independent oversight by the FRC.
- (c) Statutory function and powers to conduct recurring inspections of listed entity auditors in respect of their listed entity audit engagements will be transferred from the HKICPA to the FRC.
- (d) The FRC will continue to be responsible for conducting independent investigations into relevant irregularities by listed entity auditors.
- (e) The FRC will be vested with disciplinary powers, including powers to make decisions on disciplinary cases and to impose proportionate disciplinary sanctions, under the new regulatory regime in line with the powers of other financial regulators in Hong Kong.
- (f) To ensure fairness and due process, the FRC would be subject

to checks and balances and the requirements for ensuring a fair hearing in exercising its disciplinary powers. These include –

- (i) the requirement for the FRC to inform the person subject to disciplinary action in writing of its intention to exercise its disciplinary power and to give the person a reasonable opportunity of being heard;
 - (ii) the establishment of an expert panel with members having audit expertise to provide advice to the FRC in respect of the disciplinary cases on the application of audit standards, related practices of the audit profession or experiences in previous cases of similar nature;
 - (iii) appropriate arrangements to ensure that FRC's investigative or inspection staff will not be involved in the disciplinary process and the determination of disciplinary sanctions; and
 - (iv) the requirement for the FRC to issue guidelines in relation to its power to impose pecuniary penalty and to have regard to the issued guidelines when exercising such power.
- (g) A new independent appeals tribunal will be set up for hearing appeals in respect of disciplinary decisions made by the FRC and registration decisions made by the HKICPA. An aggrieved party who is dissatisfied with a determination of the independent tribunal may, with leave to appeal granted by the Court of Appeal, appeal to the Court of Appeal on a question of law, fact, or mixed law and fact.
- (h) The FRC will be vested with statutory powers to recognise specific overseas auditors of specific overseas entities which have been approved for listing in Hong Kong, and the Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited's existing mechanisms for accepting such auditors will be replaced accordingly.