

MUTUAL RECOGNITION AGREEMENT

Recommended by

The Hong Kong Institute of Certified Public Accountants

and

The NASBA/AICPA International Qualifications Appraisal Board

Representing

**The National Association of State
Boards of Accountancy**

NASBA

and

**The American Institute of
Certified Public Accountants**

AICPA

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Introduction

1. **The National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA)** have jointly established the **NASBA/AICPA International Qualifications Appraisal Board (IQAB)** to eliminate impediments to reciprocity by serving as the link between the accounting profession in the United States and the accounting profession in other jurisdictions, such as Hong Kong, that are seeking mutual recognition of accounting qualifications for the purpose of granting the Certified Public Accountant designation (**CPA Designation**).
2. **The Hong Kong Institute of Certified Public Accountants (HKICPA)** and the IQAB, as Parties to this document, have achieved a consensus on principles for reciprocity to be recommended to the individual United States (U.S.) State Boards of Accountancy or their equivalents in each jurisdiction (**State Boards of Accountancy**) that grant the CPA Designation. To promote reciprocity this agreement has been approved by the Council of the HKICPA and the Boards of Directors of the NASBA and the AICPA.
3. The HKICPA is empowered under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) to issue the CPA Designation to qualified applicants and the Practising Certificate (see clause 18). The United States has 55 jurisdictions, and their State Boards of Accountancy are legislatively empowered to grant the CPA Designation and license to practice accountancy, subject to the laws and regulations in each jurisdiction. To promote reciprocity, the HKICPA and the IQAB recommend the adoption of the following principles for the mutual recognition of their respective accounting qualifications for the purpose of granting the CPA Designation.

Basis of Recognition

4. The IQAB has reviewed the education requirements, the examination requirements, the experience requirements, the required body of knowledge and the required standards of professional practice with respect to the granting of the CPA Designation in Hong Kong.
5. The HKICPA has reviewed the education requirements, the examination requirements, the experience requirements, the required body of knowledge and the required standards of professional practice with respect to the granting of the CPA Designation in the United States.
6. As a result of these reviews, the Parties are satisfied that the qualification standards for the CPA Designation in Hong Kong and in the United States are substantially equivalent.
7. The following clauses set forth the principles for reciprocity in respect of each of the three areas of education, examination and experience for the purpose of applying for the grant of CPA Designation in Hong Kong and in the United States.

Education

8. Applicants from Hong Kong having a three-year degree baccalaureate or higher degree obtained at a university accredited or recognized by the HKICPA and having acquired the CPA Designation from the HKICPA through completing the HKICPA's Qualification Programme that took effect in 1999 (**Qualification Programme**) shall be considered as having satisfied the education requirements of the Uniform Accountancy Act of the United States (**Uniform Accountancy Act**).

Those Applicants from Hong Kong who did not complete the Qualification Programme but who (a) were registered as a HKICPA member on or before 31 December 2001, and (b) hold a three-year baccalaureate or higher degree obtained at a university accredited or recognized by the HKICPA and (c) possess at least four years of post-baccalaureate accounting experience, shall also be considered as having satisfied the education requirements of the Uniform Accountancy Act.

9. The following provisions shall apply to applicants from the United States:
- (1) Those applicants who acquired the CPA Designation from a U.S. Jurisdiction through satisfying its education requirements by holding (a) a baccalaureate degree or (b) a baccalaureate and a higher degree, acquired through a course, or courses, of study comprising in aggregate not less than 150 semester hours (within the meaning used in section 5(c)(2) of the Uniform Accountancy Act) (**Semester Hours**)
 - (i) which 150 Semester Hours were substantially undertaken in the United States; and
 - (ii) which baccalaureate degree is, or (in the case of those applicants holding both a baccalaureate and a higher degree) both of which degrees are, recognized by the applicable State Board of Accountancy (**Recognized U.S. Degree**)shall be considered as having satisfied the education requirements of the HKICPA.
 - (2) Those applicants who acquired the CPA Designation from a U.S. Jurisdiction which as at the date of this agreement has not yet introduced the 150 Semester Hours requirement and who hold a Recognized U.S. Degree must also meet the 150 Semester Hours requirement through a course, or courses, of study substantially undertaken in the United States, which is required to be assessed by the HKICPA in its discretion on a case-by-case basis so as to be considered as having satisfied the education requirements of the HKICPA. If at the date of this agreement a U.S. Jurisdiction has not yet introduced the 150 Semester Hours requirement but subsequently introduces the requirement at any time before an applicant acquires the CPA Designation from that U.S. Jurisdiction, then the principles set out in clause 9(1) shall apply to such an applicant.
 - (3) Notwithstanding clauses 9(1) and (2), those applicants who acquired the CPA Designation prior to the date of this agreement from a U.S. Jurisdiction without having met the 150 Semester Hours requirement but who hold a Recognized U.S. Degree acquired through a course, or courses, of study substantially undertaken in the

