

Press Release

FRC releases the Update on Independent Audit Oversight Report

(27 October 2016, Hong Kong) The Financial Reporting Council (**the FRC**) today released the Update on Independent Audit Oversight Report (**the 2016 Report**) which focuses on how Hong Kong, through the audit regulatory reform, will meet international best practice and fulfil the requirements for membership of the International Forum of Independent Audit Regulators (**IFIAR**) and European Commission (**EC**) equivalence.

The global investing community expects the Hong Kong audit regulatory regime to be independent of the audit profession, adopt international best practice and be in line with other major capital markets worldwide.

The 2016 Report reiterates that audit regulators of major jurisdictions, for example, the United Kingdom and the United States are (i) independent of the profession with authority over auditors of listed entities; (ii) members of IFIAR; and (iii) in compliance with the EC requirements. Audit regulators of 50 jurisdictions worldwide, including China, meet the EC requirements and have ultimate responsibility for the following six functions - registration, inspection, investigation, enforcement (discipline), standards on professional ethics and auditing, and continuing professional education.

Based on the 2016 Report, the FRC believes that the proposed legislative changes, as set out in the Hong Kong Government's consultation conclusions, will enable Hong Kong to meet the IFIAR membership and EC equivalence requirements, assuming that the future Council will comprise of non-practitioners only.

Subsequent to our 2013 report, five more jurisdictions, namely Botswana, Cayman Islands, Czech Republic, New Zealand and Russian Federation achieved membership of IFIAR.

Commenting on the findings of the 2016 Report, Dr John Poon, Chairman of the FRC, said, “I am delighted to see that the proposed audit regulatory regime will be independent of the audit profession and in line with other major capital markets worldwide. Assuming that the future Council will comprise of non-practitioners only, the regime will enable Hong Kong to be eligible for membership of IFIAR and be recognised for regulatory equivalence with EC.” Dr Poon commented, “We believe that the audit regulatory reform is in the best interests of the investing public and Hong Kong.”

The FRC has been unwavering in its commitment to taking the reform process forward and remains committed to supporting it to its successful completion which will strengthen confidence in the integrity of the financial reporting by Hong Kong listed companies, safeguard the investing public and further entrench Hong Kong’s status and reputation as a major international financial centre.

The Update on Independent Audit Oversight Report is available on our website: www.frc.org.hk.

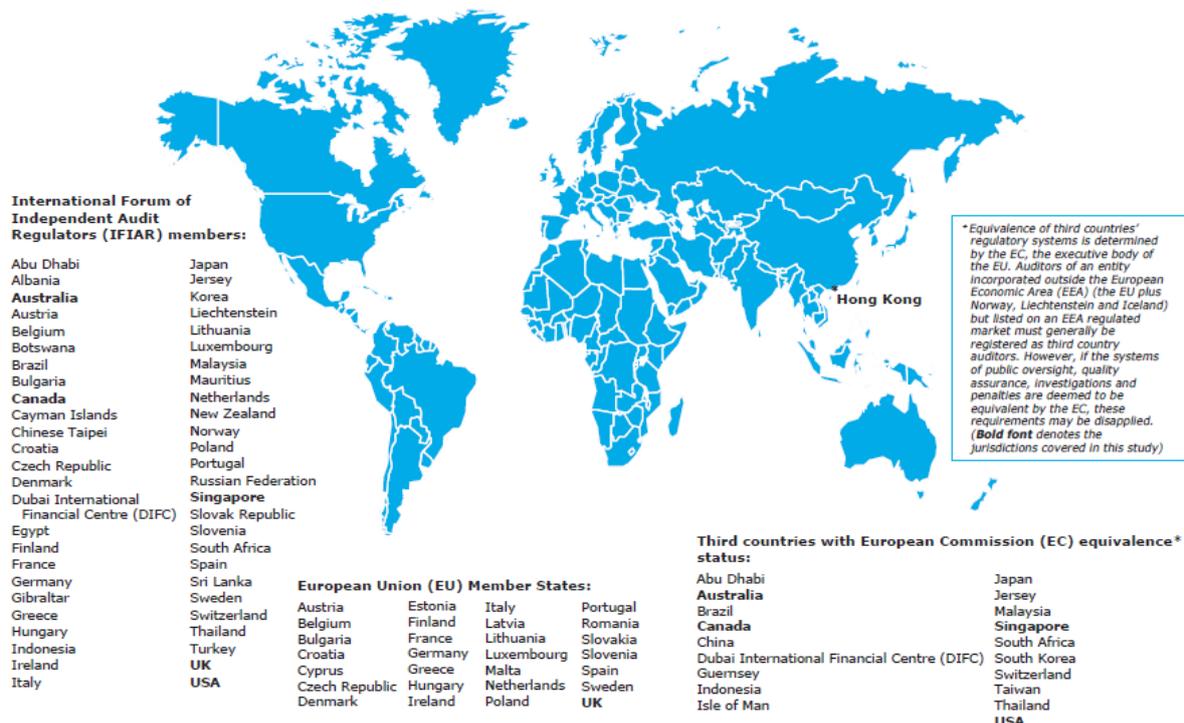
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Note to editors

IFIAR is a global organisation for independent audit regulators worldwide. The organisation’s primary aim is to enable its members to share knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms. Currently IFIAR has 51 members.

EC equivalence is a recognition given to a country/jurisdiction that its audit regulatory regime complies with the EC requirements. There are 50 jurisdictions worldwide, including China, which meet the EC requirements.

A total of 41 jurisdictions are IFIAR members and are also in compliance with the EC requirements.



About the FRC

The FRC is a statutory body established in December 2006 under the Financial Reporting Council Ordinance. The FRC is entrusted with the statutory responsibilities to conduct independent investigations into possible auditing or reporting irregularities in relation to listed entities and to enquire into possible non-compliance with accounting requirements on the part of listed entities. The FRC has 11 members with diverse professional background and the majority of whom, including the Chairman, are lay persons. For more information, please visit www.frc.org.hk.

For media enquiries:

Crystal Yip
 Corporate Communications Officer, FRC
 Tel: (852) 2236 6025
 Mobile: (852) 9720 6445
 Fax: (852) 2810 6320
 Email: crystal.yip@frc.org.hk