



Ethics Committee
Meeting Summary – August 2006

The Ethics Committee (Committee) met on 3 August 2006.

Members of the Committee present were: Mark Fong (Chairman), Doug Oxley (Deputy Chairman), Keith Pogson (Deputy Chairman), Albert Au, Eric Fok, Charles Grieve, Alex Lai, Kenneth Lam, Lucia Li, Sheila Pattle, Kenny Tam and Christopher To.

Secretariat staff present were: Patricia McBride (Director, Standard Setting) and Elaine Chan (Assistant Director, Standard Setting).

The Committee discussed the following agenda items:

1. International Ethics Standards Board for Accountants Meeting (13 - 14 June 2006)
2. Section 250 “Marketing Professional Services”
3. Withdrawal of Professional Ethics Statements and Guidance
4. Independence of listing applicants

1. International Ethics Standards Board for Accountants Meeting (IESBA) (13 – 14 June 2006)

The Committee noted that the IESBA has issued on 31 July 2006 Section 290 (revised) which revised the definition of a “network firm”. The Hong Kong version of the document would be put on the agenda of the next Committee meeting for consideration.

2. Section 250 “Marketing Professional Services”

The Committee went through the first draft of the proposed revised Section 250 which sought to incorporate the requirements under Section 450 “Practice Promotion” (previously Professional Ethics Statement 1.205) and expressed the following views:

a. Marketing activities carried out by third parties

The Committee agreed that Professional Accountants in Public Practice (PAIPs) are responsible for marketing activities that they carry out and those that they carry out through others.

b. Pre-vetting of marketing activities

The Committee agreed that the last part of the existing paragraph 250.2 which requires a PAIP who is in doubt about the appropriateness of a proposed form of advertising or marketing to consult the relevant professional body should be deleted on the basis that this is not an ethics requirement. The Committee noted that the deletion would result in a difference between the HKICPA Code and the IFAC Code.

c. References to scale charges or comparisons between fees

The Committee considered that there should not be a blanket prohibition from making references to scale charges or comparisons between fees.

d. Direct mailing, cold calling and distribution of leaflets and similar items

The Committee agreed that direct mailing, cold calling and distribution of leaflets and similar items which were previously prohibited under the superseded Professional Ethics Statement 1.205 “Practice Promotion” should be relaxed and guidance should be provided along the line that such marketing activities should not cause nuisance to others and should not be intrusive.

3. Withdrawal of Professional Ethics Statements and Guidance

The Committee noted that all Professional Ethics Statements and Professional Ethics Guidance 1.308 “Independence for Assurance Engagement” which have been superseded by the Code of Ethics for Professional Accountants would soon be withdrawn from Volume I of the Members’ Handbook and stored in the archives section of the e-Handbook for members’ reference.

4. Independence of listing applicants

The Committee noted a view recently taken by the Auditing and Assurance Standards Committee concerning deeming listing applicants to be “listed” for the purpose of independence consideration.

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