

Report on the Review of Registration Matters

**By the Registration and
Practising Committee**



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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CONTENTS

	Page
1. Introduction	1 – 2
2. Registration and renewal requirements for membership admission	
2.1 Registration Requirements	3 – 6
2.2 Renewal Requirements	7 – 8
3. First issuance and re-application requirements for a practising certificate	
3.1 First issuance Requirements	9 – 14
3.2 Re-application Requirements	15 – 16
3.3 Other Features	16 – 17
4. Registration and renewal requirements for firms and corporate practices	
4.1 Firms – Registration Requirements	18 – 21
4.2 Firms – Renewal Requirements	21
4.3 Corporate Practices – Registration Requirements	22 – 23
4.4 Corporate Practices – Renewal Requirements	23 – 24
Appendices	
Appendix 1 Registration and Practising Committee's Terms of Reference	25
Appendix 2 Composition of the Registration and Practising Committee (2003 – 2006) and Task Force to Review Registration Matters (2003 – 2005)	26 – 27
Appendix 3 Summary of recommendations by the Task Force to Review Registration Matters approved by the Registration and Practising Committee and the Council and implemented during 2003 – 2005	28 – 29



1. Introduction

- 1.1 The Registration and Practising Committee (“R&PC”) is a statutory committee set up by the Council of the Hong Kong Institute of Certified Public Accountants (“the Institute” / “HKICPA”) pursuant to Section 20 and Section 26 of the Professional Accountants Ordinance (“PAO”) to advise the Council on matters relating to membership admission, practising certificate (“PC”) issuance, firm/corporate practice registration, and other registration and renewal matters. The Terms of Reference of the Registration and Practising Committee is attached as Appendix 1.
- 1.2 The Registration and Practising Committee set up a Task Force to Review Registration Matters in 2003 to review the registration requirements and procedures for the Institute’s membership admission, practising certificate issuance, and firm and corporate practice registration. The aim of the Task Force was to streamline the procedures for processing the registration/issuance applications for operational efficiency and review the benchmarks for approval of such applications for consistency.
- 1.3 The compositions of the Registration and Practising Committee and the Task Force to Review Registration Matters are listed in Appendix 2.
- 1.4 The Task Force to Review Registration Matters held 8 meetings during April 2003 to November 2005, and its recommendations have been thoroughly considered and deliberated by the Registration and Practising Committee.
- 1.5 During the course of the project, some of the recommendations of the Task Force to revise certain registration and renewal requirements and procedures have been implemented following approval by the Committee and Council. A summary of these recommendations which have been implemented is set out in Appendix 3.
- 1.6 Sections (2), (3) and (4) of this report outline the current registration and renewal requirements as well as the Committee’s recommendations in respect of membership, practising certificate and firm/corporate practice respectively. These are existing requirements following implementation of certain changes in the past couple of years proposed by the Committee and endorsed by Council.
- 1.7 The Council has endorsed the Committee’s recommendations in April 2006.



- 1.8 With a view to establishing a mechanism for the proper registration of auditors, the Committee has resolved to conduct a review of the practising certificate issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to practising certificate (Section 3) and firm/corporate practice (Section 4) will be carried forward to Phase 2 for further consideration.

Key

AE	:	Authorised Employer
AS	:	Authorised Supervisor
By-law	:	Professional Accountants By-laws
CPA	:	Certified Public Accountant
CPD	:	Continuing Professional Development
MRA	:	Mutual Recognition Agreement
PAO	:	Professional Accountants Ordinance
PC	:	Practising Certificate
RMA	:	Reciprocal Membership Agreement
R&PC	:	Registration and Practising Committee

Overseas bodies:

ACCA	:	Association of Chartered Certified Accountants
CICA	:	Canadian Institute of Chartered Accountants
CPAA	:	CPA Australia
ICAA	:	Institute of Chartered Accountants in Australia
ICAEW	:	Institute of Chartered Accountants in England and Wales
ICAI	:	Institute of Chartered Accountants in Ireland
ICAS	:	Institute of Chartered Accountants in Scotland
ICAZ	:	Institute of Chartered Accountants in Zimbabwe
NZICA	:	New Zealand Institute of Chartered Accountants
SAICA	:	South African Institute of Chartered Accountants



