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**Regulations: Legal  
Practitioners Ordinance,  
Practice Directions and Rules**

CIRCULAR 17-629 (PA)

7 August 2017

**LAW SOCIETY GUIDELINES  
CESSATION OF PRACTICE BY HONG KONG FIRMS**

Updated 7 August 2017

1. **The Updated Guidelines will come into effect on 7 August 2017.**
2. **Cessation of Practice means the ceasing of practice as such by a Hong Kong firm.**  
**"Cessation" occurs or may occur on:**
  - a. the retirement of a sole practitioner; or
  - b. the closure of a practice by a partnership; or
  - c. the retirement of a partner from a partnership; or
  - d. the amalgamation of 2 existing firms; or
  - e. where an existing firm is dissolved and the partners divide into two or more new firms.
3. **Notification to the Society**  

If your firm intends to cease practice you should notify the Society *at least 8 weeks prior to the date of Cessation* by completing the Notice of Cessation of Practice form ("the Cessation Notice"). The Society must be notified of the firm of solicitors which will act as your Agent (see paragraph 4 below).

[Click here for a copy of the Cessation Notice and Guidance Notes \(updated 1 March 2016\)](#)
4. **Appointment of a Firm of Solicitors as Agent (Revised March 2007)**

When the firm ceases to practise, a firm of solicitors practising with at least 2 partners must be appointed to be the firm's Agent to deal with all consequential matters pursuant to Law Society Practice Direction D7 **as amended in October 2006. Firms which have been**

appointed as Agent should carefully review the Guidelines prepared by the Law Society on the duties and responsibilities of such appointment.

Click the link below for:

[Law Society Practice Direction D7  
Guidelines on Appointment as an Agent](#)

**5. Notice to the Hong Kong Solicitors Indemnity Fund Limited ("HKSIF") and filing of Quarterly Return and Gross Fee Income Report (Revised August 2017)**

- a. Notice of Cessation of practice must be given to HKSIF's Manager, Essar Insurance Services Ltd, whose current address and current contact details are:-

**Essar Insurance Services Ltd. (FAO The Legal Officer)**  
**28/Floor, Tower One**  
**Times Square**  
**1 Matheson Street, Causeway Bay, Hong Kong**

**Telephone no: 2861 6666 Fax: 2506 1905**

- b. **Filing of final Quarterly Return and Gross Fee Income Report**

**ESSAR will confirm the deadline for filing of the firm's final Quarterly Return and Gross Fee Income Report following receipt of the Cessation Notice.**

Paragraph 2(1)(c)(ii) of Schedule 1 to the Solicitors (Professional Indemnity) Rules (Cap. 159M) ("PIS Rules") provides that any principal who fails to provide HKSIF with a Gross Fee Income Report and other information referred to in paragraph 2(1)(b)(iii) of the PIS Rules shall be liable to pay an amount equal to 200% of the rate of contribution for the preceding indemnity period until such principal has complied with such reporting requirements.

**6. Notice to Clients**

- a. You must give sufficient notice to your clients with a view to avoiding any prejudice to your clients' interests and affording your clients adequate opportunity to take such steps as they consider appropriate in the circumstances. What will be sufficient notice will depend upon the particular circumstances of your firm and of the Cessation and it may well be necessary to give notice well before the official notification to the Society (see paragraph 3 above), but in any event not later than the official notification date to the Society. For example there may be files due for completion at about the date of Cessation or you may have a large number of 'live' files to wind-up. Failure to give sufficient notice to clients could amount to an act of negligence and could also lead to disciplinary action.

[Click here for a sample letter to clients](#)

- b. If you are planning to cease practice, you should be open and frank with your clients when obtaining instructions where it appears likely that the matter will continue beyond

your planned date of Cessation. Extra care should be taken to ensure that you do not leave your client unrepresented.

## **7. Notice Generally**

- a. You must provide fellow practitioners, barristers and others (including relevant Government Bureaux and Departments) involved in transactions with your firm, adequate notice to enable the files to be handed over in good time, or to conclude matters with your firm, and to take such other steps as may be appropriate in the circumstances. The recommended period of notice should be at least 8 weeks prior to the date of Cessation.

[Click here for a suggested list of organisations to be notified](#)

- b. Notification should also be given to the Commissioner of Inland Revenue pursuant to the provisions of the Business Registration Ordinance Cap. 310.

## **8. Publication of Cessation**

### **a. Notice in the Law Society's Circulars**

The Society will advise the membership of the firm's intention to cease practice in the weekly circulars once the Cessation Notice has been filed.

### **b. Notice of Rescission**

If the firm changes its decision on Cessation, a Notice of Rescission together with the payment of the fee, as prescribed by Council, must be filed before the expiration of the date of Cessation. A Notice of the Rescission will be circulated to the membership in the weekly circulars.

[Click here for the Notice of Rescission](#)

## **9. Money in Clients' Accounts**

This section should be reviewed in conjunction with the guidance provided in paragraph 10 below.

The funds held in clients' accounts must be returned to the clients or dealt with as they direct. If a client cannot be traced it is suggested that you should advertise. At the date of Cessation all outstanding balances in the clients' accounts must be transferred to the firm appointed to act as the firm's Agent in accordance with the directions from Council (pursuant to the firm's application under Section 8(2) of the Solicitors' Accounts Rules Cap. 159F). The firm must notify the Society in writing within 7 days of the date of Cessation of the total aggregate amount in the firm's clients' accounts transferred to the Agent, such notification to be countersigned by the Agent by way of acknowledgement.

