

# Opinions on Increasing Accountancy Profession's Abilities of Serving Development of Financial Industry

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As one of the major professional service sectors, the accountancy profession plays an important role in the healthy development of China's financial system. A significant task of the Chinese accountancy profession, in relation to its strategy of promoting more competitive and bigger accounting firms, is to accelerate its abilities of serving the development of the financial industry. The following opinions have been formulated in the effort to implement the instructions of President Xi Jinping and in accordance with the Ministry of Finance's *Opinions on Accelerating the Development of the Chinese Accountancy Profession* (General Office of the State Council No. 56 (2009) , *Planning on the Development of China's Accountancy Profession (2011-2015)* and *Opinions on Promoting More competitive and bigger Accounting Firms* (the Chinese Institute of Certified Public Accountants (hereinafter referred to as CICPA)).

## I. Attaching Great Importance to Improve the Ability of Serving the Financial Industry

The financial industry is the lifeline to a nation's economy. Therefore, promoting the development of the financial industry is a strategic focus of China's economic development, industrial restructuring and transformation. Serving the financial industry is a high-level task for the CPAs. Effectively increasing the accountancy profession's capabilities of serving financial industry will mean safety and security of China's financial information. The task will have a bearing on the risk management of the financial industry and investor protection. It will reinforce the internationalization strategy of large financial institutions, raise the competitiveness of the Chinese accountancy profession as a strong player in the global accountancy profession.

To provide the necessary support to the financial industry, the Chinese accountancy profession should closely follow the direction and guidance, analyze the multi-layered, high-standards requirement and uncover gaps between CPA capabilities and financial industry's demand. The accountancy profession should respond to findings with timely and effective measures, which will boost the quality and skills of both industries. By upgrading its core competencies and expanding skills to support the financial industry, the Chinese accountancy profession creates a breakthrough in the pursuit of promoting more competitive and bigger accounting firms. By adding specialized services such as financial auditing and financial industry consulting to its offerings, the Chinese accountancy profession creates a breakthrough with high-end service and specialized expertise. By meeting the needs of the financial industry in their internationalization plans, the Chinese accountancy profession creates a breakthrough in its own internationalization objectives. By diligently building highly skilled teams to support top levels of the financial industry, the Chinese accountancy profession creates a breakthrough in talent development.

**The main objectives are:** Within 3 years, accounting firms will have the capabilities to meet the

full range of service requirements of small and medium-sized financial institutions. Within 5 years, the accountancy profession will have the capabilities to serve the state-owned, share-holding commercial banks, policy banks, insurance groups and public companies, and other large-scale financial institutions. Within 10 years, the accountancy profession will have the resources and capabilities to fully meet the range of service requirements of large and global financial institutions, state-owned and state-controlled commercial banks, policy banks, and national insurance companies and provide services that meet global demands and standards. Achieving these milestones will enable accounting firms to foster the formation of highly skilled teams as they assist the ambitious growth of the financial industry in China.

## **II. Accelerating the Training of Specialized Teams**

### **1. Focusing on Medium and Long-Term Training Plans**

CICPA will implement medium and long-term training and closely follow up with the leading talents of financial services. CICPA will comprehensively organize and coordinate the training and human resources of local institutes of CPAs, the National Accounting Institutes, and related accounting firms, and actively promote the building of specialized teams for the financial industry. In 10 years, these teams will comprise of over 10,000 specialized talents.

### **2. Establishing a System to Build Specialized Teams**

Financial talents need to be high-caliber and knowledgeable of precise industry requirements. Training such talents requires a multi-tiered training system. Such talents include financial service partners, risk and assurance professionals, project managers, and general auditors. The CICPA will focus on the formation of specialized financial audit teams by selecting and training leading talents of the financial services and at the same time, training young and promising future professional talents. The CICPA will design training to increase financial knowledge and incorporate financial literacy and practice into continuing professional education curriculum. CICPA will strengthen research and training on financial topics, stressing the characteristics of financial services. CICPA will work with financial institutions and related entities to organize internships and work opportunities to provide practical training and exposure to large financial institutions or overseas branches of these organizations. CICPA will encourage large accounting firms to introduce on-going training which specifically focuses on supporting the financial industry. By doing so, these large accounting firms will have its own specialized teams to serve the financial industry. Accounting firms would be wise to actively engage leading financial professionals as trainers to leading financial auditors and to mentor the young, promising financial auditors. The focus and efforts of cross-industry training will accelerate the formation of specialized financial talents, nurture a culture of continuous learning of the financial industry and gradually build up leaders for the industry within the accounting firms.