2. Registration and renewal requirements for membership admission

2.1 Registration Requirements

Existing Requirements	R&PC's recommendations (Note)
2.1.1 Attained the age of 21 years.	<i>No change to existing requirements</i>
2.1.2 Is of good character and is a fit and proper person. <ul style="list-style-type: none">The membership applicant is required to submit to the Institute two completed character reference forms along with his membership application. The character referees are required to assess the applicant against the fit and proper criteria published in the character reference form.The character referees are members of the Institute or recognised overseas institutes, should not be an immediate family member of the applicant and should have known the applicant for not less than 24 months.	<i>No change to existing requirements</i> <i>To achieve the objective of 100% direct confirmation, the membership applicant should be asked to provide his two referees with the character reference forms and require the referees to submit the references to the Institute direct. It is proposed to implement the new procedure by October 2006.</i> <i>No change to existing requirements</i>
2.1.3 Passed such examinations in accountancy and other subjects as may be prescribed by the Council. <ul style="list-style-type: none">HKICPA graduates: passed the Institute's CPA Qualification Programme (QP) or the Joint Examination Scheme.Full members of a recognised accountancy body with a MRA (i.e. CICA and CPAA) or RMA (i.e. ICAA, ICAI, ICAS, ICAZ, NZICA and SAICA) in force, who have completed the professional examinations of their parent	<i>No change to existing requirements</i>

Note: Endorsed by the Council.



2.1 Registration Requirements (*Cont'd*)

Existing Requirements	<i>R&PC's recommendations (Note)</i>
<p>institute, are exempted from the professional examination requirement, but are required to pass a HKICPA Aptitude Test on Hong Kong Law and Taxation. ICAEW members are exempted from both the professional examination and the Aptitude Test requirements under the Membership and Co-operation Agreement with the Institute.</p> <ul style="list-style-type: none">• Full members of ACCA and CPAA under the transitional arrangements of the old MRAs that expired on 30 June 2005, who have completed the professional examinations of ACCA/CPAA, are exempted from the professional examination requirement and the Aptitude Test.• Former members of the Institute registered any time before 8 September 2004 are exempted from the professional examination and Aptitude Test requirements.	
<p>2.1.4 Complied with such requirements relating to practical experience as may be prescribed by the Council.</p> <ul style="list-style-type: none">• Under Professional Accountants By-law 41, "practical experience" means experience whether in Hong Kong or elsewhere acceptable to the Council as an employee of a person practising public accountancy or in the financial or management accountancy department of an organisation in industry, commerce or the public service or in a similar department.	<p><i>No change to existing requirements</i></p>

Note: Endorsed by the Council.



2.1 Registration Requirements (*Cont'd*)

Existing Requirements	<i>R&PC's recommendations (Note)</i>
<ul style="list-style-type: none">• Number of years of practical experience required for: Approved degree holders - 3 years Approved accountancy diploma holders - 4 years Holders of other academic qualifications - 5 years• Employment periods of less than 12 months will not be counted.• Part time experience will not be accepted. <p>Notes: (1) From 1 January 2005, practical experience of HKICPA graduates must be acquired under an Authorised Employer (AE) or an Authorised Supervisor (AS) registered with the Institute complying with the Practical Experience Framework (PEF).</p> <p>(2) Membership applicants may use their practical experience acquired up to 31 December 2004 under the old system (i.e. non-PEF) if they apply before 1 January 2008 (after which the whole length of experience must be under PEF and the application supported by the new Training Records certified by AE/AS). The applicant is required to submit work testimonials issued by his employer(s) to support his practical experience under the old system.</p> <p>(3) With effect from 1 July 2005, requirements under (1) and (2) have been extended to apply to applicants who are members of an MRA body.</p>	

Note: Endorsed by the Council.



2.1 Registration Requirements (Cont'd)

Existing Requirements	R&PC's recommendations (Note)
<p>(4) Irrespective of the jurisdiction, relevant practical experience acquired under the supervision of an AE/AS complying with the PEF is acceptable for membership purposes.</p> <p>2.1.5 Registered student, membership and PC applicants are required to declare in the application forms whether they have been convicted of criminal offences or guilty of misconduct. The application from a prospective student who has declared conviction of a criminal offence is first referred to the R&PC for consideration and recommendation to Council.</p>	<p><i>The benchmarks for assessing such offences should be different between membership and PC applications, and the assessment should be made by the R&PC on a case-by-case basis. It is proposed that the following basic questions should be asked when making the assessment:-</i></p> <ul style="list-style-type: none"><i>To consider the nature of the crime in the context of the application, i.e. crime involving serious dishonesty or lack of integrity.</i><i>When the offence happened – a considerable period of time should have passed.</i><i>The sentence should have been served – the length of sentence or the quantum of the fine should be considered.</i><i>Public perception of the crime.</i>

Note: Endorsed by the Council.



