

Emerging international regulatory concerns Hong Kong need to address

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EMERGING CHALLENGES



AGING POPULATION & Z-GENERATION



ECONOMIC GROWTH

A row of white chess pawns is shown on a light gray surface. In the center of the row, one pawn is colored red, standing out from the others. The background is a soft, out-of-focus gray. The text "POLITICAL COMPETITION" is overlaid in white, bold, uppercase letters across the middle of the image, with a thin white horizontal line underneath it.

POLITICAL COMPETITION



FISCAL IMBALANCE



ARTIFICIAL INTELLIGENCE



TALENT DEVELOPMENT



ENVIRONMENTAL CONCERNS

CROSS BORDER EXPOSURE Opportunities and threats





GOVERNANCE REBOOT

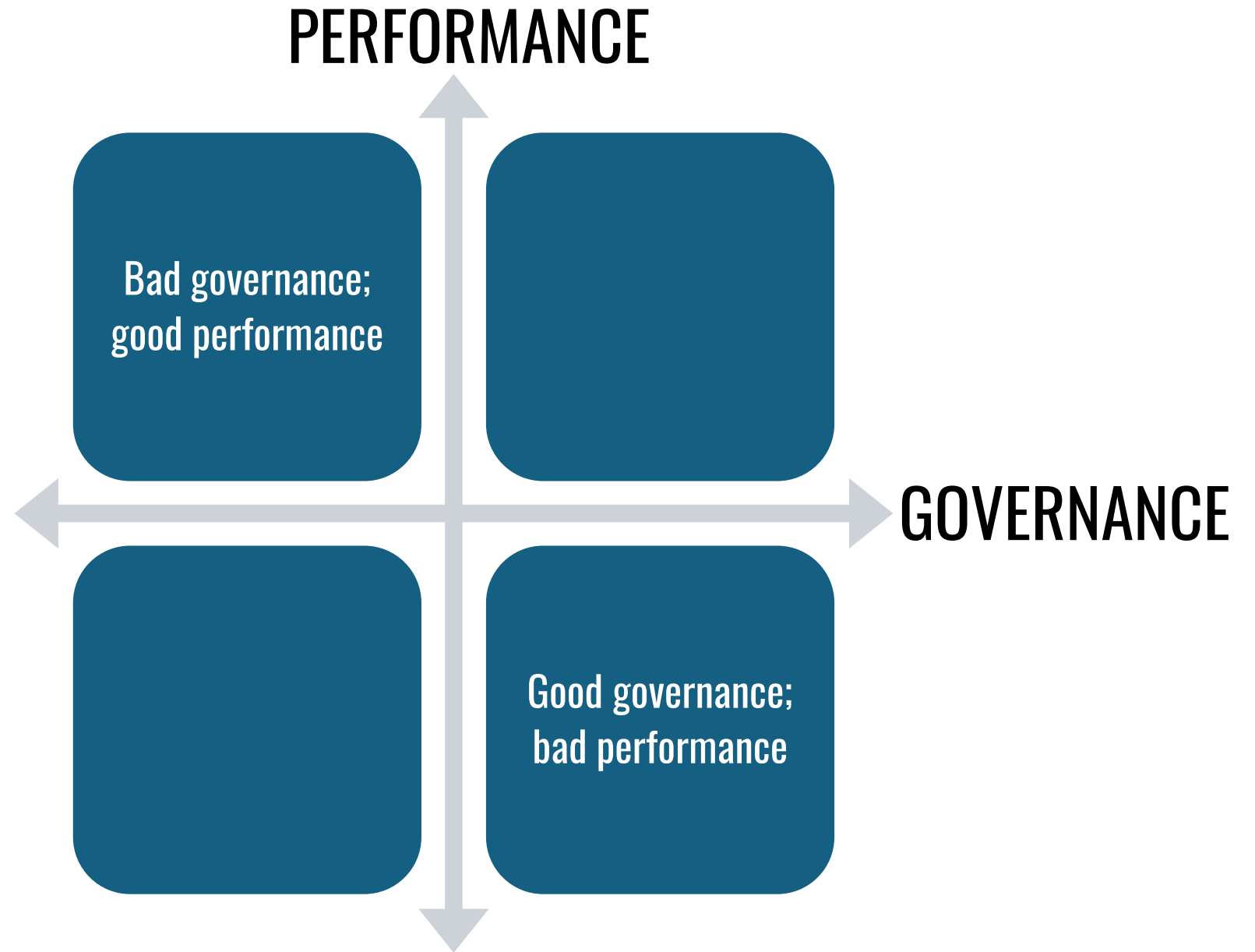
20 September, 2024

AFRC

