

Date: 30 May 2025

To: HKICPA  
Standard Setting Department

From: HKTA

Subject: Comment on International Ethics Standards Board for Accountants (IESBA)  
Consultation Paper: Collective Investment Vehicles and Pension Funds

---

Thank you for inviting the HKTA trustee members to provide comments on the captioned Consultation Paper. This consultation's emphasis is on Investment Schemes whose financial condition holds substantial public interest concern due to the potential implications their financial health may have on a broad range of stakeholders. The paper seeks views on auditor independence matters pertaining to audits of Investment Schemes when these Schemes involve "Connected Parties" i.e. when auditors audit investment schemes, whether auditor's independence to third-party service providers (e.g. fund managers, trustees) need to be enhanced.

### **General Comment**

As mentioned above about the emphasis of this consultation, a *primary objective of this work stream is to gain a comprehensive understanding of the relationships between Investment Schemes and their trustees, managers, and advisors. This will help the IESBA determine whether the auditor independence standards, particularly the definition of a "related entity" adequately address the independence implications arising from certain interests, relationships or circumstances between a Scheme's auditor and such parties.....*

HKTA: Whilst the independence of the auditor as cited in the consultation paper is welcome from the perspective of protecting investors' interest, it should be noted that the public investment funds (CIS) in Hong Kong are already subject to a well-regulated framework. So any recommendation of enhancing the current requirements of independence should not result in additional costs on compliance and audit fees for investment schemes since such costs would ultimately be borne by investors.

In Hong Kong, the Securities and Futures Commission has a wide range of requirements to ensure that public CISs adhere to the principles of independence, integrity, strong governance and full disclosures (*as provided in the relevant Codes and guidelines, in particular the Code on Unit Trusts and Mutual Funds "UT Code" and the OFC Code*). They include detailed requirements and the respective roles/responsibilities of the depositaries/trustees, the

manager and other service providers including the auditor (*which must be independent of the manager and the trustee*) as well as operational and disclosure/reporting requirements.

It is also important to note that to protect the best interest of investors, there are also detailed requirements provided in the UT Code on the monitoring, reporting and disclosures of conflicts of interest and transactions with connected persons. In addition, there are certain substantive requirements that must be met when the depositary/trustee or the manager engages in transactions with related parties in the course of performing their duties in relation to the CIS (e.g., *UT Code 10.9-10.13, Appendix D - contents of constitutive documents and Appendix E - contents of financial reports*).

### **Specific Comments**

Page 18 - Question 2: Do you believe the criteria set out above are appropriate and sufficient to capture Connected Parties that should be considered in relation to the assessment of auditor independence with respect to the audit of a CIV/pension fund?

*HKTA: We concur with the criteria set out in paragraph 35 in relation to Connected Party which is also in line with the section 5 of the UT code that auditor must be independent of the management company and Trustee/Custodian and in case of a mutual fund corporation, the directors.*

Page 20 - Question 6: Does your jurisdiction have requirements or guidance specific to audits of CIVs/pension funds from an auditor independence perspective? If yes, are those requirements included in audit-specific or CIV-specific regulation? Please provide details.

*HKTA: Under section 5 of the UT Code, it has stipulated that auditor must be independent of the Management Company and Trustee/Custodian and in case of a mutual fund corporation, the directors.*

Page 23 - Appendix 1 (P.23) re Roles and Responsibility

*HKTA: In Hong Kong, for a public CIS in a unit trust structure, usually both the trustee and the manager are parties to the trust deed with the trustee responsible for the custodial and oversight activities of the CIS and the manager responsible for the investment of the assets of the CISs. Therefore, the trustee as cited in the table "Investment Advisor appointed by Board of Trustees" is not applicable to Hong Kong.*

Thank you for considering our association's comments. Please feel free to contact us: Ka Shi Lau ([lau.kashi@hktrustees.com](mailto:kashi@hktrustees.com)) and Loretta Lam ([lorettama@hktrustees.com](mailto:lorettama@hktrustees.com)) if you have queries or require further information. Thank you.