2.2 Renewal Requirements

Existing Requirements	R&PC's recommendations (Note)
<p>2.2.1 An application for renewal of registration as a certified public accountant shall be made to the Registrar no later than 15 December in the year preceding the year of renewal in such forms as the Council may specify.</p>	<p><i>No change to existing requirements</i></p>
<p>2.2.2 An application for renewal of registration as a CPA shall not be granted except on payment of the registration fee fixed by the Council and compliance with the mandatory CPD requirement by way of filing an annual declaration to the Institute.</p>	<p><i>To encourage members to pro-actively comply with the CPD requirement, it is suggested that the CPD Committee should consider making available a mechanism/tool to help members conduct a self-assessment of their CPD needs and compliance so that members can work out their CPD requirements for the new year.</i></p>
<p>2.2.3 Any non-compliance of the CPD requirement cases is first referred to the Registrar for assessment and recommendation to Council for consideration and approval. If new information is received from the member after Council has made a decision, the case will be re-opened for Council's further consideration. If a member fails to comply with the CPD requirement leading to the removal of his membership, he may appeal to the Court of Appeal under the provisions of the PAO.</p>	<p><i>No change to existing requirements</i></p>
<p>2.2.4 It has been stated in the notes to the membership application form that the applicant is required to notify the Institute of any conviction of offences after his registration as a certified public accountant.</p>	<p><i>It is proposed that this requirement should be stated on the form as well to remind the applicant of his obligation.</i></p> <p><i>The R&PC has considered the feasibility of requiring all members during the annual renewal to declare</i></p>

Note: Endorsed by the Council.



2.2 Renewal Requirements (Cont'd)

Existing Requirements	<i>R&PC's recommendations (Note)</i>
	<p><i>whether they have been convicted on offences in the past 12 months and to undertake to inform the Institute immediately on conviction with the understanding that he could be subject to disciplinary action. However, the Institute is not empowered under the PAO to remove a member who fails to declare criminal convictions for renewal purposes; to do so, it will need to expand section 28(2) of the PAO. It is therefore proposed that research with other institutes should be conducted to see how they deal with conviction of offence during the course of membership, and that the current procedures and various forms for annual renewal should be streamlined and simplified first.</i></p>

Note: Endorsed by the Council.



3. First issuance and re-application requirements for a practising certificate

3.1 First issuance Requirements

Existing Requirements	R&PC's recommendations (Note)
3.1.1 The applicant must be a certified public accountant.	<i>No change to existing requirements</i>
3.1.2 Examination The Council may require an applicant to sit such examinations as it may prescribe which shall include an examination in local law and taxation. <ul style="list-style-type: none">• Dispensation from this requirement will be given to members or graduates of approved institutes who registered with the Institute either as full members or graduate students on or before 30 June 1982 and who are ordinarily resident in Hong Kong.• Irrespective of their date of admission, all members and graduates should be required to sit and pass paper PC-Auditing in the Institute's Practising Certificate Examinations if they have not sat and passed such examination in the professional examinations of the Institute or their parent institute.• Public accountants are exempted under section 30(4) of the PAO.	<i>No change to existing requirements</i>
3.1.3 Approved accounting experience <ul style="list-style-type: none">• "Approved accounting experience" means such professional accountancy experience as the	<i>In assessing the applicant's audit experience for PC issuance, regard should be given to the PEF Auditing</i>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.



3.1 First issuance Requirements (Cont'd)

Existing Requirements	R&PC's recommendations (Note)
<p>Council may approve from time to time as sufficient practical experience.</p> <ul style="list-style-type: none">▪ Part-time experience will not be accepted.▪ For the purposes of evaluating “approved accounting experience”, 75% of the requisite experience should be in auditing.▪ Employment periods of less than 12 months will not be counted. <ul style="list-style-type: none">• Length of experience and post-qualifying experience<ul style="list-style-type: none">▪ The applicant has, after becoming a member of an accountancy body accepted by the Council under section 24(1A), or after registration as a certified public accountant, had not less than a total of 30 months of full time approved accounting experience in the office of –<ul style="list-style-type: none">- a certified public accountant holding a practising certificate issued under the PAO; or- a person practising public accountancy under the jurisdiction of an accountancy body accepted by the Council under section 24(1A). <p style="text-align: center;">OR</p>	<p><i>competency requirements at Leader level to ensure that the quality of the applicant's relevant experience has met the Institute's standards.</i></p> <p><i>No change to existing requirements</i></p>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.



