

## Development of Specialist Faculties under the Hong Kong Institute of Certified Public Accountants

### Background

1. For some years, the framework within the Hong Kong Institute of Certified Public Accountants (“the Institute”) for dealing with matters relating to insolvency comprised, primarily, the Insolvency Practitioners Committee (“IPC”) and the Insolvency Interest Group (“IIG”).
2. The IPC, now reconstituted as the provisional Insolvency Faculty Executive Committee (“IFEC (prov.)”), is a standing committee under the Institute’s Council, responsible for reflecting the views of insolvency practitioners to the Council, dealing with technical insolvency-related matters, including legislation and technical consultations, and representing the Institute in liaising with the Official Receiver’s Office. It also oversees the operation of the IIG. The IIG is a forum for networking and technical training and education for professionals, both members of the Institute and non-members, who are interested in the field of insolvency and restructuring. The IIG also serves as the base for the Institute’s membership of INSOL International, the International Association of Restructuring, Insolvency and Bankruptcy Professionals.
3. Acknowledging the growing importance of specialised areas of practice (such as tax, insolvency, corporate finance, etc.) for the accountancy profession in Hong Kong, the Institute’s Fifth Long Range Plan 2007-2011 (“LRP”, which is available on the Institute’s website at: [http://www.hkicpa.org.hk/publications/Fifth\\_Long\\_Range\\_Plan.pdf](http://www.hkicpa.org.hk/publications/Fifth_Long_Range_Plan.pdf)) includes amongst its strategic aims, providing members with specialisation support to excel in all professional fields related to their qualification and training. The LRP envisages enhancing the Institute’s infrastructure by introducing a four-tier structure for specialisation support, in which the development of faculties from interest groups, in appropriate circumstances, will play an important part.

### Faculty Development

4. After conducting wide-ranging discussions on the feasibility of setting up an insolvency faculty, the IPC presented more formal proposals to the Institute’s Council in October 2006. It was believed that the existing framework of support for insolvency under the Institute lent itself fairly readily to the further development of a specialisation, including a faculty. The existing framework encompassed (i) a technical committee of experienced practitioners and a well-established interest group with a broad membership base; (ii) insolvency training courses (including a diploma in insolvency); and (iii) a programme to help raise industry standards through the issuing of best practice guidance (Insolvency Guidance Notes).

5. In early 2007, Council set up a Faculty Steering Group (“FSG”) to propose a basic template for the structure and operation of specialist faculties. Building on the work of the IPC, the FSG subsequently put forward a set of recommendations on a framework for faculties, which was agreed by Council.

### **Basic framework on the structure and operation of specialist faculties**

6. A general outline of the framework under which faculties will operate is as follows:

#### Faculty Oversight Board

- i. A Faculty Oversight Board (“FOB”), appointed by Council, will be set up to oversee faculty affairs. The chairmen of faculty executive committees (“FEC”), i.e., the management committees for faculties, will attend FOB meetings.

#### Constitution

- ii. The aims and objectives, structure, accountability, etc., of faculties will be set out in broad terms in their constitution.
- iii. Faculties may also develop rules and regulations tailored to their own particular features, subject to approval by the FOB (e.g., rules on internal management, the setting up of subcommittees, and basic rules of conduct).

#### Faculty Executive Committees – Role and Composition

- iv. Each faculty will have its own FEC, the role of which will cover, broadly:
- Overseeing the faculty’s day-to-day operation and management;
  - Undertaking technical work in the relevant specialised field;
  - Liaising with government agencies, regulators, etc., on technical matters affecting the sector that are within the remit of the faculty;
  - Maintaining contacts with other faculties and committees within the Institute, and relevant outside parties (e.g., other professional bodies), as appropriate, and undertaking joint activities on matters of common interest or concern;
  - Reporting to the FOB on strategic plans, budgets, activities and other relevant matters, at least twice annually, and providing the FOB with copies of minutes, project proposals, etc., on a regular basis, to enable the FOB to fulfil its monitoring role.



- v. Generally, an FEC will comprise no more than 16 members, of whom 75% may be elected from and by the faculty membership. At least two-thirds of the elected members should be members of the Institute.
- vi. Subject to the overall limits in (v) above, Council may appoint up to two members, who need not be faculty or Council members, and the FEC may co-opt up to a further three members from amongst the faculty membership.
- vii. Council will appoint the FEC chair from among FEC members. Ordinarily, the chair will be a member of the Institute but, in exceptional cases, he or she may be a non-member of the Institute.
- viii. FEC members may elect/nominate either one or two deputy chairs from amongst themselves. In the case of the insolvency faculty, it is proposed that the FEC should have two deputy chairs, at least one of whom should be an Institute member.
- ix. The Institute's governance rules, including rules on the maximum term of office, will apply to FECs.

#### Membership

- x. General membership requirements for faculties will be provided for in the constitution, or in rules, and may differ between faculties. In the case of the insolvency faculty, they will include, broadly, (a) members of the Institute and (b) holders of other relevant professional memberships and/or qualifications, practitioners with suitable experience, and other persons with a relevant interest in the field. An FEC may issue additional guidance on membership criteria.

#### Other Matters

- xi. It is not intended that faculties should have substantial regulatory functions. For faculty members that hold other professional memberships, a faculty may refer complaints to the relevant professional body or industry regulator.
- xii. To avoid any uncertainty regarding the Institute's representation and role in relation to international bodies in a particular sector, the authority to nominate a representative to a particular international specialist body will rest with Council. The process will normally involve consultation with the relevant FEC chair.

#### Transitional Arrangements for the Insolvency Faculty

- xiii. Upon the setting up of the insolvency faculty, the IIG will be disbanded and all current IIG members will automatically be admitted as members of the insolvency faculty until the end of their original 2007/08 IIG membership year, i.e., 30 June 2008.



- xiv. The IFEC (prov.) will become the first IFEC. In addition to planning activities and services for the insolvency faculty and, where necessary, establishing sub-committees, the IFEC will draw up proposals for approval by the FOB for elections to be held in due course for subsequent IFECs.

### **Specialist Qualifications**

7. The LRP refers to the implementation of a professional qualification as a longer-term goal to be achieved in relevant specialist areas. Whilst the oversight and administration of specialist qualifications will be outside of the remit of faculties, the development of such qualifications by the Institute should help to enhance the status of professionals working in the field. The establishment of faculties and development of specialist qualifications should, therefore, be mutually supporting initiatives.
8. It is intended that, essentially, specialist qualifications developed by the Institute will be examination based and obtained through post-(professional) qualification training and examinations, and will not be professional memberships. Generally, it is envisaged that they would be open to both members and non-members of the Institute. Faculty members would be able to acquire a qualification that would enhance their professional status and this in turn, should increase the attractiveness of faculty membership. The diploma in insolvency programme currently run by the Institute is likely to form the basis of a future specialist qualification in insolvency.

### **Specialist Designations**

9. The LRP also envisages, in time, the creation of specialist designations, initially for members of the Institute. Specialist designations would offer practitioners working in a particular field a certain level of recognition of their qualifications and experience, without preventing others from undertaking work in that field. The possible extension of specialist designations to non-CPAs may also be explored in the longer term.