

# **Policy Statement for the Registration of Corporate Practices**

## Introduction

1. The Accounting and Financial Reporting Council (“**AFRC**”) is an independent body established under the Accounting and Financial Reporting Council Ordinance (Cap. 588) (“**AFRCO**”).
2. The AFRC is empowered to register companies as corporate practices under Division 3 of Part 2A of the AFRCO (“**corporate practices**”).

## Definitions

3. In this Policy Statement, the following terms have the meanings defined in the AFRCO as set out below (the definitions in the AFRCO shall prevail in case of any inconsistency):

Terms	Meanings defined in the AFRCO	Section under the AFRCO
approved insurer	An approved insurer means an insurer who is approved by the Council of the HKICPA to provide professional indemnity insurance to a corporate practice.	20AAZY(2)
company	A company means a company within the meaning of section 2(1) of the Companies Ordinance (Cap. 622).	2(1)
certified public accountant (“ <b>CPA</b> ”)	A CPA means a person registered as a certified public accountant by virtue of section 22 of the PA Ordinance.	2(1)
certified public accountant (practising) (“ <b>CPA (practising)</b> ”)	A CPA (practising) means a CPA holding a practising certificate.	2(1)
CPA firm	A CPA firm means: <ul style="list-style-type: none"><li>• a CPA (practising) who practises accountancy on the accountant's own account under a firm name registered under Division 2 of Part 2A of the AFRCO; or</li><li>• a firm of CPAs (practising) that practises accountancy in partnership and is registered under Division 2 of Part 2A of the AFRCO.</li></ul>	2(1)

Terms	Meanings defined in the AFRCO	Section under the AFRCO
HKICPA	HKICPA means the Hong Kong Institute of Certified Public Accountants incorporated by section 3 of the PA Ordinance.	2(1)
PA Ordinance	PA Ordinance means the Professional Accountants Ordinance (Cap. 50).	2(1)
practising certificate	A practising certificate means a practising certificate issued under section 20AAD or 20AAI of the AFRCO.	2(1)

### Purpose of this document

4. The purpose of this Policy Statement is to provide an overview of the legal regime for the registration of corporate practices.
5. For an outline of the application and notification process, please refer to the [“Outline of the AFRC’s Process for the Registration of Corporate Practices”](#) available on the AFRC’s website.

### Objectives for registration of corporate practices

6. The AFRC is entrusted with the statutory duty to regulate the accountancy profession. An effective regulatory regime of the accountancy profession is crucial for the business community and is essential for maintaining Hong Kong’s status as an international financial centre.
7. Through the system of registration, the AFRC can ensure that companies which practise as an auditor comply with the registration requirements set out in the AFRCO, which is important for promoting public confidence in the accountancy profession in Hong Kong.

### Appointment or rendering service as an auditor

8. Only a CPA (practising), a CPA firm and a corporate practice may hold an appointment or render services, whether paid or unpaid, as:
  - (a) an auditor of a company within the meaning of the Companies Ordinance (Cap. 622); or
  - (b) unless otherwise exempted by the AFRC, an auditor of accounts for the purposes of any other Ordinance.
9. A company which intends to practise as an auditor must therefore apply to the AFRC for registration as a corporate practice.

Section  
20AAZZR of  
the AFRCO

Section  
20AAZM of  
the AFRCO

## Eligibility for registration

### Approval criteria

10. An application for registration as a corporate practice will not be granted unless the AFRC is satisfied that:
- (a) the applicant is a company limited by shares and of which every member and every director is a natural person;
  - (b) if the applicant has only one member, the member must be a CPA (practising) and the only director of the applicant;
  - (c) if the applicant has two or more members, all of the following conditions must be met:
    - (i) each member is a CPA;
    - (ii) at least a proportion of the members, as specified by the AFRC, is/are CPA (practising);
    - (iii) each member is a director of the applicant; and
    - (iv) no person other than a member of the applicant is a director of the applicant;
  - (d) the applicant meets the professional indemnity requirements set out in paragraph 12 below;
  - (e) the articles of association of the applicant comply with the requirements of the rules made under section 51 of the PA Ordinance and include articles that are appropriate to the applicant having regard to the requirements specified in (b) and (c) above; and
  - (f) the company name under which the applicant intends to practise:
    - (i) is not the same as a company name of a corporate practice already registered under the AFRCO;
    - (ii) does not, in the opinion of the AFRC, so nearly resemble a company name of a corporate practice already registered under the AFRCO as to be likely to cause confusion; and
    - (iii) is not, in the opinion of the AFRC, misleading, offensive or otherwise contrary to the public interest.
11. A person commits an offence if the person fraudulently procures the registration of the person or any other person as a corporate practice by means of any misleading, false or fraudulent representation or statement, whether made orally or in writing.