United States shall be considered as having satisfied the education requirements of the HKICPA.

Examinations

10. The Parties agree that, subject to the other provisions of this agreement, applicants:
 - (1) from Hong Kong who (a) have successfully completed the Qualification Programme; or (b) have registered as a HKICPA member on or before 31 December 2001, and hold a three-year baccalaureate or higher degree obtained at a university accredited or recognized by the HKICPA and possess at least four years of post-baccalaureate accounting experience; and
 - (2) from the United States who have successfully completed the Uniform CPA Examination as administered on behalf of a U.S. Jurisdiction by the NASBA and who have met the education and experience requirements under this agreement for applicants from the United States

shall not be required to complete the other jurisdiction's examination in order to achieve the CPA Designation of the jurisdiction into which entry is being sought.

11. All applicants for reciprocity may be required to pass examinations designed to assure that the applicants have satisfactory knowledge of relevant local and national legislation, standards and practices in the jurisdiction being entered. For the time being, the examination for applicants from the United States is the HKICPA Aptitude Test on Hong Kong Law and Hong Kong Taxation; and the examination for applicants from Hong Kong is the U. S. International Qualification Examination.
12. The Parties recognize that an individual U.S. Jurisdiction may require successful completion of an additional examination on the statutes, regulations, and ethical rules of that jurisdiction.

The Parties recognize that the HKICPA may require successful completion of an additional examination on the statutes, regulations, and ethical rules of Hong Kong.

13. The IQAB or such other body as the IQAB may designate from time to time, may periodically review the Qualification Programme including the body of knowledge to be tested, the policies and procedures for its construction, administration, security and oversight to provide assurance to State Boards of Accountancy that the Qualification Programme can be relied upon as an appropriate test of the qualifications of CPA candidates.

The HKICPA, or such other body as the HKICPA may designate from time to time, may complete similar reviews of the Uniform CPA Examination including the body of knowledge to be tested, the policies and procedures for its construction, administration, security and oversight to provide a similar assurance to the Council of the HKICPA that the

Uniform CPA Examination can be relied upon as an appropriate test of the qualifications of CPA candidates.

Experience

14. Applicants having acquired the CPA Designation from a U.S. Jurisdiction shall have gained at least three years of relevant accounting experience recognized by the HKICPA to meet the experience requirement in order to be eligible to receive the CPA Designation from the HKICPA.

Similarly, applicants having acquired the CPA Designation from the HKICPA shall have gained at least three years of relevant accounting experience recognized by the relevant U.S. Jurisdiction to meet the experience requirement in order to be eligible to receive the CPA Designation in the United States.

15. (a) Ordinarily, the amount and nature of accounting experience required by the jurisdiction granting the original CPA Designation must be equivalent to the experience requirement of the jurisdiction granting the reciprocal CPA Designation and must have been obtained under the supervision or direction of a CPA licensed in the original jurisdiction; and (b) if either the amount or nature of the accounting experience obtained by an applicant pursuant to the requirements of the jurisdiction of original CPA Designation does not meet the requirements of the jurisdiction granting the reciprocal CPA Designation, the applicant may be permitted to complete the prescribed experience in the jurisdiction into which entry is sought before becoming eligible to receive the applicable CPA Designation.

Performance of Statutory Audits, Attest Services, Compilations or Reports on Financial Statements in the United States

16. In the United States, individuals who hold a CPA license granted by a State Board of Accountancy and designated as CPA are entitled to perform statutory audits, provided they meet the competency requirements of the applicable professional standards, including requisite additional experience/training for supervising or signing reports on financial statements or other attest work.
17. Any U.S. CPA who (a) is responsible for supervising attest or compilation services or (b) signs or authorizes someone to sign the accountant's report on the financial statements on behalf of the accounting firm, shall meet the competency requirements set out in the U.S. professional standards for such services.

