



Private & Confidential

2 February 2009

Office of the Secretary
PCAOB
1666 K Street
N.W.
Washington D.C.
2006
United States of America

Dear Sirs,

PCAOB Rulemaking Docket Matter No. 027

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. The HKICPA is responsible for registration, inspection and sanctions over all auditors in Hong Kong.

The HKICPA acknowledges the importance of regulation and oversight of audit firms in maintaining public confidence in financial reporting and we take our regulatory responsibility very seriously in view of Hong Kong's position as a major international capital market. We welcome the opportunity to provide you with our comments on the captioned document.

As the regulator of the audit profession in Hong Kong the HKICPA recognizes the importance of any regulatory or oversight mechanism being comprehensive and applied equivalently to all firms subject to regulation.

However, the HKICPA believes that there must be an acceptance that in some jurisdictions conflicts between local legal constraints or sovereignty issues may take significant amounts of time and effort to resolve, if resolution is possible at all. To minimise the potential effects of such situations the HKICPA would encourage that the maximum possible effort is made to achieve PCAOB aims and requirements in collaboration with local oversight and regulatory bodies. The HKICPA is of the view that collaboration and steps towards mutual recognition between oversight and inspection authorities in national jurisdictions is the best route to effective international oversight.

We believe that the resolution to problems caused by impediments to the PCAOB inspection process through legal constraints or sovereignty issues would best be achieved through collaboration rather than the introduction of additional specific rules.



As a general principle the HKICPA would be concerned if sanctions were to be applied to firms that had been unable to comply with PCAOB inspection requirements as a result of local laws or regulations that a firm is compelled to follow. The HKICPA acknowledges the PCAOB commitment to transparency but has concerns that disclosure of delays to the inspection programme that identifies firms, whether directly by the PCAOB or through the auditor's report, may result in users and investors drawing unsubstantiated conclusions on the quality of firms where the firm's failing is a result of circumstances that the firm itself cannot affect.

The HKICPA recognizes that there needs to be a practical element to the application of regulation and oversight and accordingly appreciates the extension of deadlines for inspection that have been made by the PCAOB to allow more jurisdictions time to resolve potential conflicts between local legal constraints or sovereignty issues and PCAOB oversight requirements.

We trust that our comments are of assistance to you. If you require any additional information on this matter or auditor regulation in Hong Kong in general we may be contacted at chris@hkiipa.org.hk.

Yours faithfully,

Chris Joy
Executive Director

CJ/dy