Sections  
20AAZN and  
20AAZX of  
the AFRCO

Section  
20AAZZA of  
the AFRCO

### Professional indemnity requirements

12. The professional indemnity requirements will not be satisfied unless:
- (a) the applicant is to be or is covered by professional indemnity insurance provided by an approved insurer;

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20AAZY of  
the AFRCO

- (b) the insurance is provided on terms specified in the “*Corporate Practices (Professional Indemnity) Rules*” issued by the HKICPA or on terms that have been approved by the Council of the HKICPA if the terms are not so specified; and
- (c) the applicant is covered by the insurance at least to the extent required by the “*Corporate Practices (Professional Indemnity) Rules*” issued by the HKICPA.

## Decision on the application

- 13. The AFRC will consider the information submitted by the applicant as well as any other available information in its possession and then make a decision on the application. The AFRC may:
  - (a) grant the application; or
  - (b) refuse the application.

Sections 20AAZN and 20AAZZ of the AFRCO
- 14. The AFRC will inform the applicant of its decision by written notice. The written notice will include a statement of reasons where the application is refused by the AFRC. An applicant who is aggrieved by a decision of the AFRC to refuse the application may apply to the Accounting and Financial Reporting Review Tribunal (“**Tribunal**”) for a review of the decision (see paragraph 37 below).

Sections 20AAZO and 37Q of the AFRCO

## Validity of registration

- 15. If the AFRC approves the application, the AFRC will issue a certificate of registration to the applicant.

Section 20AAZP of the AFRCO
- 16. The registration of the corporate practice takes effect on the day specified by the AFRC in the written notice and expires on 31 December of the year in which the registration takes effect.

Section 20AAZQ of the AFRCO

## Renewal

- 17. The registration is subject to annual renewal. A renewal application must be made by the corporate practice no later than 15 December of the year in which the current registration expires, unless the AFRC approves a later day.

Sections 20AAZQ and 20AAZR of the AFRCO
- 18. The AFRC will only grant a renewal application if it is satisfied that the corporate practice continues to meet all the requirements set out in paragraph 10 above.

Section 20AAZS of the AFRCO
- 19. The AFRC will consider the information submitted by the applicant as well as any other available information in its possession and then make a decision on the application. The AFRC may:
  - (a) grant the application; or
  - (b) refuse the application.

Sections 20AAZS and 20AAZZ of the AFRCO

20. The AFRC will inform the applicant of its decision by written notice. The written notice will include a statement of reasons where the application is refused by the AFRC. An applicant who is aggrieved by a decision of the AFRC to refuse the application may apply to the Tribunal for a review of the decision (see paragraph 37 below). Sections 20AAZT and 37Q of the AFRCO
21. If the AFRC approves the renewal application, the AFRC will issue a renewed certificate of registration to the applicant. The renewal will take effect on the day specified by the AFRC in the written notice and expires on 31 December of the year in which the renewal takes effect. Sections 20AAZU and 20AAZW of the AFRCO
22. Please note that the validity period of a current registration will be extended if the corporate practice has made a renewal application but the application is not finally determined before the expiry of the current registration. The current registration will remain in force until:
- (a) if the registration is renewed – the day on which the renewal takes effect; or
  - (b) if the renewal application is refused – the day on which the refusal takes effect.

## Obligations of a corporate practice

### Registered office

23. A corporate practice must have a registered office (within the meaning of the Companies Ordinance (Cap. 622)) in Hong Kong to which all communications and notices may be addressed. Section 20AAZZE of the AFRCO
24. A person who contravenes the above requirement without reasonable excuse commits an offence. Section 20AAZZE of the AFRCO

### Notification of changes in particulars

25. If there is a change in the full name, address of registered office, telephone number and/or electronic mail address of a corporate practice, the corporate practice must, within 14 days after the day on which the change takes place, inform the AFRC of the change by submitting a completed notification form "[Notification for Change in Particulars of a Corporate Practice](#)" (Form CP-3) to the AFRC. Section 20AAZZF of the AFRCO
26. A person who contravenes the above requirement without reasonable excuse commits an offence. Section 20AAZZF of the AFRCO

### Cessation of compliance with certain requirements

27. If a corporate practice ceases to comply with any of the requirements set out in paragraphs 10(a) to (e) above, the corporate practice must, within 14 days after the day on which the cessation begins, inform the AFRC of the cessation by written notice. Section 20AAZZG of the AFRCO

28. On receipt of the notice, the AFRC may impose any condition in relation to the registration of the corporate practice for the purpose of requiring the practice to comply with the requirement concerned. The corporate practice commits an offence if it fails to comply with the condition imposed by the AFRC within the period specified by the AFRC without reasonable excuse. A corporate practice who is aggrieved by a decision of the AFRC to impose conditions may apply to the Tribunal for a review of the decision (see paragraph 37 below).

