

Updating Your Study Manual

Instructions for Inserting Version 1.6

The followings serve as the instructions for updating **Topic 4: Licensing and Subsidiary Legislation** of Study Manual 1 for the Licensing Examination for Securities and Futures Intermediaries. Please be reminded that only the updated sections are provided for downloading. You may replace the relevant sections with this updated version for the study manual you possess.

Instructions:

1. Download and print out the following pages.
 2. **Remove** the original front page and **Insert** the updated front page.
 3. **Remove** pages 4-31 to 4-32 and **Insert** new pages 4-31 to 4-32.
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STUDY MANUAL FOR

PAPER 1

FUNDAMENTALS OF

SECURITIES AND FUTURES REGULATION

of

The Licensing Examination
for Securities and Futures Intermediaries

First published May 2003

Current Version 1.6 (September 2005)

Published by:

Hong Kong Securities Institute

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ISBN: 988-97139-1-8

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management questionnaire and various analyses of borrowings and client accounts.

Auditor's report

- 7.5 The Rules specify the contents of the auditors' report on the above financial statements which are more extensive than the usual 'true and fair' report normally found in company accounts. This is a reflection of the extension by the SFC of the normal duties of an auditor of a company, which are primarily to the shareholders, to provide better protection to investors and the market.
- 7.6 Broadly the auditor is asked to confirm:
- whether in his opinion:
 - the profit and loss account and the balance sheet gave 'a true and fair view'; and
 - each of the statements and supporting returns was correctly compiled from the records stating details of any discrepancies (for licensed corporations only);
 - whether in his opinion, in so far as applicable, during the year:
 - records had been kept in accordance with the relevant provisions of the *Securities and Futures (Keeping of Records) Rules* and the financial statements reflect these records; and
 - specified provisions of the *Securities and Futures (Client Money) Rules* and *(Client Securities) Rules* had been complied with, and control systems had been in place to ensure compliance with these Rules; and
 - whether in his opinion:
 - there would appear to have been any contravention of the *Securities and Futures (Financial Resources) Rules* during the year.(applicable to licensed corporations only.)
- 7.7 The auditors have been allowed to submit their reports in 2 parts one containing the 'normal' 'true and fair' report and another referring to all the other matters. The true and fair report is a short one and is enough for use for wide circularization when it may not be convenient to issue the full report.
- 7.8 If the auditor is unable to confirm compliance with the provisions of the [Client Securities Rules](#) and Client Money Rules or has noted

contraventions of the Financial Resources Rules, he is required to report to the SFC. This is in addition to any special reports he may be required to make under s.157, SFO (see paragraphs 7.20 and 7.21 of topic 3).

Revision question:

Question 13: An auditor does not want to make the fully detailed report specified in the Audit and Accounts Rules for general circulation. Can he do anything about it?
