

From: hkicpa_ia
To: [P.T. Comment Letter](#)
Subject: RE: Invitation to Comment on Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code
Date: Friday, 26 April 2024 7:22:42 pm

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Dear Standard Setting Department of Hong Kong Institute of Certified Public Accountants,

Invitation to Comment on Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code

I refer to your letter of 28 February 2024 inviting us to comment on the captioned consultation document.

The Insurance Authority (“IA”) welcomes the proposed revisions to the definitions of Listed Entity and Public Interest Entity (“PIE”) in the Code of Ethics for Professional Accountants (the “Code”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). We agree the proposal by HKICPA that authorized insurers as defined under the Insurance Ordinance are PIEs for the purposes of Part 4A of the Code, except for captive insurers and insurers where there is no statutory requirement for an audit to be performed.

We would like to make the following comments / clarifications:

- Currently, there are two special purpose insurers (“SPIs”) in Hong Kong. SPIs are formed specifically for issuing insurance-linked securities (“ILS”) in Hong Kong, and there are bespoke requirements applicable to SPIs (Note 1). HKICPA could consider excluding SPIs from the PIEs definition and for auditors to determine which SPIs should be treated as a PIE at the firm level. In making this suggestion, we have made reference to the conclusion / justification of whether SFC-authorized /non-authorized funds (non-pension) be defined as PIE or not.
- In paragraph 89 of the Explanatory Memorandum, it is mentioned that “An insurer...is authorized to carry on either general business or long term business, but not both. An insurer wishing to carry on general and long term business in Hong Kong will need to form two separate companies.” We would like to clarify that the statement is applicable to any new applicant for authorization. However, there are currently 10 composite insurers which carry on both general business or long term

business in Hong Kong.

- It is proposed that “Insurers where there is no statutory requirement for an audit to be performed” should be excluded from PIEs definition. While it is true that in general there would be no statutory audit requirement on financial statements of branches of overseas insurers under the new RBC regime, IA has the power to require insurers to submit audited branch financial statements. We would like to confirm that in such case the exemption will not be applicable.

Thank you for giving us the opportunity to comment on the consultation document.

Yours faithfully,

Tony Chan

Associate Director

Policy and Legislation Division

Insurance Authority

Note 1:

More information can be found in the Insurance Ordinance, Insurance (Special Purpose Business) Rules and GL33: Guideline on Application for Authorization to Carry on Special Purpose Business.

Eligible ILS investors are limited to:

- (a) banks or authorized financial institutions;
 - (b) insurance companies (including reinsurance companies);
 - (c) licensed corporations;
 - (d) other corporations carrying on business of the provision of investment services and regulated under the laws of any place outside Hong Kong;
 - (e) governments, central banks and multilateral agencies;
 - (f) authorized exchange companies; and
 - (g) collective investment schemes excluding those promoted, offered, or sold to the public in Hong Kong and required to be authorized by the Securities and Futures Commission (“SFC”)
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