### **3. Establishing Operational Teams**

Qualified accounting firms should aim at setting up practical and operational teams of specialized financial talents. This requires the integration of specialized financial industry resources to introduce the training and topics of information system auditing, risk management and internal control, new capital agreements, funds trading, asset evaluations, asset management, insurance and actuarial science.

### **4. Developing Reserves of Financial Talents**

The CICPA and local institutes of CPAs should maintain regular communication with accounting firms, colleges and universities of finance and economics, including those offering the CPA major. By coordinating and promoting collaborations, the organizations will train and reserve the next generation of financial industry talents by means of targeted training, contractual training, track training, joint training and internships.

## **III. Accelerating the Development of Service Networks with Specific Financial Capabilities**

### **1. Strengthening the Management of Domestic Professional Networks**

Accounting firms should focus on achieving integrated management of personnel, finance, businesses, technical standards, and information at headquarters and branches. They should fully integrate their branches' financial resources of customers, talents and specialized teams of talents, and technological platforms, improve their capabilities of financial resource integration and undertake financial service projects in the domestic market.

### **2. Accelerating the Development of International Professional Networks**

Qualified accounting firms should pay attention to financial customers with international operations by developing and deploying overseas branches in targeted, key regions. Referring to the practice of large financial institutions of establishing "level one institutions" overseas, accounting firms can focus on developing international branches capable of undertaking and promoting financial services in major countries and regions as well as increasing the coverage of service networks of global financial institutions.

### **3. Assessing Financial Services Capabilities of International Branches**

Accounting firms should pay close attention to assessing the capabilities and qualifications of international branches in serving local financial institutions. To meet the requirements of the branches of large financial institutions for financial auditing, regulatory auditing and consulting services, accounting firms should develop, nurture, and prepare their own local and international

branches with the capabilities of undertaking overseas financial services.

#### **4. Integrating Financial Resources of International Networks**

Accounting firms should actively promote the construction of their own international networks, focus on and coordinate key financial services, and integrate financial service personnel and business, technical support platforms, and other related resources within the international networks. Accounting firms must form a consistent practice of sharing their global vision, expertise, professional capacities, and practical experience for expanding financial services undertakings as well as improving their capabilities of offering cross-border financial services.

#### **5. Improving the Synergy of International Networks**

Accounting firms should earnestly study the models of cooperation in cross-border financial services, conduct exchange training and internship programs with members of international networks and engage in cooperation with them, and promote mutual recognition of concepts and convergence of standards. In particular, they should actively promote synergic operations in general international business and strengthen coordination and seamless integration of cross-border services experience.

#### **6. Strengthening Support, Guidance and Services to Accounting Firms Conducting Cross-Border Financial Services**

The CICPA should closely communicate and cooperate with the professional accounting organizations in countries and regions where Chinese accounting firms' international branches are located. The CICPA should also communicate and cooperate with the economic and commercial counselor's offices of Chinese embassies in those countries to build good relationships and seek supportive services, such as information, consulting, market research, and introduction to local accounting firms, which will provide Chinese accounting firms additional support as they develop their international branches. The CICPA should establish mechanisms of communication with Chinese financial institutions with overseas operations to introduce and recommend themselves to these institutions.

### **IV. Accelerating the Development of Professional Capabilities for Financial Services**

#### **1. Map out Technical Guidelines for Financial Services**

The CICPA should organize the formulation of technical guidelines for financial auditing in accordance with the professional and technical characteristics of subjects, the key areas targeted by financial supervisory or regulatory departments, and main financial services accounting firms intend to undertake. By drawing on relevant technical standards and regulations of financially

developed countries, the CICPA can engage financial experts in drafting the technical guidelines.