Performance of Statutory Audits, Attest Services, Compilations or Reports on Financial Statements in Hong Kong

18. Individuals designated as a CPA in Hong Kong are required to hold a Practising Certificate (PC) granted by the HKICPA in order to perform statutory audits, provided they meet the competency requirements of the applicable professional standards, including requisite additional experience/training for supervising or signing reports on financial statements or

other attest work. For the purposes of this clause, the Parties agree that the applicable standards for statutory audits in Hong Kong and the granting of a PC shall include, without limitation, the requirements under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and its By-laws in force at the time of application.

19. Any Hong Kong CPA who (a) is responsible for supervising attest or compilation services or (b) signs or authorizes someone to sign the accountant's report on the financial statements on behalf of the accounting firm, shall meet the competency requirements set out in the Hong Kong professional standards for such services.

Continuing Professional Development

20. Each of the HKICPA and the State Boards of Accountancy recognizes the Continuing Professional Development (CPD) requirements for maintaining the CPA Designation of the other body. If an individual holds dual CPA Designations, and satisfies the CPD requirements and obligations of one CPA Designation, the other body will recognize this as substantially equivalent to meeting its own requirements.

Reciprocal Eligibility

21. Each Party will assess individual applications for recognition from the other body. In assessing such applications, each body will seek verification from the qualifying body that the applicant is in good standing with the other body. Each body agrees to provide such verification on a timely basis when requested. Each body reserves the right to require individuals applying to the other body under the terms of this agreement to maintain their CPA Designation with the original qualifying body. Each body shall facilitate the process of obtaining audit rights for those individuals covered by this agreement.

Exclusion of Third Party Recognition

22. This agreement does not apply to individuals who have gained recognition by either body through another agreement with a third party. This clause does not apply to the HKICPA members registered on or before 31 December 2001.

Reserved Discretion

23. This agreement, however, does not remove the right of either body to grant the CPA Designation to applicants from the other body who may not necessarily meet the criteria set out in this agreement.

Notice of Changes

24. The Parties agree to provide each other with information on changes to their education requirements, examination requirements, experience requirements, the required body of knowledge and the required standards of professional practice with respect to the granting of their respective CPA Designation.

Termination

25. Either Party may, with a one-hundred-eighty-day (180) notice, withdraw their consent to this agreement for just cause.

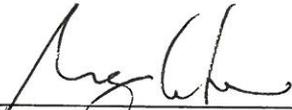
Expiration

26. This agreement shall be in force for a period of five years from the date of signing of this agreement by both Parties and may be renewed or extended for additional five-year or shorter periods through mutual agreement of the Parties.

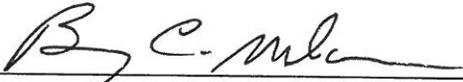
Status of Agreement

27. This agreement sets out the Parties' consensus on principles for reciprocity for adoption by the HKICPA and the IQAB for mutual recognition of accounting qualifications for the purpose of granting the CPA Designation in their respective jurisdictions and is not intended to be, and shall not be, enforceable or justiciable in any courts, tribunals or organization of any jurisdiction whatsoever. In the event of any disagreement in relation to this agreement, the Parties agree to negotiate in good faith with a view to resolving the disagreement.

In Witness Whereof



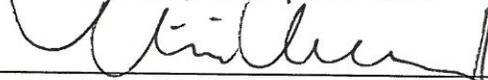
Gregory J. Anton, CPA
AICPA, Chairman



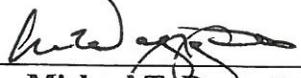
Barry C. Melancon, CPA
AICPA, President & CEO



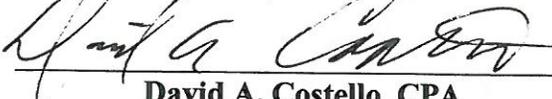
Tsai Wing Chung, Philip, CPA
HKICPA, President



Winnie C.W. Cheung, CPA
HKICPA, Chief Executive



Michael T. Daggett, CPA
NASBA, Chairman



David A. Costello, CPA
NASBA, President & CEO



William Treacy
U.S. IQAB, Chairman

Dated this 24 day of October, 2011.