

Reciprocal Membership Agreements (RMAs)
with Six Prestigious Chartered Accountancy Institutes

Frequently Asked Questions

Q1. What do you think would be the greatest benefits of the six RMAs to your current members and prospective members?

The benefits to our current and prospective members are many. To name a few, they are as follows:

- ◆ To our prospective members the RMAs make their qualification far more portable while reinforcing the fact that as they study for the QP they are working towards being a member of a Institute that is in the top league.
- ◆ For current members, we feel proud to be part of a body, which is producing top class professional accountants and the enhanced standing in the international accounting community through the signing of the RMAs. Also QP's international recognition should also give employers a clear signal about their choice of candidates when they take on new recruits.
- ◆ Members should also benefit indirectly from this global network which provides channels of sharing knowledge and discussing matters, allowing for dialogues and further collaborations that extend beyond the education and training remit.

Q2. What would you expect of both the local and international employers' reception and perception of your members' professional qualification and standards as a result of these RMAs?

Locally, employers welcome this international recognition of the QP by the six Chartered Accountancy Institutes, which represent the top echelon of the international accountancy profession. They view this as a vote of confidence on the quality of our qualification process, offering an even stronger assurance of the professionalism of the people certified under the QP system. Our Hong Kong employers could rest assured that our new members will not only be technically competent, but would be more well-rounded and strong in "soft skills" required by the business world of today. Viewing this on the macro scale, these would help our members to be more competitive, contributing even more to the prosperity of the Hong Kong economy.

On the global level, employers with international operations see the agreements very positive for staff mobility across jurisdictions, with a mark of the very high quality and standards they have come to expect of chartered accountants.

Q3. What've been the Institute's efforts after it launched the QP in early 1999 to achieve such rapid international recognition within just a few years?

- ◆ The work to seek international recognition started much earlier than 1999. In fact, this is attributable to visionary strategic planning, that started in the early 90s and, the culmination of an enormous amount of efforts put in by our many dedicated members and staff over a number of years.
- ◆ Right from the beginning when work first started, seeking international recognition has always been one of the two key objectives for the Institute. The other of course is to ensure that we are producing accountants that meet our Hong Kong business needs.
- ◆ When designing our new framework, the Institute ensured that we introduced the most up-to-date methods and materials already recognized by leading professional bodies. We consulted extensively – four rounds in fact and received as much help from at least three of the six bodies here. Therefore we were confident that the QP-style of learning and training is reflective of international best practices, and on a par with the training of our counterparts with us today.
- ◆ With such a solid foundation, it is therefore not surprising that the Institute is able to so rapidly achieve international recognition within just a few years after the launch of the QP in early 1999.

Q4. Would the Institute be liaising with other accountancy bodies such as the AICPA, the Canadian CAs and even our motherland, CICPA, for reciprocity?

Yes, on the Institute's next agenda for recognition are the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants. Liaison with the Canadian Institute has already started and work on seeking AICPA's reciprocity will begin in 2003.

For Mainland China, as Premier Zhu indicated, there is a huge demand for qualified accountants. The Institute liaises very closely with CICPA and hopes that we can announce more concrete plan in the near future on how we at HKICPA

may contribute to this process.

As indicated in our Fourth Long Range Plan, the Institute recognizes that for the foreseeable future, many of our QP students may move to work in the PRC and we will certainly explore the need to offer QP there.

Q5. Do you think that achieving recognition would help the Institute in its direct competition for prospective members with other overseas accountancy bodies in Hong Kong?

The answer to this question is definitely positive. As the statutory body for professional accountants, we would naturally want to have all prospective accountants undergoing the QP's premiere certification system. We believe that the international vote of confidence through these six RMAs would attract more and more prospective members who are looking to differentiate themselves in Hong Kong, coupled with an enhanced mobility for working overseas as a chartered accountant.

Q6. Can you briefly explain your Authorized Employer / Supervisor scheme in relation to the RMAs requirements and its impacts on your prospective members and their employers?

- ◆ In the process for seeking international recognition from the six chartered accountancy bodies, the independent review team from the Institute of Chartered Accountants of Scotland was satisfied with our Qualification Programme (QP) and the systems that support it, subject to some refinement to the training environment for our QP graduates.
- ◆ At that time, we were already reviewing our practical experience framework. Consequently, it was not too difficult to incorporate an Authorized Employer (AE)/Authorized Supervisor (AS) scheme for trainees, a variation of the CA training contract, to strengthen our case for international recognition. It is considered as a necessary and integral part of membership admission common to the Chartered Accountancy Institutes.
- ◆ The new framework more clearly defines the knowledge and skills, in competency-based standards, that prospective members need to possess to satisfy the Institute's admission requirements for membership.
- ◆ The Institute accredits ASs and AEs to establish a more structured system to train and supervise prospective members according to the prescribed competencies.