3.1 First issuance Requirements (*Cont'd*)

Existing Requirements	<i>R&PC's recommendations (Note)</i>
<ul style="list-style-type: none">▪ The applicant has had a period of not less than 4 years of full time approved accounting experience in an office as mentioned above or any combination thereof of which at least 1 year shall have been acquired after he has become a member of a body accepted by the Council under section 24(1A) or after his registration as a certified public accountant.• Recent local audit experience<ul style="list-style-type: none">▪ The Council may require the whole or any part of the 30 months or 4 years of full time accounting experience to have been acquired within such period preceding the application for a practising certificate as may from time to time be specified by the Council.▪ “Recent local experience” is defined as one-year full time experience in an office of a certified public accountant holding a practising certificate in Hong Kong obtained within the 3 years immediately before the date of application.	<p><i>As part of Phase 2 of the review, it is proposed to revise the period of recent local audit experience for new applications to 1 year out of the last 2 years immediately before the date of application.</i></p>
<h4>3.1.4 Ordinarily residence</h4> <ul style="list-style-type: none">• A practising certificate shall not be issued to an applicant unless he satisfies the Council that he is ordinarily resident in Hong Kong.	<p><i>No change to existing requirements</i></p>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.



3.1 First issuance Requirements (*Cont'd*)

Existing Requirements	<i>R&PC's recommendations (Note)</i>
<ul style="list-style-type: none">• A person shall be treated as ordinarily resident if he has been present in Hong Kong for not less than 180 days in the preceding 12 months.• As advised by the Institute's lawyers, in addition to the 180-day criteria, an applicant may claim himself to be ordinarily resident in Hong Kong because:<ul style="list-style-type: none">▪ he has the right of abode in Hong Kong or the right to land in Hong Kong and not to have imposed on him any condition of stay; AND/OR he has been residing in Hong Kong for a considerable length of period; AND▪ he is presently residing in Hong Kong and intends to reside in Hong Kong for the next 12 months.• To address the problem faced by members stationed in the Mainland in meeting the PC issuance requirements, the conditions for deeming the applicant as ordinarily resident in Hong Kong have been expanded since September 2005 as follows:<ul style="list-style-type: none">▪ he is working in P.R. China and continues to be a partner/director/employee of a CPA firm/corporate practice registered with the Institute, AND has the right of abode in Hong Kong or the right to land in Hong Kong and not to have imposed on him any condition of stay; AND	

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.



3.1 First issuance Requirements (*Cont'd*)

Existing Requirements	R&PC's recommendations (<i>Note</i>)
<ul style="list-style-type: none">▪ he continues to maintain a place of residence in Hong Kong; OR the principal member or members of his family (spouse and/or minor children) has or have been present in Hong Kong for not less than 180 days during the period of 12 months preceding the date of his application.	
<h4>3.1.5 Commencement of practice</h4> <ul style="list-style-type: none">• If a certified public accountant fails to commence practice within 6 months from the date of issue of the practising certificate, the Council may cancel the practising certificate.• To ensure that a certified public accountant will engage in public accountancy upon the issue of a practising certificate, a copy of the Business Registration Certificate must be produced within six months from the date of approval by Council.	<p><i>As the commencement of practice declaration under section 30(6) of the PAO is of no significant value and practical use, it is proposed to remove it in the next PAO amendment.</i></p> <p><i>No change to existing requirements</i></p>
<h4>3.1.6 Bankruptcy</h4> <ul style="list-style-type: none">• Under section 30(7) of the PAO, a practising certificate shall not be issued to, and the Council may cancel the practising certificate of, a certified public accountant who is or has become bankrupt or has entered into a voluntary arrangement with his creditors within the meaning of the Bankruptcy Ordinance.	<p><i>No change to existing requirements</i></p>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.



3.1 First issuance Requirements (*Cont'd*)

Existing Requirements	R&PC's recommendations (<i>Note</i>)
<p>3.1.7 Registered office</p> <ul style="list-style-type: none">• Every certified public accountant who practises as a certified public accountant (practising) shall have a registered office in Hong Kong to which all communications and notices may be addressed.• The address of the registered office shall be given in the application for a practising certificate.• The registered office of a PC holder practising in his own name is not required to be located at commercial premises.	<p><i>No change to existing requirements</i></p>
<p>3.1.8 Character reference</p> <ul style="list-style-type: none">• Applicants are required to provide character references from 2 members of the Institute or a recognised accountancy body.• Applicants who are admitted to the Institute for less than 1 year need not supply character references.	<p><i>It is proposed to implement by October 2006 the same mechanism for membership of requiring two character referees to return the references directly to the Institute for first PC issuance purposes.</i></p> <p><i>No change to existing requirements</i></p>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.



