



25 November 2005

By e-mail < Edcomments@ifac.org > and by post

Our Ref.: C/EC

IFAC Ethics Committee
545 Fifth Avenue, 14th Floor,
New York,
New York 10017,
USA.

Attention: Ms. Jan Munro

Dear Sirs,

IFAC ED of Proposed Revised Section 290 “Independence – Assurance Engagements” – Definition of Network Firm

The Hong Kong Institute of Certified Public Accountants is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. We welcome the opportunity to provide you with our comments on the captioned IFAC Exposure Draft.

We support the IFAC Ethics Committee’s initiative to clarify the definition of “network firm”. With respect to the proposed revision of the definition, we consider that:

1. it should be principles-based, such that a firm would be considered as a network firm if it gives the public at large a perception that it belongs to a larger structure so as to avoid a perceived threat to independence;
2. the criteria included in the proposed definition should be set out as examples of conditions, rather than criteria, that demonstrate that a firm belongs to a network and the examples are not exhaustive; and
3. a firm can only be considered as a non-network firm when it does not make, either publicly or privately, an association with any network.

We trust that our comments are of assistance to you. If you require any clarifications on our comments, please contact the undersigned at schan@hkiepa.org.hk.

Yours faithfully,

Stephen Chan
Executive Director

SSL/PM/al