Sections  
20AAZZG and  
37Q of the  
AFRCO

### Proposed amendment to articles of association

29. If a corporate practice proposes to amend its articles of association (“**proposal**”), the corporate practice must inform the AFRC of the proposal by written notice to the AFRC.
30. The written notice must be sent to the AFRC no later than the day on which notice of the members’ meeting of the corporate practice for the proposal is given to the members of the corporate practice.
31. If the proposal is approved by passing a special resolution at the members’ meeting, the corporate practice must, within 21 days beginning on the date on which the special resolution is passed, inform the AFRC of the approval by submitting a written notice to the AFRC.
32. The AFRC may revoke or suspend the registration of the corporate practice if the corporate practice fails to notify the AFRC as required. The corporate practice will be informed of any such revocation or suspension by written notice with a statement of reasons for the decision. A corporate practice who is aggrieved by the AFRC’s decision to revoke or suspend the registration may apply to the Tribunal for a review of the decision (see paragraph 37 below).

Section  
20AAZZH of  
the AFRCO

Section  
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Section  
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Sections  
20AAZZH and  
37Q of the  
AFRCO

### **Revocation or suspension of registration on other non-disciplinary grounds**

33. The AFRC must revoke the registration of a corporate practice if the practice has commenced to be wound up.
34. The AFRC may revoke the registration of a corporate practice if the practice ceases to be a company described in paragraph 10(a).
35. The AFRC may also revoke or suspend the registration of a corporate practice if:
- (a) the practice requests the AFRC to do so; or
  - (b) the AFRC is satisfied that the practice has been registered:
    - (i) by mistake; or
    - (ii) in consequence of any misleading, false or fraudulent statement, declaration or representation, whether made orally or in writing.

Section  
20AAZZB of  
the AFRCO

Section  
20AAZZB of  
the AFRCO

Section  
20AAZZB of  
the AFRCO

36. The corporate practice will be informed of any such revocation or suspension by written notice with a statement of reasons for the decision. The certificate of registration issued to the practice is cancelled with effect from the date on which the revocation takes effect, or is suspended during the period in which the suspension of registration is in effect. A corporate practice who is aggrieved by the AFRC's decision to revoke or suspend the registration may apply to the Tribunal for a review of the decision (see paragraph 37 below).

Sections 20AAZZC, 20AAZZD and 37Q of the AFRCO

## Review of the AFRC's decisions

37. Any person who is aggrieved by a decision of the AFRC made in relation to the person to:
- (a) refuse a registration or renewal application;
  - (b) impose a condition in relation to the registration of a corporate practice; or
  - (c) revoke or suspend the registration of a corporate practice for failure to notify the AFRC in respect of amendment to its articles of association or on other non-disciplinary grounds,
- may, within 21 days beginning on the day after a notice of the decision is issued by the AFRC, apply to the Tribunal for a review of that decision.
38. The Tribunal is independent of the AFRC. The Tribunal consists of a chairperson and two other ordinary members from the Tribunal panel, all of whom must not be public officers. The chairperson and members of the Tribunal panel must be appointed by the Chief Executive of the HKSAR.
39. The Tribunal may determine a review in relation to the decision by:
- (a) confirming, varying or setting aside the decision; or
  - (b) remitting the matter in question to the AFRC with any direction it considers appropriate.
40. If the decision is set aside, the Tribunal may make another decision it considers appropriate in substitution.

Sections 20AAZN, 20AAZS, 20AAZZB, 20AAZZG, 20AAZZH, 37M and 37Q of the AFRCO

Section 37N and Schedule 4A of the AFRCO

Section 37T of the AFRCO

Section 37T of the AFRCO

## Appeal

41. If the AFRC or a party to a review is dissatisfied with the determination of the review made by the Tribunal, the person may, within 30 days after the day on which the determination is issued to the AFRC or the party, apply to the Court of Appeal for leave to appeal against that determination on a question of law and/or fact.
42. Leave to appeal may only be granted if the Court of Appeal is satisfied that the appeal has a reasonable prospect of success or there are some other reasons in the interests of justice that the appeal should be heard.

Sections 37ZF and 37ZG of the AFRCO

Section 37ZG of the AFRCO

43. On an appeal against a determination of the Tribunal, the Court of Appeal may:
- (a) allow the appeal;
  - (b) dismiss the appeal;
  - (c) vary or set aside the determination; or
  - (d) remit the matter in question to the Tribunal or the AFRC with any direction it considers appropriate.
44. If a determination of the Tribunal is set aside, the Court of Appeal may make another determination it considers appropriate in substitution.

Section  
37ZH of the  
AFRCO

Section 37ZH  
of the  
AFRCO

### **Disclaimer**

45. This document provides a summary for reference only. It is not legal advice. Applicants should seek their own legal advice. In the event of any inconsistency between this document and the AFRCO, the AFRCO shall prevail.