3.2 Re-application Requirements

Existing Requirements	R&PC's recommendations (Note)
<p>3.2.1 A certified public accountant may apply to the Registrar in the month of November in any year, for a practising certificate, in the form specified by the Council.</p>	<p><i>It is proposed to review and tidy up section 30 of the PAO regarding timing for PC re-application (November each year) in the next PAO amendment to allow more flexibility.</i></p>
<p>3.2.2 If the Council is satisfied that the applicant has complied with the requirements for the time being of section 29A and intends to practise as a certified public accountant (practising), the Registrar shall, on payment of the fee fixed by the Council, issue to the certified public accountant a practising certificate in the form specified by the Council for the period of one calendar year from 1 January next following the date of the application.</p>	<p><i>No change to existing requirements</i></p>
<p>3.2.3 Since the 2005 PC re-application exercise, the PC declaration has incorporated an undertaking to notify the Institute if the PC holder fails to commence practice within 6 months from the date of issue of the PC.</p>	<p><i>No change to existing requirements</i></p>
<p>3.2.4 Practising certificate holders are required to confirm whether they are bankrupt or have entered into a voluntary arrangement with their creditors by way of an annual declaration, and to undertake to inform the Institute if such incident arises during the year.</p>	<p><i>No change to existing requirements</i></p>
<p>3.2.5 Implementation of the requirements under sections 29A and 30 by way of a declaration for re-application purposes include:</p>	<p><i>Since a PC is issued annually under section 30 of the PAO, the requirements for the annual PC re-application should more or less be</i></p>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.

3.2 Re-application Requirements (Cont'd)

Existing Requirements	<i>R&PC's recommendations (Note)</i>
<ul style="list-style-type: none"> • Ordinarily residence requirement • Commencement of practice requirement • Non-bankruptcy requirement • CPD requirement. <p>PC holders are exempted from satisfying the recent local audit experience requirement for the annual PC re-application.</p>	<p><i>the same as those of the first application. Hence, existing PC holders re-applying for the PC annually should, in principle, also satisfy the one-year recent local audit experience requirement.</i></p> <p><i>As regards what the existing PC holders should be required to do to demonstrate that they have fulfilled the one-year recent local audit experience requirement, it will be explored in Phase 2 of the review by looking at the UK system. The Institute's members will be consulted on any proposed changes and given sufficient time to prepare for compliance.</i></p>

3.3 Other Features

	<i>R&PC's recommendations (Note)</i>
<p>3.3.1 Mode of practice</p> <p>A practising certificate holder may practise on full time or part time basis.</p>	<p><i>The Institute should not classify PC holders into full time or part time practice modes. As long as they can meet the issuance requirements, a PC should be issued to them.</i></p>
<p>3.3.2 The use of name in practice</p> <p>Save with the approval in writing of the Council, a certified public accountant who, either on his own account or in partnership with any other certified public accountant or through a corporate practice, practises as a certified public accountant (practising) other than –</p>	<p><i>No change to existing requirements</i></p>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.



3.3 Other Features (*Cont'd*)

	<i>R&PC's recommendations (Note)</i>
<p>(a) in his own name;</p> <p>(b) in the case of a firm of certified public accountants (practising), in his own name in association with the names of his partners; or in the case of a corporate practice, in his own name in association with the names of the other members of such corporate practice, save and except the name of any such member who is not a certified public accountant;</p> <p>(c) in the name of a firm in which he was lawfully practising at the commencement of the By-laws;</p> <p>(d) in the name of a firm lawfully registered under section 28A of the PAO; or</p> <p>(e) in the name of a corporate practice lawfully registered under sections 28D(4) and 28E of the PAO, provided that such a name or any part thereof shall not contain or include any reference to the name of any member of such corporate practice who is not a certified public accountant,</p> <p>shall be guilty of professional misconduct.</p>	
<h4>3.3.3 Maximum number of practice names</h4> <p>The number of practice names under which a practising certificate holder may carry out his practice should in no case exceed three, whether in sole proprietorship or in partnership or corporate practice directorship.</p>	<p><i>No change to existing requirements</i></p>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.



