

ACCA Hong Kong Annual Conference 2012 Embracing the Economic Landscape – 2012 and Beyond

Opening Address

Eddy Fong
Chairman
Securities and Futures Commission

5 May 2012

President Dean Westcott and Chairman Bernard Wu, Ladies & Gentlemen

I am honoured and delighted to be invited by the ACCA to deliver the Opening Address on the occasion of its 12th Annual Conference.

Today's agenda is packed with forums to discuss the impact of global developments on the four economic engines of Hong Kong – financial services, real estate, industrials, and consumer and retail products.

We will have ample opportunity to get into the really serious stuff today. I would like to focus my opening remarks on the role and responsibilities of an accountant in today's capital and financial markets and also about life after accounting, which is what I am experiencing now.

But first let me pay tribute to ACCA Hong Kong for its role in setting the foundation for the accounting profession in Hong Kong. ACCA Hong Kong was established in 1950; it was a pioneer, providing examinations for professional qualification to Hong Kong people wishing to pursue a career in accounting. I remember that when I first returned to Hong Kong to work as an accountant in 1973, the Hong Kong Society of Accountants (later known as HKICPA) was still in its infancy. Many members applied to become members of HKSA were members of ACCA. The earlier professional examinations conducted by HKSA was operating under a joint examination scheme with ACCA and owed much of its origin to the ACCA model.

ACCA Hong Kong has played an important role in the development of Hong Kong as a major commercial centre and an international financial centre. Today, the presence of so many ACCA members in this room representing the major important sectors of Hong Kong's economy speaks for itself. I commend the ACCA for continuing to hold its flagship annual conference for its membership to debate on issues of current concern to the economic sectors that they represent.

Accountants - the gatekeeper of reliable information

Let me now turn to the role and responsibilities of accountants in the financial services and capital market sectors. When one is considering the purchase of a property, the key factor is location and location. For investors, the key factor is information and information. Information is a market fundamental; investors rely on having quality information to make an informed decision on where, when and how to invest their money, and when to exit a market.



Just as location is everything to the property market, financial markets trade and function on the basis of information. In an efficient market, prices reflect all available information.

Information must be accurate, timely, material, meaningful, complete and non-misleading. Quality information is the foundation of fair, transparent, efficient, competitive and orderly markets. Different market intermediaries – lawyers, accountants, auditors, sponsors – all play a vital role in ensuring the integrity of information that is disclosed to investors. Investor confidence would be undermined if there are doubts on the quality and reliability of information.

Recently, there have been reports of a growing number of disputes between auditors and some of their clients that are listed on the exchange. According to media reports, the Financial Reporting Council had announced that following its examination of 24 financial reports on which auditors have expressed reservations, 13 Mainland companies are in need of close monitoring.

Accountants therefore have a role as gatekeepers in ensuring that publicly listed companies and new issuers coming to market provide a true and fair statement of their financial condition. This is vital for maintaining the trust and confidence of investors and the continued success of Hong Kong as a major fund raising centre. The accounting profession, whether working in the corporate sector or external auditing, is at the forefront of promoting transparent and accurate information as well as good corporate governance.

Sponsors play an instrumental role in bringing new IPOs to market. As many of you are aware, the SFC has been reviewing the existing requirements relating to the work of sponsors and plans to consult very soon on new regulations for sponsors that advise on IPOs. One of the major objectives of the new sponsor regulation is to ensure that sponsors maintain a high standard of due diligence in its work. A sponsor must exercise careful judgement about the nature and extent of due diligence and the manner in which it should be performed. They should not place uncritical reliance on other experts' reports, including accountants' and valuers' reports, contained in the IPO prospectus. For clarity and to enhance efficiency, the SFC also proposes to consolidate all key obligations for sponsors from a number of codes and guidelines into a centralised code. We also intend to clarify the liabilities of sponsors, both civil and criminal, for untrue statements (including material omissions) in a prospectus.

Corporate or accounting failure is, not only detrimental to investors' interest, but also undermines investors' trust and confidence in Hong Kong as an international financial centre.

Life after accounting

As many of you may know, I spent my professional career as an accountant. It was both enjoyable and rewarding in more ways than one. I retired close to 10 years, and have since devoted my time substantially in public service in one form or other. This has allowed me to give back to society, to be socially responsible. Corporations are spending resources on corporate social responsibility (CSR); why not we as individuals invest some time on personal social responsibility (PSR). You can start thinking for yourself – what you can do while pursuing an active professional career, and also think about the contribution you can make after retirement.



I would encourage you to find something of interest, or a worthwhile cause, that you would like to spend your precious spare time in helping. We can all play a part in PSR; it need not be in public service but in charity, education, caring for the needy, or protection of the environment. These are all worthwhile causes and they need volunteers with financial background. We can practise PSR while still working or devoting more time in our golden years, i.e. after retirement.

For me personally, public service has been very interesting, challenging and satisfying. Believe me, life will be more enriching if you spend some time on PSR.

On this note, thank you for listening to my personal reflections, and I wish you all a very successful conference.