The background of the slide is a blurred image of several wooden chess pieces, including a king, a queen, and a pawn, arranged on a chessboard. The pieces are light-colored wood and are out of focus, creating a soft, bokeh effect.

Governance from conformance to performance

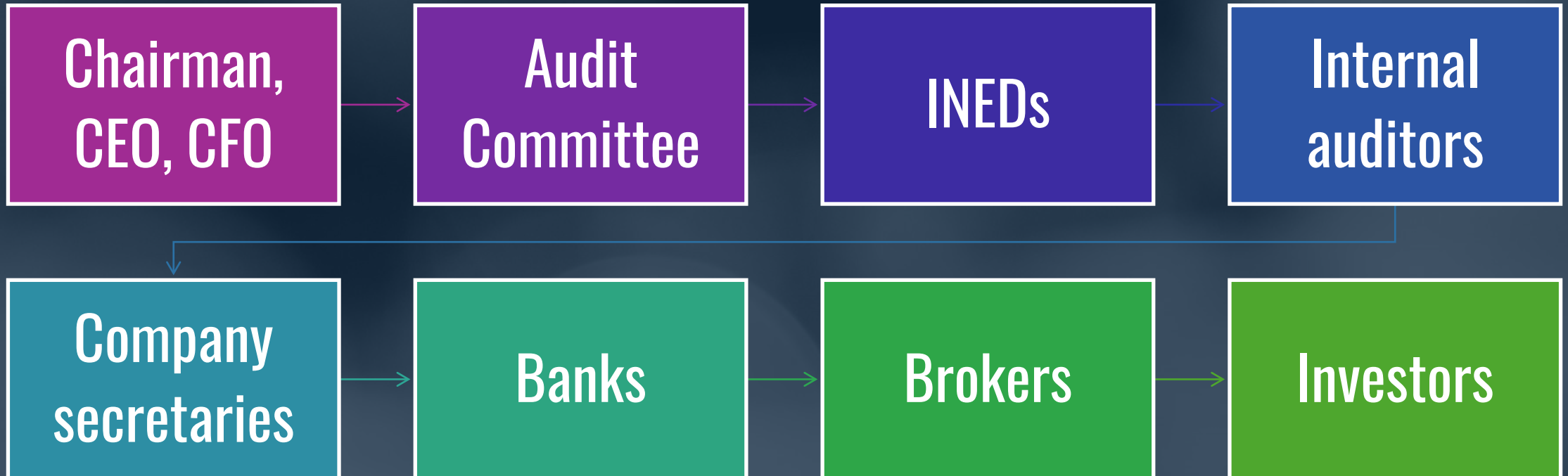
**Which one will
you buy?**





**“WHERE *WERE* THE
AUDITORS?”**

...AND WHERE WERE THEY?





Broad population of information users (banks, investors) in general show a lack of interest in audit quality (“audit literacy”)



Day-to-day attitude toward the auditors remain one of distance and disregard via the filters through brokers, bankers, and fund managers.

Evolution of capital markets has rendered the traditional auditor's report obsolete and irrelevant

- Fee pressures and reduction
- Relentless pressure on staff time and budgets
- Verbatim audit reports
- Message delivered is of little change since 1850s
- Pass-fail opinions

Audit opinion

Disclaimed opinion is an audit opinion!?



