



Hong Kong Institute of
Certified Public Accountants
香港會計師公會



TechWatch

News at a glance

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TechWatch updates you on technical developments in financial reporting, auditing, ethics, regulation and business. The Institute welcomes your comments, emailed to < commentletters@hkipa.org.hk >. Click [here](#) for past issues.

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Standard Setting Developments

Local Updates

1. Members' Handbook Update No.219

Update no. 219 contains amendments to accounting standards that are effective for annual reporting periods beginning on or after 1 January 2018.

2. Financial Reporting Standards Committee Minutes

Summary of the **244th meeting** of the Financial Reporting Standards Committee is now available.

3. Court-free Amalgamation Q&As

The Institute published **Q&As** relating to accounting for court-free amalgamations.

4. Invitation to Comment

The Institute is seeking comments on the IASB Discussion Paper **DP/2018/1 Financial Instruments with Characteristics of Equity** by **9 November**.

International Updates

5. World Standard Setters Conference

At the IFRS World Standard Setters Conference on 1 and 2 October, the Institute's standard setting team participated in discussions on crypto-currencies and used the new Conceptual Framework published in June to consider how to account for them. The agenda papers and recordings of all discussions can be found [here](#).

6. International Forum of Accounting Standard Setters

At the International Forum of Accounting Standard Setters on 2 and 3 October, the Institute's standard setting team shared with IASB and IFASS members:

- Hong Kong stakeholders' experiences on using the predecessor method to account for business combinations under common control, in a joint presentation with the Italian standard setter. Other global standard setters confirmed that the predecessor method is widely applied in the absence of a standard on BCUCC.
- IFRS/HKFRS 17 *Insurance Contracts* implementation progress in Hong Kong, issues raised by local stakeholders and staff observations, in a joint presentation with the Canadian and Korean standard setters. Together, we expressed our commitment to one global effective date.

7. IFRS Updates

- September **IASB Update**
- September **IFRIC Update**
- **Final** webcast in a series relating to the IASB Discussion Paper *Financial Instruments with Characteristics of Equity*

8. Other Publications

- Surveys on the readiness of entities to implement:
 - IFRS 16 *Leases* by its effective date in 2019 (**Deloitte** and **EY**)
 - IFRS 17 *Insurance Contracts* by its effective date in 2021 (**Deloitte** and **KPMG**)
- EFRAG **webinar** on IASB Discussion Paper *Financial Instruments with Characteristics of Equity*
- IAASB **webcast** on ISA 315 Exposure Draft key revisions

Technical Learning and Support

9. New Programmes

Seminar: **HKFRS 15 Revenue from contracts with customers (Re-run)** (23 October)

(Re-run) deep-dive workshop: **HKFRS 17 Insurance Contracts** (25 and 26 October)



(Re-run) workshop: **HKFRS 9 Financial Instruments** (October to November)

Useful Resources

10. Institute's Technical Resource Centres

Access the Institute's comprehensive resource centres:

- [New and Major Standards](#)
- [ICAEW's International Accounting, Audit and Ethics Content](#)
- [New Companies Ordinance](#)
- [HKFRS for Private Entities](#)
- [SMP and SME](#)

11. **Linked**

Follow our [LinkedIn](#) for key developments in financial reporting, auditing and ethics.

Advocacy and Practice Development/Member Support

Professional Accountants in Business

12. How the Distinct Roles of Internal Audit and the Finance Function Drive Good Governance

Effective governance involves many individuals throughout an organization, including internal audit and the finance function. International Federation of Accountants ("IFAC") and The Institute of Internal Auditors have compiled insights from 11 governance experts to examine how the complementary roles of both functions drive sound governance.

The [report](#) identifies several key requirements for effective governance, including:

- An ethical corporate culture that empowers effective leaders throughout the organization to carry out good governance processes;
- Effective communication and collaboration among the various roles; and
- Requisite competencies for internal audit and the finance and accounting functions to earn stakeholder support and respect.

13. New CPD Series on Business Startup

This new series of seminars from September to November 2018 address the perspectives of both the entrepreneurs as well as investors such as venture capitalists and business angels in funding the investee business, the legal implications of founding a startup and the key elements leading to a sustainable business.

There is also a related experience sharing and networking event – the Entrepreneurs Sharing Forum, where a panel of entrepreneurs will share insights and stories about building a sustainable and successful business.

Click [here](#) for further details.

