

Financial Reporting Act (The Hongkong and Shanghai Banking Corporation Limited) Exemption Notice 2014

Pursuant to section 35A of the Financial Reporting Act 1993, the Financial Markets Authority gives the following notice (to which is appended a statement of reasons of the Financial Markets Authority).

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Notice

- Title**
This notice is the Financial Reporting Act (The Hongkong and Shanghai Banking Corporation Limited) Exemption Notice 2014.
- Commencement**
This notice comes into force on 2 May 2014.
- Revocation**
This notice is revoked on the close of 31 July 2015.
- Application**
An exemption granted by this notice applies to the following accounting periods of HSBC:
 - an accounting period ending 31 December 2013; and
 - subsequent accounting periods.
- Interpretation**
 - (1) In this notice, unless the context otherwise requires,-
Act means the Financial Reporting Act 1993

applicable Hong Kong legislation means the Companies Ordinance (Hong Kong) (or legislation that, with or without modification, replaces or corresponds to that legislation)

approved auditor means an accountant who is qualified under the law of Hong Kong to give an opinion as to whether specified financial statements comply with HKFRS

Hong Kong Financial Reporting Standards ('HKFRS') is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, that comply with IFRS as adopted by Hong Kong

HSBC means The HongKong and Shanghai Banking Corporation Limited, a company incorporated in Hong Kong

IFRS means-

- (a) International Financial Reporting Standards and International Accounting Standards that have been issued or adopted by the International Accounting Standards Board in accordance with the constitution of the International Financial Reporting Standards Foundation; and
- (b) final interpretations by the International Financial Reporting Standards Interpretations Committee approved by the International Accounting Standards Board in accordance with that constitution

specified financial statements means the consolidated group financial statements that are required to be prepared in respect of HSBC and its group in accordance with the laws of Hong Kong (including the applicable Hong Kong legislation)

- (2) Any term or expression that is defined in the Act and used, but not defined, in this notice has the same meaning as in the Act.

6 Exemptions for directors of HSBC

- (1) Every director of HSBC is exempted from sections 10(1), 11, 13 to 16, and 18(1) of the Act in respect of HSBC.
- (2) However, the directors of HSBC are not exempt from sections 10(1), 11, 13 to 16, and 18(1) of the Act to the extent that those sections impose requirements relating to financial statements for a group's New Zealand business (see sections 8(2) and 9(2) of the Act).

7 Conditions

The exemptions in clause 6 are subject to the conditions that –

- (a) HSBC, in relation to its specified financial statements, complies with the laws of Hong Kong that relate to the preparation, content, audit and public filing of those

- statements (including the applicable Hong Kong legislation);
and
- (b) the specified financial statements of HSBC comply with HKFRS; and
 - (c) if, in complying with HKFRS, the specified financial statements do not give a true and fair view of the matters to which they relate, they are accompanied, when delivered to the Registrar for registration, by a statement in English containing information and explanations that will give a true and fair view of those matters; and
 - (d) the specified financial statements of HSBC are delivered to the Registrar for registration annually, and no later than the date on which the financial statements of HSBC would, but for the exemption in clause 6, be required to be delivered for registration;
 - (e) the specified financial statements of HSBC are, when delivered to the Registrar for registration, accompanied by a report by an approved auditor, issued either in the approved auditor's own name or in the name of an audit firm of which the approved auditor is a partner, member, or employee, that complies with the requirements specified in Cap 32 of the Companies Ordinance (Hong Kong); and
 - (f) specified financial statements of HSBC and auditor's reports that are delivered to the Registrar by HSBC are in English or accompanied by an English translation.

Dated at Wellington this 30th day of April 2014.



Simone Robbers
Head of Primary Regulatory Operations
Financial Markets Authority

Statement of reasons

This notice comes into force on 2 May 2014 and is revoked on 31 July 2015.

This notice exempts directors of The Hongkong and Shanghai Banking Corporation Limited (**HSBC**) from the following provisions of the Financial Reporting Act 1993 (the **Act**):

- section 10(1) (obligation to prepare financial statements):

- section 11 (content of financial statements):
- sections 13 to 16 (obligations in respect of group financial statements and audit):
- section 18(1) (registration of financial statements).

The exemptions are subject to conditions that require HSBC to provide consolidated financial statements that comply with the laws and financial reporting standards of Hong Kong. The principal differences in financial statements provided by HSBC are that:

- (a) the financial statements will be prepared in accordance with and comply with International Financial Reporting Standards as adopted and applied in Hong Kong rather than generally accepted accounting practice in New Zealand:
- (b) the financial statements will be audited by an accountant who is qualified under Hong Kong law to give an opinion as to whether the financial statements comply with Hong Kong International Financial Reporting Standards and the auditor's report will contain the information required by Hong Kong law instead of that required by the Financial Reporting Act 1993.

The Financial Markets Authority (**FMA**), after satisfying itself as to the matters set out in section 35A(2) of the Act, considers that it is appropriate to grant the exemptions because—

- there will not be any significant detriment to subscribers because the exemptions are available only to HSBC which, as a major international bank incorporated in Hong Kong, is regulated by, and subject to the oversight of the Hong Kong Monetary Authority, as its home regulator. FMA is satisfied that the financial reporting requirements and the nature and extent of regulatory oversight for issuers are equivalent to those that exist for New Zealand issuers. As such, investors in securities issued by HSBC will have access to broadly similar, and equivalent, financial reporting information to that which they would otherwise receive:
- the requirements of the notice provide for the preparation and auditing of the financial statements of HSBC on the same basis as HSBC has previously complied under a similar exemption that expired on 30 June 2013 and on the same basis as existing New Zealand investors in securities issued by HSBC have subscribed for or purchased those securities:
- the costs associated with a requirement that HSBC prepare NZ GAAP compliant financial statements and have those audited by a New Zealand licensed auditor or registered audit firm would, in FMA's view, outweigh the benefit to investors of having available NZ GAAP financial statements rather than financial statements prepared in accordance with Hong Kong International Financial Reporting Standards. Further, taking into account the size and complexity of HSBC's business and the fact that it is based

in Hong Kong, it is not practical to require HSBC to have its financial statements audited by a New Zealand auditor:

- the exemptions only address the particular difficulties experienced by HSBC as an issuer that is incorporated and based in Hong Kong. Given the limited application of the exemptions and that financial statements are still required to be registered in New Zealand, the exemptions are not broader than is reasonably necessary to address the matters to which they relate.
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