**Barring the missing
part, this is a woman,
trust me!**



LOW AUDIT FEE

**RACING TO THE
BOTTOM**

**BAD AUDIT DRIVES
OUT GOOD AUDIT**

**FEE OF INEDS IS
SIMILARLY LOW**

COMPLIANCE ONLY





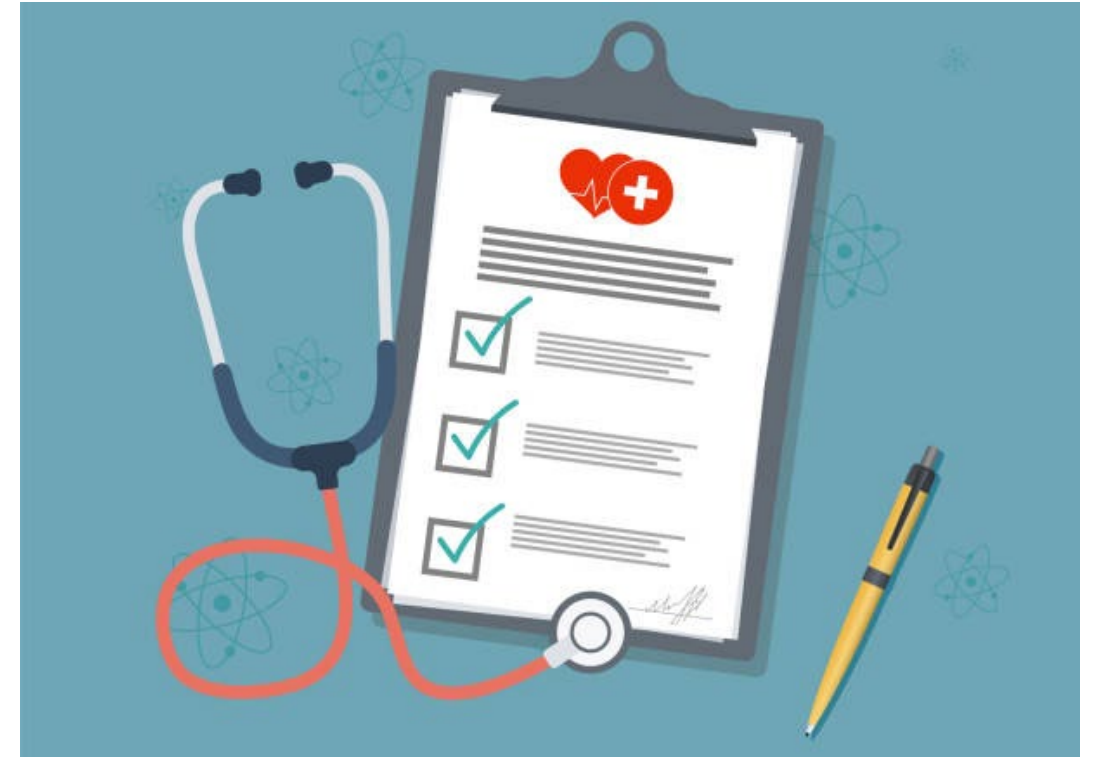
Choice and Opinion

Opinion shopping - health

Discount



Premium

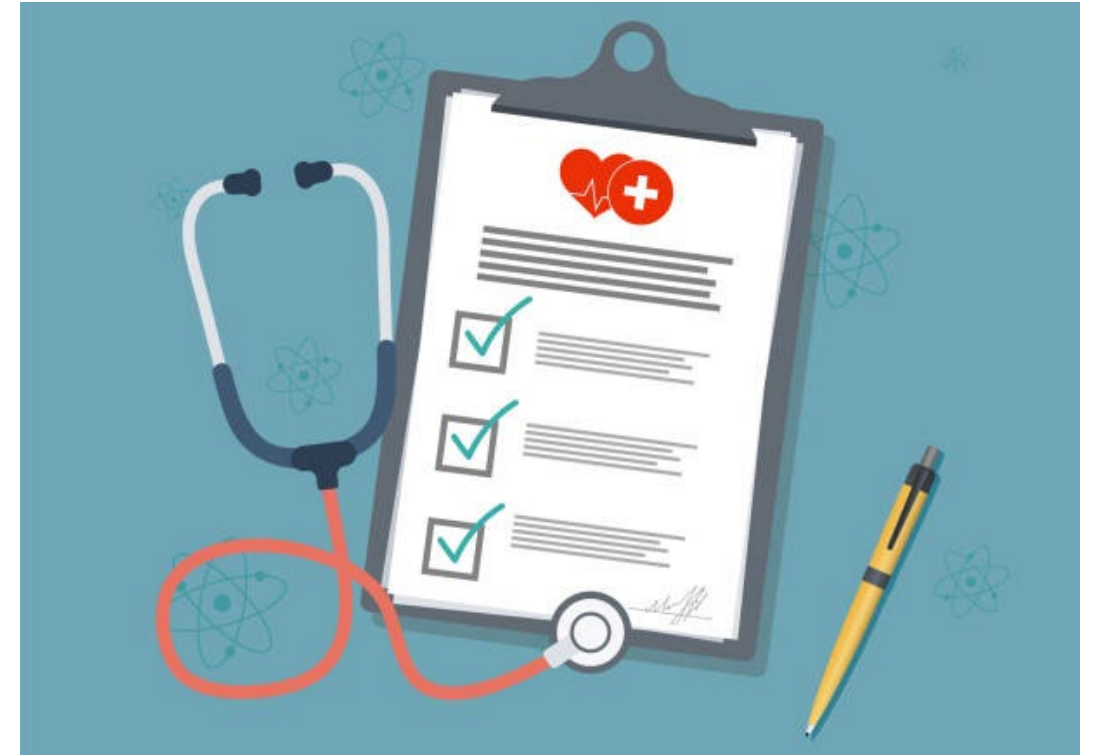