## **2. Establishing a Supportive Team of Experts for Financial Services**

The CICPA should set up a supportive team of experts from the financial industry to provide technical guidance and consulting services to accounting firms as they undertake financial services and when they conduct research on professional and technical standards in the high-end financial areas of risk management and internal control, new capital agreements, asset assessments, and funds trading.

## **3. Strengthening Auditing and Other Assurance Services for Financial Institutions**

Accounting firms should strengthen professional capabilities of providing assurance services to financial institutions, including financial report and internal control auditing, multi-point listing auditing and group auditing, mid-term financial report review and information system auditing, and assurance of corporate social responsibility reports.

## **4. Strengthening Professional Capabilities of Consulting Services**

Accounting firms should also strengthen their capabilities of providing consulting services to the financial industry. In the key areas of focus of large global financial institutions, accounting firms should continuously improve their capabilities of providing services in the following financial areas: risk management, new capital agreements, asset evaluations, innovation of financial products and services, funds trading, proposal for internal control improvement, technical support for computing capital sufficiency ratios of new capital agreements, information and experience support in compiling the corporate social responsibility reports, investor relations management, and implementation of agreed-upon procedures. Accounting firms should maintain their professional competence and service capabilities.

## **V. Accelerating Branding of Accounting Firms with Financial Industry Services**

### **1. Improving Credibility and Quality Control Levels**

Accounting firms should maintain an excellent professional reputation, credibility, quality control, and a sound internal control system. They should also maintain confidentiality with customers' commercial and specialized information and safeguard state financial information security. They also need to prevent conflicts of interests with competitors and establish and refine the internal quality control mechanisms and the firewall protection mechanisms for risk management.

### **2. Participating in Rankings by International Rating Agencies**

Accounting firms should pay great attention to branding by formulating and implementing branding strategies and participating in rankings by prestigious international rating agencies. This is a way for accounting firms to steadily improve competitiveness and visibility in the world's major economic entities and capital markets.

### **3. Compiling and Distributing Financial Research Reports**

Accounting firms should offer input in preparing and distributing financial research reports on popular and focal issues of the financial industry. Becoming a public voice and thought leadership can highlight their specialties and enhance their financial service reputation and influence among financial institutions.

### **4. Improving Brand Image in Bidding for Financial Services**

To successfully win a bid for business, accounting firms need to pay attention to their image and how the clients perceive them. A professional image is necessary with attention to details from the first steps of planning, preparation of bidding documents, presentations, to price quote and billing. Accounting firms must have the capabilities of preparing financial service proposals, including general project proposals, auditing proposals for branches, and auditing proposals for financial services, proposals for transitions, and project quality control and communication mechanism proposals. Accounting firms should ensure that bidding documents conform to standards and are targeted and feasible. They should improve the professional qualifications and skills and responsiveness of bid presentation teams, and ensure the price quote and billing is scientific, rational, and compliant.

### **5. Strengthening Cooperation with Financial Supervisory or Regulatory Departments and Financial Institutions**

The CICPA should strengthen communication and cooperation with financial supervisory or regulatory departments and financial institutions to coordinate with these departments in regulating the auditing market for small and medium-sized financial institutions, to support and recommend qualified accounting firms for participation in research on financial policies and formulation of financial rules and regulations, to involve accounting firms in participating in various training sessions, seminars, and forums held by financial supervisory or regulatory departments and financial institutions, to conduct the branding activities, and to increase mutual understanding and trust.

### **6. Increasing Ways to Promote Accounting Firms Serving the Financial Industry**

The CICPA should support accounting firms in serving the financial industry and enhancing branding by publicizing their contributions to the development of the financial industry. Accounting firms should also raise their brand awareness and conduct extensive promotions on

financial industry concepts, service product innovation and brand recognition.

## **VI. Accelerating the Construction of the “Four Platforms” for Serving Financial Industry**

### **1. Database/Information Platform**

The CICPA should, through acquisition and procurement, establish and update the economic database and law database related to the financial industry in order to provide specialized information services to accounting firms undertaking financial operations.

