



Minutes of the 268th meeting of the Ethics Committee held on Thursday, 10 April 2025 at 12:30 p.m. in Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong (and via video conference)

Present: Ms. Mary Xuereb (Chair) (Dial-in)
Mr. Dacky Leung (Deputy Chair) (Dial-in)
Mr. Horace Ma (Deputy Chair) (Dial-in)
Mr. Dennis Chan (Dial-in)
Ms. Elly Chui (Dial-in)
Mr. Eric Hung (Dial-in)
Ms. Elaine Kwong (Dial-in)
Mr. Rudolf Leung (Dial-in)
Ms. Winnie Leung
Mr. Charbon Lo
Mr. Hubert Wong
Mr. Ricky Wong (Dial-in)
Ms. Cecilia Yam

In attendance: Mr. Chris Joy, Director
Ms. Elaine Chung, Director, Membership and Admission (M&A) (for paragraph 1999)
Ms. Cecilia Kwei, Director, Standard Setting (SS)
Ms. Selene Ho, Deputy Director, SS
Ms. Spasia Au, Associate Director, M&A (for paragraph 1999)
Ms. Grace Lau, Associate Director, SS
Ms. Cherry Yau, Associate Director, SS
Ms. Phoebe To, Manager, SS
Ms. Rita Fung, Assistant Manager, M&A (for paragraph 1999)

Observer: Ms. Lily Rui, Accounting and Financial Reporting Council (AFRC)
Ms. Kristin Ko, AFRC
Ms. Tammy Lai, AFRC

1991. Minutes of the 267th meeting

The Committee approved the minutes of the 267th meeting.

1992. Work Plan Status Report

The Committee considered the report and noted the progress of various projects.

1993. Update on Phase 2 of the public interest entity definition project

SS reported that following the last meeting, a reassessment was conducted on the proposal (PIE Proposal) to classify certain entities as public interest entities (PIEs) in Chapter A of the HKICPA *Code of Ethics for Professional Accountants* (Code). This reassessment incorporated information gathered from committee members, relevant

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stakeholders, and publicly available sources. Consequently, SS has refined the Phase 2 PIE Proposal and prepared a Discussion Paper, accompanied by an FAQ document, which explains the rationale, underlying basis and proposed application of the proposals.

The Committee noted that the Discussion Paper is not intended for public consultation. Instead, it is prepared for circulation among identified stakeholders and relevant regulators to solicit their feedback. Comments received will be considered to refine the PIE Proposal and to develop the public consultation document.

The Committee agreed with the PIE Proposal presented in the Discussion Paper to classify certain types of entities as PIEs, including the relevant application of the proposed size threshold, while providing the following observations and comments:

- Consider developing the PIE size threshold for entities receiving government subventions by using the total governmental subventions granted to non-governmental entities as the benchmark, rather than basing it on the total operating expenditures of the HKSAR Government.
- Incorporate the following alternative views (AV) into the Discussion Paper for stakeholder comments:
 - AV 1: Mandate that firms assess, at the firm level, whether a corporation (LC) licensed by the Securities and Futures Commission (SFC) is a PIE, rather than classifying these entities as PIEs at the standard-setter level.
 - AV 2: Introduce a rebuttable presumption that an LC exceeding the proposed size threshold is a PIE. Under this approach, a practitioner may rebut this presumption by demonstrating that the number of clients served by the LC does not indicate significant public interest within the context of the Code.

The Committee noted that SS would revise the Discussion Paper to reflect these points and circulate it for Committee approval.

Additionally, the Committee acknowledged a comment letter from the Hong Kong Investment Funds Association (HKIFA) which expressed concerns regarding the classification of SFC-authorized funds as PIEs. In response, SS had arranged a meeting with HKIFA representatives to understand their concerns. The Committee also agreed to convene a roundtable involving industry participants, auditors, the SFC, and the AFRC to discuss the PIE classification of SFC-authorized funds. The objective is for all parties to understand the varying perspectives on the PIE classification and work toward a consensus on the appropriate PIE classification.

[Post meeting note:

- (1) The revised Phase 2 PIE Proposal, Discussion Paper and FAQ document were approved by the Committee via circulation on 17 April.*
- (2) A meeting with HKIFA representatives was held on 14 April. During the meeting, SS staff and a member of the Committee who is also a member of the HKICPA Council provided background information on the HKICPA PIE project and addressed concerns of the funds industry.]*

1994. Firm Culture and Governance Advisory Panel

SS thanked the Committee for providing nominations for the Firm Culture and Governance Advisory Panel (AP). The Committee considered that the competency and expertise of the proposed nominees were appropriate and approved the

composition of the AP. The Committee also considered and approved the terms of reference of the AP.