Opinion shopping - audit

Deep discount



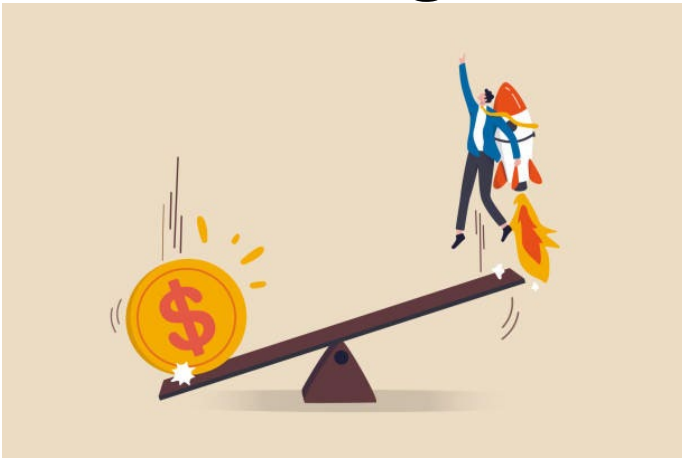
Discount





OVER STRETCHING
increases risk and
reduces performance

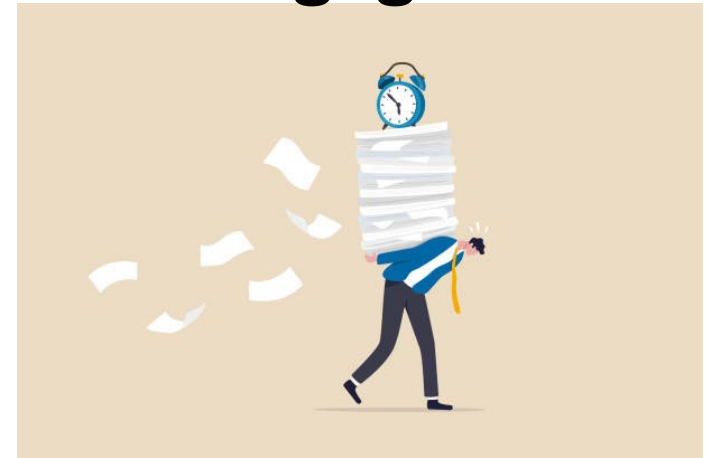
Over-trading



Over-boarding



Over-engagement



IMPROVING REGULATORY COLLABORATION



Life is like a piano, how well is it depends on how you play it!