### **2. Communication and Exchange Platform**

The CICPA should establish communication mechanisms with financial supervisory and regulatory departments, periodically publish information and references, such as financial industry rankings, domestic and international networks of accounting firms, and globalization of the financial industry. The CICPA should organize financial forums, seminars, lectures, and research on specialized topics and facilitate exchanges and sharing in research results and service experiences.

### **3. Informatization Platform**

Accounting firms should increase investment in information system and audit software for financial institutions, informatize the financial services and its management methods, strengthen the information infrastructure and improve the functions of application software for financial services.

### **4. Research Support Platform**

The related accounting firms should establish their research centers and technical support centers for financial industry, and input more resources, funds, and technologies into the research activities, providing strong back-office support when undertaking financial operations.

## **VII. Accelerating the Development of Larger Accounting Firms Specialized in Financial Industry**

### **1. Increasing the Consolidation of Markets for Small and Medium-Sized Financial Institutions**

To achieve the goal of developing a number of large accounting firms with distinct advantages, the CICPA shall focus on solidifying and expanding the service for small and medium-sized banks,

city and rural commercial banks, credit cooperatives, and small and medium-sized non-financial institutions, and support and guide small and medium-sized financial institutions to increase the consolidation of their markets.

## **2. Expanding New Areas of Financial Services**

The CICPA should keep expanding financial service offerings, accumulating human resources and practical experiences and establishing a number of large accounting firms with distinct advantages to serve the financial industry. The CICPA should expand consulting services, including strategic planning on financial development and financial system reform at major national financial centers or zones, regional financial reform, financial service and product innovation, and innovation of financial development models. The CICPA should expand consulting services for privately owned financial institutions, including facilitating their development and expansion, service and product innovation, security of the financial chain, and credit risk control. The CICPA should expand their business to include services for non-banking financial institutions, including those for securities, futures, funds, bonds, investments, trust, guaranty, leasing, bill, wealth management, pawning, auctions, private placement, property rights trading, carbon emissions trading, and financial intermediary services. In addition, it should be involved in international financial operations.

## **3. Developing a Group of Leading Accounting Firms**

The CICPA should help develop a group of six to eight leading accounting firms capable of undertaking consulting and annual report auditing services for large financial institutions, including state-owned and state-controlled commercial banks, policy banks, and national insurance companies. By doing so, it will visibly improve the capabilities of the accountancy profession in supporting the financial industry and providing the financial industry a range of competent choices to meet their needs.

## **4. Exploring the Possibility of Establishing a Financial Service Development Fund**

The CICPA should explore the possibility of establishing a financial services development fund dedicated to the purpose of improving the capabilities of the accountancy profession for supporting the financial industry. The fund should be specially used for training specialized financial talents and related initiatives.

## **VIII. Achieving a Win-Win Situation for the Enhancement of High-end Services of the Accountancy Profession and the Growth of the Financial Industry**

The CICPA should proactively increase the accountancy profession's knowledge and capabilities related to the financial industry. By providing continuous industry news and deepening research,



and properly implementing of strategy and policy measures related to better serving the financial industry, the CICPA could speedily form a synergistic training and talent development framework. Accounting firms with plans to expand financial industry services will need to keep in mind the following: serving the financial industry's strategy for growth should be the core of service development; the focus should be on personnel training to support the financial industry's growth and in order to cover the needs of financial industry's domestic and international service networks.

With much hard work and perseverance, breakthroughs can be made in the following ways: further increase in the quantity and quality of professionals and high-end talents serving the financial industry; further enhancement in the capacities of domestic and international service networks deployment, internal governance, risk control, and international coordination; further improvement in the capacities and practice to undertake auditing, assurance and high-end value-added business for financial institutions; further advancement in the branding and recognition of accounting firms' capacities in serving the financial industry, so as to fulfill the combination of steady expansion and transformation, and achieve sound interaction between the strategy of promoting more competitive and bigger accounting firms and the development of the financial industry.

(CICPA organized translation of the Opinions into English. The Chinese text is the official version and this English text is for reference only.)