4. Registration and renewal requirements for firms and corporate practices

Firms

4.1 Registration Requirements

Existing Requirements	R&PC's recommendations (Note)
<p>4.1.1 Application for registration of a firm of certified public accountants (practising) shall be made to the Council in such form as the Council may specify and there shall be lodged with the application such registration fee as may be fixed by the Council.</p>	<p><i>No change to existing requirements</i></p>
<p>4.1.2 Mode of practice</p> <p>The proprietor or at least one of its practising partners must practise on full time basis.</p>	<p><i>No change to existing requirements</i></p>
<p>4.1.3 The use of name in practice</p> <p>Save with the approval in writing of the Council, a certified public accountant who, either on his own account or in partnership with any other certified public accountant or through a corporate practice, practises as a certified public accountant (practising) other than –</p> <p>(a) in his own name;</p> <p>(b) he case of a firm of certified public accountants (practising), in his own name in association with the names of his partners; or in the case of a corporate practice, in his own name in association with the names of the other members of such corporate practice, save and except the name of any such member who is not a certified public accountant;</p>	<p><i>No change to existing requirements</i></p>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.



Firms (Cont'd)

4.1 Registration Requirements

Existing Requirements	R&PC's recommendations (Note)
<ul style="list-style-type: none">The Council may reject the application if the firm name proposed to be registered –<ul style="list-style-type: none">is the same as a firm name already registered;so nearly resembles as a firm name already registered as to be likely to cause confusion; oris, in the opinion of the Council, misleading, offensive or otherwise contrary to the public interest.A firm may use a personalised or a non-personalised (trading) name.	<p><i>No change to existing requirements</i></p> <p><i>No change to existing requirements</i></p>
<p>4.1.5 Composition of partners</p> <ul style="list-style-type: none">Save with the approval in writing of the Council, a certified public accountant holding a practising certificate who knowingly practises in partnership or through a corporate practice as an accountant with a person who is not entitled to practise as a certified public accountant (practising) shall be guilty of professional misconduct.The Council has ruled under section 28A(5) of the PAO that not less than two-thirds of the partners of a firm shall be practising partners.A member of the Institute is eligible to apply for registration as a non-PC holder partner of a firm with no strings attached.	<p><i>No change to existing requirements</i></p> <p><i>No change to existing requirements</i></p> <p><i>No change to existing requirements</i></p>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.



Firms (Cont'd)

4.1 Registration Requirements

Existing Requirements	R&PC's recommendations (Note)
<p>4.1.6 Registered office</p> <ul style="list-style-type: none">A firm shall have a registered office in Hong Kong to which all communications and notices may be addressed.The registered office shall be located at commercial premises.	<p><i>No change to existing requirements</i></p> <p><i>The requirement for the registered office of a firm/corporate practice to be located at commercial premises is unnecessary and it is proposed to drop this requirement.</i></p>

4.2 Renewal Requirements

Existing Requirements	R&PC's recommendations (Note)
<p>4.2.1 An application for renewal of registration as a firm shall be made to the Registrar not later than 15 December in the year preceding the year of renewal in such forms as the Council may specify.</p>	<p><i>No change to existing requirements</i></p>
<p>4.2.2 An application for renewal of registration as a firm shall not be granted except on payment of the registration fee fixed by the Council.</p>	<p><i>There is a suggestion that if a formal complaint has been lodged against a CPA practice, the Institute should consider imposing certain conditions on renewing the registration of such practice to safeguard the public interest. This will be revisited in Phase 2 of the review and information will be obtained from CICA about their conditional licensing scheme.</i></p>
<p>4.2.3 The proprietor or partners of a firm must have renewed their membership and practising certificate, if any, for the year.</p>	<p><i>No change to existing requirements</i></p>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.

Corporate Practices

4.3 Registration Requirements

Existing Requirements	<i>R&PC's recommendations (Note)</i>
4.3.1 The corporate practice is a company limited by shares and formed and registered under the Companies Ordinance.	<i>No change to existing requirements</i>
4.3.2 All the shareholders are directors and all the directors are shareholders of the practice.	<i>No change to existing requirements</i>
4.3.3 For a multi-practising member corporate practice: <ul style="list-style-type: none"> • Every shareholder and every director of the practice is a certified public accountant. • All the shareholders are the ultimate beneficial owners of shares that they hold in the corporate applicant. • Not less than two-thirds of the voting shares in the corporate applicant are beneficially owned by practising members. • Every non-practising member director satisfies the requirements from time to time laid down by the Council. 	<i>No change to existing requirements</i>
For a sole-practising member corporate practice: <ul style="list-style-type: none"> • The practice may appoint any other individual person as the second director, whether a certified public accountant or not, who is eligible under the Companies Ordinance and permitted by the Council, provided that the sole practising member shall at all times 	<i>In light of the changes to section 153A(1) of the Companies Ordinance whereby a single shareholder may incorporate a limited company, the proposed amendment to Section 28D(5)(c) of the PAO to align the registration requirements of a sole-practising member corporate practice with the Companies Ordinance has been included in the next PAO amendment exercise.</i>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.