1995. Ethics Standards for Sustainability Assurance and Other Revisions to the Code Relating to Sustainability Assurance and Reporting (ESSA)

The Committee thanked the Sustainability Ethics Advisory Panel for the efforts contributed to the project. Taking into account the upcoming local consultation on the sustainability assurance regulatory regime, as well as the international meetings in April and May 2025 where various jurisdictions will provide updates on the adoption and implementation of the International Ethics Standards Board for Accountants' (IESBA) *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA), the Committee approved the converged pronouncement – ESSA, along the accompanying key impacts analysis. These will be released later in 2025, following further assessment in Q4.

The Committee also endorsed the updated implementation support plan, and the Chair recommended initiating outreach to potential speakers for the Sustainability Capacity Building Program.

1996. Revisions to the Code Addressing Using the Work of an External Expert (External Expert Revisions)

The Committee considered and approved the converged External Expert Revisions, which contain new and revised provisions in Part 2 and Part 3 of the extant Code, as well as new provisions in Part 5 of ESSA, along the accompanying key impacts analysis. These will be released later in 2025. The Committee also endorsed the updated implementation support plan.

1997. Firm Culture and Governance (FCG) Roundtable

The Committee noted the comments provided by members regarding the FCG Roundtable, and the Chair suggested also seeking input from the FCG Advisory Panel.

[Post-meeting note: The materials relating to the FCG Roundtable have been sent to the FCG Advisory Panel for comments on 10 April 2025.]

1998. IESBA Consultation Paper on Collective Investment Vehicles, Pension Funds and Investment Company Complexes

The Committee received an update on the IESBA Consultation Paper on Collective Investment Vehicles and Pension Funds. The Consultation Paper seeks views on auditor independence matters pertaining to audits of investment schemes when these schemes involve 'Connected Parties' that are responsible for decision-making and operation of the scheme, able to substantially affect the financial performance of the scheme, or in a position to exert significant influence over the preparation of the scheme's accounting records or financial statements.

Given the narrow scope of the Consultation Paper, the Committee agreed to assign a 'Medium' priority to this project and solicit stakeholder feedback through an invitation to comment and reaching out to industry-specific groups and associations, rather than carrying out extensive outreach activities. Additionally, the Committee was requested to provide input on the Consultation Paper, which will be incorporated into the Institute's submission to the IESBA.

1999. Proposed changes to CPD requirements

The Committee noted the results of the research on the Continuing Professional Development (CPD) requirements of other accountancy bodies and considered the issues raised by the Management with respect to (i) prescribing ethics as a CPD requirement, (ii) specifying the number of hours of CPD related to accounting and auditing standards for Practising Certificate (PC) holders and/or Responsible Persons of registered Public Interest Entity auditors (RPs of registered PIE auditors), and (iii) considering the recognition of various CPD activities and their capped hours.

Committee members agreed with the recommendation that members should complete at least two verifiable CPD hours per year related to ethics. Some committee members recommended the Institute to provide further support to members when prescribing the ethics CPD requirements such as offering free ethics courses and ensuring a sufficient number of ethics CPD courses were available.

The Chair and Director of Membership and Admission then suggested that for the remaining issues regarding CPD requirements, committee members were invited to provide their views to the Management via emails within a week.

[Post-meeting note: Replies were received from the Committee expressing that all members should undertake at least two verifiable CPD hours on ethics per year, and such CPD hours on ethics should be on top of the 5 specified verifiable CPD hours for RPs of registered PIE auditors. Moreover, the replies generally supported specifying certain number of hours for CPD related to accounting and auditing standards for PC holders and/ or RPs of registered PIE auditors or setting a minimum number of hours for core activities for professional accountants in public practice. They also support imposing capped CPD hours for certain CPD activities.]

2000. Any other business

The Committee did not identify any local implementation issues regarding ethical requirements for discussion.

The Committee noted that the next meeting is scheduled for 2 June and members were requested to suggest agenda items by 12 May.

There being no further business, the meeting closed at 2:53 p.m.

MARY XUEREB
CHAIR

26 May 2025