## **10. Delivery of Final Accountant's Report**

a. **Date of Delivery of Final Accountant's Report**

The Society will confirm the deadline for delivery of the Final Accountant's Report following receipt of the Cessation Notice.

b. **Legislation**

The legislation dealing with the Final Accountant's Report can be found in:

(i) **Section 8(2) of the Legal Practitioners Ordinance, Cap. 159**

This provides that the last date for delivery of the firm's Final Accountant's Report shall be within 6 months from the date on which the firm ceased business.

[Click here for a copy of Section 8 of the Legal Practitioners Ordinance, Cap. 159](#)

(ii) **Accountant's Report Rules, Cap. 159A**

The Report must also comply with the requirements stated in Rule 8(2) which states:

*"(2) The firm shall deliver the accountant's report to the Council not more than 6 months (or the period prescribed by rules made under section 73(1)(b) of the Ordinance) after the accounting period specified in the report."*

c. **"Date of Cessation"**

The firm's books should be made up as at the date of Cessation, namely when the firm ceased legal practice. Post Cessation events should be recorded in supplemental or reconciliation statements to the Society.

d. **Rule 12 Accountant's Report Rules, Cap. 159A**

The Law Society's Council has the power to waive any of the provisions of the Accountant's Report Rules under Rule 12 in any particular case. Any application to the Council should be made *before delivery* of the Final Accountant's Report.

**11. Office Accounts**

A firm can maintain its Office Account after the date of Cessation in order to deal with post-Cessation settlement of bills and accounts receivable, etc. **Any correspondence referring to the firm thereafter should make reference to the firm having ceased practice which is achieved by clear notification on the firm's stationery e.g. letterhead, compliments slips, receipts etc. (in addition see paragraph 19 below)**  
(Revised March 2005)

**12. Preservation of Books of Account**

A firm which has ceased practice must also comply with the following requirements:

a. **Solicitors' Accounts Rules, Cap. 159F**

**Rule 10(6)**

*"Every solicitor shall preserve for at least 6 years from the date of the last entry therein all books, accounts and records kept by him under this rule."*

**Rule 10(6A)**

*Subject to paragraph (8), the books and accounts, ledgers and records kept by a solicitor under this rule must be kept in Hong Kong.*

b. **Inland Revenue Ordinance Cap. 112**

Consideration should also be given to provisions in the Inland Revenue Ordinance e.g. See S.22 on "Assessment of Partnerships" and S.51C on "Business records to be kept".

**13. Storage and Destruction of Old Files**

- a. Members should review the Society's Guidance Note on *The Storage and Destruction of Old Files* in circular 12-475 (PA).

[Click here for a copy of circular 12-475 \(PA\)](#)

- b. Full details on the location of the firm's old files must be given to the Society in the Cessation Notice.
- c. Consideration should also be given to the relevant provisions in the Limitation Ordinance Cap. 347.

**14. Final Notification of Changes to a Practice form**

a. **Notification of Changes to a Practice form**

The Society will send you the prescribed Notification of Changes to a Practice form following receipt of the Cessation Notice, which must be completed and filed with the Society within 14 days of the date of Cessation.

[Click here for a copy of the Notification of Changes to a Practice form](#)

b. **Final Employees' Return**

A Final Employees' Return must be filed in the prescribed form pursuant to Rule 5(3) of the Solicitors' Practice Rules, Cap. 159H.

c. **Inland Revenue Ordinance, Cap. 112**

Consideration should also be given to the provisions in the Inland Revenue Ordinance Cap. 112.

**15. Outstanding Professional Fees and Undertakings**

The liability of a sole principal, and of partners for the liabilities of their co-partners, or former partners, for outstanding professional fees and undertakings is a continuing one and is not determined or superseded by Cessation.

Please review *The Hong Kong Solicitors' Guide to Professional Conduct*, in particular, the Commentary to Principle 12.04 and Chapter 14.

Click the link below for:

[Commentary to Principle 12.04](#)  
[Chapter 14](#)

**16. When a Solicitor retires: Is a Practising Certificate required?**

a. **Description as a Solicitor**

If you have retired from practice as a solicitor and do not hold a practising certificate you may still describe yourself as a solicitor, but care must be taken that you do not hold yourself out as qualified to practise as a solicitor. e.g. "**Solicitor (Non-practising)**" is considered to be an appropriate description.

b. **Acting as a Consultant, or Working without remuneration**

If a solicitor wishes to act as a consultant with a firm, or on a part-time or ad hoc basis, or if a retired solicitor wishes to work in the capacity of a solicitor without remuneration, for example for friends, relatives, family owned companies or registered charities, he must hold a practising certificate and must comply with all regulations which apply to solicitors.

**17. The Retainer - "Entire Contract Rule"**

a. A current retainer with the firm may be "entire", i.e. one to complete the work for which the retainer was given and therefore one which cannot be terminated by the solicitor before completion unless there is good cause and reasonable notice.

b. It would be prudent to plan in advance and try and complete the retainers to which the entire contract rule applies before Cessation. If that is not possible, and the retainer will be terminated for good cause, the client should be given adequate notice of the Cessation. Appropriate steps should be taken to ensure the client is not left unrepresented.

**18. Papers to be handed over on termination of retainer**

All documents and materials belonging to a client e.g. title deeds, original wills, codicils, etc., should, subject to any lien, be returned to or disposed of according to the client's directions. (Please see paragraph 13 (above))

**19. Destruction of stationery and chops**

Upon Cessation all stationery and chops with your firm's name should be destroyed, unless they are required for use in dealing with outstanding matters in relation to the firm's Office Account. If the firm's old stationery is to be used it must clearly indicate the firm has ceased practice, e.g. **"ABC&Co. ceased practice"**.

**(Revised March 2005)**

**20. Circular 16-126 (PA) is superseded.**