Corporate Practices (Cont'd)

4.3 Registration Requirements

Existing Requirements	R&PC's recommendations (Note)
<p>be the managing director of the practice, and that not more than 1 share may be registered in the name of the second director who shall hold such share in trust for the sole practising member.</p>	
<p>4.3.4 The practice complies with the Corporate Practices (Professional Indemnity) Rules issued by the Council.</p>	<p><i>No change to existing requirements</i></p>
<p>4.3.5 The memorandum and articles of association of the practice shall follow substantially and do not contradict or operate inconsistently with the provisions of the applicable Model M&A.</p>	<p><i>No change to existing requirements</i></p>
<p>4.3.6 The requirements on mode of practice, use of name in practice, practice name, composition and registered office are same as those for firms except that corporate practices are not allowed to register authorised signatories who will be able to sign audit reports on behalf of the practice.</p>	<p><i>It is proposed to amend the Corporate Practices (Registration) Rules to allow corporate practices to register authorised signatories.</i></p>

4.4 Renewal Requirements

Existing Requirements	R&PC's recommendations (Note)
<p>4.4.1 An application for renewal of registration as a corporate practice shall be made to the Registrar no later than 15 December in the year preceding the year of renewal in such forms as the Council may specify.</p>	<p><i>No change to existing requirements</i></p>

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.



Corporate Practices (Cont'd)

4.4 Renewal Requirements

Existing Requirements	R&PC's recommendations (Note)
4.4.2 An application for renewal of registration as a corporate practice shall not be granted except on payment of the registration fee fixed by the Council.	<i>No change to existing requirements</i>
4.4.3 The directors must have renewed their membership and practising certificate, if any, for the year.	<i>No change to existing requirements</i>
4.2.4 To file a declaration to confirm compliance with shareholding requirement.	<i>No change to existing requirements</i>
4.2.5 To file a declaration to confirm compliance with the Corporate Practices (Professional Indemnity) Rules.	<i>No change to existing requirements</i>

April 2006

Note: With a view to establishing a mechanism for the proper registration of auditors, the R&PC has resolved to conduct a review of the PC issuance process and requirements and study the registration of auditors in Phase 2 of the review. Hence, the Committee's recommendations in relation to PC and firm/corporate practice will be carried forward to Phase 2 for further consideration.

REGISTRATION AND PRACTISING COMMITTEE

Terms of Reference

In accordance with the Professional Accountants By-law 20:

20. Appointment and functions of registration committee

- (1) The Council may appoint a committee of not less than 5 certified public accountants, who shall hold office until they resign or are removed from office by the Council, to examine the qualifications of an applicant for registration under sections 25, 28A(1) and (2), 28B and 28D(4) of the Ordinance. (L.N. 137 of 1977; 96 of 1994 s. 37; L.N. 359 of 1996; 23 of 2004 s. 55)
- (1A) A majority of the certified public accountants appointed under paragraph (1) shall be elected members. (L.N. 137 of 1977; 23 of 2004 s. 55)
- (2) The registration committee shall examine the qualifications of the applicant and shall advise the Council as to whether the applicant should be registered or whether the application should be rejected.
- (3) The Council shall not be bound to accept the advice of the registration committee.

In accordance with the Professional Accountants By-law 26:

26. Appointment and functions of practising committee

- (1) The Council may appoint a committee of not less than 5 certified public accountants, who shall hold office until they resign or are removed from office by the Council, to advise the Council on applications by certified public accountants for practising certificates. (L.N. 137 of 1977; 96 of 1994 s. 39; 23 of 2004 s. 55)
- (1A) A majority of the certified public accountants appointed under paragraph (1) shall be elected members. (L.N. 137 of 1977; 23 of 2004 s. 55)
- (2) The practising committee shall-
 - (a) make such inquiries as it may consider necessary to ascertain whether a certified public accountant applying for a practising certificate has had the experience required by section 29A of the Ordinance and is otherwise eligible to hold a practising certificate; and (L.N. 137 of 1977; 23 of 2004 s. 55)
 - (b) advise the Council as to the acceptance or rejection of the application of such accountant.
- (3) The Council shall not be bound to accept the advice of the practising committee.

(Sep 2004 Ed.)