- ◆ Through this arrangement, prospective accountants will receive more effective guidance in training and will be in a better position to know where they stand and in which areas they need more coaching.
- ◆ Only members of the Institute who have completed the QP and trained under an AE or AS will be considered for membership by any one of the six Chartered Accountancy Institutes.
- ◆ The new AE / AS Scheme was introduced as part of the new practical experience requirements for membership admission on a voluntary basis on 1 September 2002. This will become mandatory as from 1 January 2005.

Q7. Would such a compulsory professional experience-training requirement pose additional financial and manpower resources burden on the employers of prospective accountants?

- ◆ Financial burden – NO. The new scheme only requires employers and supervisors to submit an application form. Applications are vetted by the Institute against prescribed criteria laid down. Successful ASs and the liaison officers nominated and supervisors assigned by successful AEs are then required to attend a half-day training course, which will focus on detailed guidance on the roles and responsibilities of an AS/AE. No fee is required, all administrative costs and training provided are absorbed by the Institute.
- ◆ Manpower burden – NO or minimal.
 1. The existing guidelines for membership admission advise students to obtain practical training under the close supervision of a qualified accountant. For those working in public practices, they are expected to work with a certified public accountant or a firm of certified public accountants. Supervisors are required to sign off the Training Record Books of prospective members.
 2. Under the new AE/AS Scheme, a more structured system of supervision of practical experience and guidance is introduced by formalizing the roles of employers and supervisors. Particular recognition is being given to the vital role of supervision by increased support to employers and supervisors by the Institute. This important feature is to bring even closer the key tripartite relationship between prospective members, their employers and the Institute. The only foreseeable additional work to employers would be the documentation of their existing process, which most good employers already have.

Q8. How would you rank the HKICPA's international standing now that you have achieved reciprocity arrangements with 8 overseas accountancy institutes?

- ◆ Such recognition does not only bring prestige to the Institute but also place Hong Kong firmly on the top tier in the international accountancy community. It is also an historical event as they are the first set of reciprocal membership agreements signed by our prestigious CA friends with professional bodies that are not chartered institutes.
- ◆ Internationally we can say that our QP is among one of the best systems in the world to qualify or certify accountants. This is recognition of high quality, like a Q-mark, of our qualification process and gives stronger assurance of professionalism to the employers of our graduates.

Q9. Can you briefly tell us more about the Aptitude Test which members of the six chartered institutes are required to take when seeking reciprocity with the Institute?

- ◆ The purpose of the Aptitude Test is to ensure that those applying for reciprocal membership will be conversant in the local law and practice.
- ◆ With effect from 1 July 2003, members of the six institutes and another six bodies seeking membership with the Hong Kong Institute of Accountants (HKICPA) are required to pass an Aptitude test. These institutes are:-
 - American Institute of Certified Public Accountants
 - Association of International Accountants
 - Canadian Institute of Chartered Accountants
 - Chartered Institute of Management Accountants
 - Chartered Institute of Public Finance and Accountancy
 - Institute of Chartered Accountants in Australia
 - Institute of Chartered Accountants in England and Wales
 - Institute of Chartered Accountants in Ireland
 - Institute of Chartered Accountants in New Zealand
 - Institute of Chartered Accountants in Scotland
 - Institute of Chartered Accountants in Zimbabwe
 - South African Institute of Chartered Accountants)
- ◆ Membership admission applications from members of the aforementioned bodies received on or before 30 June 2003 will be exempted from taking the Aptitude Test.
- ◆ The HKICPA Aptitude Test can be met by passing the Hong Kong Law and Hong Kong Taxation components through a number of options.

Q10. The Institute has signed mutual recognition agreements and reciprocal membership agreements with different professional accountancy bodies. Please advise what are their differences and the impact on the admission requirements of those members under these agreements?

- ◆ The Institute has signed mutual recognition agreements with CPA Australia and Association of Chartered Certified Accountants in May 2000, which are valid till 1 June 2005. Under the agreements, HKICPA members who have completed the QP will not be required to take the examinations of these two institutes but will need to satisfy the respective bodies' practical experience and other requirements. The same principle applies to the Institute when admitting members from these two institutes. In another words, it is a mutual recognition of the respective professional examinations.
- ◆ Regarding the reciprocal membership agreements signed with the six chartered institutes, members of the Institute who have completed the QP and trained under an AE or AS may apply for membership with these six bodies. Similarly, only CA members who have completed the education, training (i.e. practical experience) and examination programme of their respective bodies would be considered for membership to the Institute, subject to passing an aptitude test on local law and practice for prospective applicants. That is, this is full membership reciprocity.

Q11. What is the impact on those institutes not signing either a mutual recognition agreement or a reciprocal membership agreement with the Institute after the change?

- ◆ We will be reviewing their current status vis-à-vis our QP process. In this connection, if the Council does not recognize an accountancy body, members of that body may apply for International Affiliate status, a new class of membership, which we will be introducing shortly for member bodies of IFAC.