14. New CPD Series on China Today

The new China Today Series provides members with some insights into how we are connected with China's development – and can gain from it.

The seminars and workshops in the series run from October to December 2018 and aim to address the latest developments in China ranging from an overview of the economic outlook, to exploring new business opportunities both inside and outside China, and the continued opening up of the Chinese economy to the world.

Click [here](#) for further details.

Small and Medium Practitioners

15. Institute Launches Practice Management Series of Seminars for SMPs

The Institute holds four seminars on practice management from October to December 2018 to help small and medium practitioners better prepare for the challenges and opportunities ahead of them, and to adapt to future changes, improve their management and operational efficiency, as well as support their sustainability and help them achieve a successful future.

Click [here](#) for further details.

As reported in [TechWatch Issue 188](#) (Item 10), members are encouraged to read the [Guide to Practice Management for Small- and Medium-Sized Practices \(Fourth Edition\)](#) recently updated by IFAC to adopt “good practices” in order to better serve their clients.

Corporate Finance

16. SFC Announces Green Finance Strategic Framework

The SFC announced a [Strategic Framework for Green Finance](#) for supporting the development of green finance in Hong Kong on 21 September. The SFC will enhance listed companies' disclosure of environment information, encourage asset managers take

environment criteria into consideration of the investments, work closely with the Hong Kong Exchanges and Clearing Limited on listing and trading of green financial products and increase investors' awareness in this aspect.

A summary of the SFC's initiatives is set out in the [press release](#).

17. HKEX Consultation on Suspension of Issuers with Disclaimer or an Adverse Audit Opinion

On 28 September, HKEX released a [consultation paper](#) to seek views on proposals to suspend issuers with disclaimer of opinions or adverse audit opinions on their financial statements from trading. Issuers can resume for trading if the related issues are rectified and sufficient information is disclosed to investors. The current proposals aim to enhance investor protection by improving the quality and reliability of financial information released by the issuers. A summary of the proposals is set out in the [press release](#).

The deadline for responding to the Consultation Paper is **30 November 2018**.

Taxation

18. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- [Automatic exchange of financial account information in tax matters between the Mainland and HKSAR now in force](#)
- [Advance Ruling Case](#) (No. 65) on company amalgamations published
- [Stamp Duty statistics \(August 2018\)](#)

Legislation & Other Initiatives

19. Anti-Money Laundering Notices

Members should note the following notices and publications in relation to AML/CFT:

- **Government notice 7033:** An updated list of terrorists and terrorist associates has been specified under the United Nations ("UN") Sanctions (Libya) Regulation 2011 (Cap. 537 sub. Leg. AW).
- **Legal notice 157:** The United Nations Sanctions (ISIL and Al-Qaida) Regulation 2018 has been published in the Gazette.
- **Government notice (extraordinary) 53:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575).
- **Specially designated nationals and blocked persons list,** published by the U.S. Treasury's Office of Foreign Assets Control. More details on the [Resource Centre of the Treasury](#).

Members should also refer to the relevant page of [the website of the Commerce and Economic Development Bureau](#) and [the Institute's AML webpage](#) for further information and notices on sanctions and related matters.

20. AML/CFT Guidance

For mandatory guidance and information on the AML/CFT requirements for members, see the Institute's ["Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants"](#).

Members who are licensed trust or company service providers should also see the [Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers](#), by Companies Registry.

Members should be aware of the [Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report](#) (in particular Chapter 6, covering designated non-financial businesses and professions), which indicates ML/TF risks and vulnerabilities in the Hong Kong market.

Useful Resources

21. Other Publications

- (i) The HKEX has published:
 - **Report** on initial public offering applications, delisting and suspensions as at 28 September
- (ii) Other publications:
 - **The OECD Blockchain Primer** by OECD
 - **CPAs' top 5 questions about blockchain, cryptocurrencies** by CPA Insider
 - **Artificial intelligence and the CFO** by Accounting Today
 - **FP&A roles paving the route to CFO** by Financial Management
 - **Accounting Trends of Tomorrow: What You Need to Know** by Forbes
 - **Artificial intelligence: Opportunities, Risks and Implications** by Institute of Singapore Chartered Accountants
 - **Using robotic process automation in the finance function** by CFO magazine
 - **Notes from the AI frontier: Modeling the impact of AI on the world economy** by McKinsey & Company
 - **Scepticism: the practitioners' take** by ICAEW
 - **Making your firm future-proof** by Public Accountant