Registration and Practising Committee (2003 – 2006)

Name	Year
Mr. Mark C. FONG (Chairman)	(2003 – 2006)
Mr. TSAI Wing Chung, Philip (Deputy Chairman)	(2005 – 2006)
Mr. Paul F. WINKELMANN (Deputy Chairman)	(2004 – 2006)
Mr. Patrick K.W. CHAN	2006
Mr. CHAN, Floyd Tsoi Yin	(up to 2003)
Dr. CHO Lung Pui Lan, Stella	2003, (2005 – 2006)
Mr. Edward K.F. CHOW	(up to 2004)
Mr. FUNG Lak, Philip	(2005 – 2006)
Mr. Wilson FUNG	(2003 – 2006)
Mr. LEE Chi Ming, Leo	(up to 2005)
Mr. Andy S.C. LEE	(up to 2003)
Mr. Kennedy Tat-yin LIU	(up to 2003)
Mr. MAKHIJA Rajiv	(2005 – 2006)
Mr. Paul NEALE	(2004 – 2006)
Mr. Doug OXLEY	(2003 – 2006)
Mr. David TSOI	(up to 2004)
Prof. Judy TSUI	(up to 2004)
Mr. Andrew WEIR	(up to 2003)
Dr. WONG Lung Tak, Patrick	(2003 – 2006)
Mr. WONG Tak Wai, Alvin	(up to 2003)



Task Force to Review Registration Matters (2003 – 2005)

Name	Year
Mr. Mark C. FONG (Chairman)	(2003 – 2005)
Mr. FUNG Lak, Philip	(2005 – 2005)
Mr. Kennedy Tat-yin LIU	(up to 2003)
Mr. Paul NEALE	(2004 – 2005)
Mr. Doug OXLEY	(2003 – 2005)
Mr. David TSOI	(up to 2004)
Mr. Andrew WEIR	(up to 2003)
Mr. Paul F. WINKELMANN	(2004 – 2005)

Secretariat support:

Name	Title
Ms. Winnie Cheung	Chief Executive & Registrar (from January 2004)
Ms. Georgina Chan	Executive Director (from April 2005)
Ms. Tracy Wong	Deputy Director, Admission (from March 2005)
Mr. Patrick Tam	Director, Mainland & International Relations (up to April 2005)
Ms. W.Y. Yu	Assistant Director, Mainland & International Relations (up to February 2005)



**Summary of recommendations by the Task Force to Review
Registration Matters approved by the Registration and Practising
Committee and the Council and implemented during 2003 – 2005**

Membership

- i) Declaration on past criminal offence(s) by a prospective student
 - A consistent set of assessment criteria should apply to both membership and student applications.
 - The application from a prospective student who has declared conviction of a criminal offence should be first referred to the R&PC for consideration and recommendation to Council.

- ii) Declaration on conviction of offence during the course of membership
 - Section 34(1)(a)(x) of the PAO, which is related to complaints against professional accountants, has been amended in September 2004 to remove the words “as a professional accountant” to widen the coverage scope, and the meaning of “dishonourable conduct” has been defined.

- iii) Practical experience – Mainland and overseas experience
 - Irrespective of the jurisdiction, practical experience acquired under the supervision of an AE/AS should be acceptable for membership purposes.

Practising Certificate

- i) Bankruptcy
 - Since the 2005 re-application exercise, PC holders are required to confirm whether they are bankrupt by way of an annual declaration, and to undertake to inform the Institute if such incident arises during the year.

- ii) Approved accounting experience requirements
 - The problem faced by members stationed in the Mainland in meeting the PC issuance requirements has been solved by the introduction in September 2005 of the expanded conditions for deeming partners/directors/employees of CPA practices, who are working in the Mainland, as ordinarily resident in Hong Kong for PC issuance purposes.



Practising Certificate (Cont'd)

- iii) Commencement of practice declaration
 - Section 18B(1)(a) of the PAO has been amended in September 2004 to vest Council with the power to give directions requiring PC holders to give information in connection with the issue of PCs.
 - Since the 2005 re-application exercise, the PC declaration has incorporated an undertaking to notify the Institute if the PC holder fails to commence practice within 6 months from the date of issue of the PC.
- iv) Registered office
 - The registered office of a PC holder is not required to be located at commercial premises.

Firm / Corporate Practice

- i) Qualifying requirement for non-PC holder partners
 - A member of the Institute is eligible to apply for registration as a non-PC holder partner/ non-practising member director of a firm/ corporate practice with no strings attached.
- ii) Composition of partnership
 - The two categories of non-CPA partner and non-resident partner of a firm have been combined into one category and named as non-PC holder partner.
 - The ratio of PC holder partners to non-PC holder partners has been revised to two to one in line with that for corporate practice to ensure that a firm is controlled by PC holders. Section 28A(5) of the PAO has been amended accordingly.