



# TechWatch

News at a glance

Issue 203 • September 2019

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

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## Standard Setting Developments

### Local Updates

#### 1. Institute Submission

The Institute commented on **IASB Exposure Draft** ED/2019/2 *Annual Improvements to IFRS Standards 2018-2020*.

#### 2. Invitations to Comment

The Institute is seeking comments on:

- **IASB Exposure Draft** ED/2019/5 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* by **14 October 2019**.
- **IASB Exposure Draft** ED/2019/6 *Disclosure of Accounting Policies* by **11 October 2019**.
- **IESBA Exposure Draft** *Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants* by **30 September 2019**.

#### 3. Feature articles on ethical risks faced by professional accountants

The Hong Kong Business Ethics Development Centre has developed a series of **feature articles** highlighting the ethical risks faced by external auditors, internal auditors, financial accountants and management accountants respectively, and also the legal obligations and professional principles they should pay heed to in tackling ethical challenges.

### International Updates

#### 4. Ethics

- IESBA Role and Mindset Expected of Professional Accountants **Webinar**

#### 5. IFRS Update

- The IASB held an additional **meeting** on 28 August to discuss **Phase One** of its interest rate benchmark (IBOR) reform project, which focuses on financial reporting issues in the period before current interest rate benchmarks are replaced with alternative rates. August 2019 IASB **Update** and **Podcast** provide summaries of this meeting. In August the IASB also added **Phase Two** of the project to its **work plan**, which will focus on potential financial reporting issues once the existing rate is replaced with an alternative rate.

### Technical Learning and Support

#### 6. New Programme

Click on the title below to register for the seminar/workshop:

- **HKFRS 17 Insurance Contracts for non-life insurers** (23 and 24 September)
- **HKFRS 16 Leases: How to apply and specific issues** (18 October, 1 November and 11 December)
- **HKFRS 9 Financial Instruments: Practical application – Expected Credit Loss** (21 October and 11 November)
- **Classification of financial instruments under HKAS 32: Debt vs Equity** (29 October)
- **Industry Update Relating to Licensed Corporations** (31 October)
- **HKAS 36 Impairment of Assets: How to apply and practical issues** (22 November)
- **HKFRS 15 Revenue: Sharing application experience** (13 November and 16 December)

## Useful Resources

### 7. 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](#)

### 8. [LinkedIn](#)

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

## Advocacy and Practice Development/ Member Support

### Professional Accountants in Business

#### 9. Future-Fit Accountants in Business

With more demanding customers and societal expectations, achieving long-term value creation and success has never been more challenging for businesses. In a changing and uncertain business environment, Chief Financial Officers ("CFOs") and finance functions of today and tomorrow need to provide information and analysis that support decisions about all aspects of an organization's business model and value creation.

To help drive a future-ready PAIB, International Federation of Accountants ("IFAC") has launched a "Future-Fit" content series, which includes:

- [A vision for the CFO and finance function](#);
- [Future-fit accounting roles for the next decade](#); and
- [An evaluation tool](#) to help guide organizations in finance function transformation.

Read the IFAC [press release](#) for detail. PAIBs are encouraged to read through the series.

### Small and Medium Practices

#### 10. Digital Competency Survey – Share Your Experience and Views

SMPs are invited to participate in the [Digital Competency Survey](#), which should take about 10 minutes to complete. The objective of the survey is to gain insight into the digital competency level of SMPs in Hong Kong. The results will be used by the Institute in its planning and developing of initiatives to assist SMPs in enhancing their digital competency.

Respond by Friday, 4 October.

## Corporate Finance

### 11. HKEX publishes Consultation Paper on Codification of General Waivers and Principles Relating to IPOs and Listed Issuers

On 2 August, Hong Kong Exchanges and Clearing ("HKEX") released a [consultation paper](#) to seek views on the proposed codification of general waivers and principles relating to initial public offerings ("IPOs") and listed issuers, as well as minor amendments to the Listing Rules ("Rules"). Please refer to the [press release](#) for details.

The aim is to (i) improve clarity of the Rules; (ii) ensure the Rules reflect currently acceptable standards in the market place; and (iii) codify a number of administrative provisions that are currently provided in its guidance letters or listing decisions.

The Institute would like to draw the members' attention, in particular, to Question 11 of the consultation paper, which concerns the experience and qualification of the company secretary. HKEX is proposing to codify into the Rules that it may grant a Main Board Rule 3.28 waiver to an issuer to appoint a company secretary without the relevant required qualification and/ or experience after taking into account the following conditions:

- (i) Whether the issuer has principal business activities primarily outside Hong Kong;
- (ii) The reasons why the directors consider the individual to be suitable to act as the issuer's company secretary; and
- (iii) Whether the proposed company secretary will be assisted by a qualified person throughout a period of not more than three years, the length of which may depend on factors as discussed in paragraph 70 of the consultation paper.

Members should submit any views or comments on this matter or other proposals in the Consultation Paper, together with their membership number and contact details, to the [Advocacy & Practice Development](#) on or before **16 September 2019**.

### 12. HKEX consults Market on Proposed Microstructure Enhancements in the Securities Market

HKEX has published a [consultation paper](#) on 16 August 2019 on proposed enhancements to the Pre-opening Session ("POS") and Volatility Control Mechanism ("VCM") in the securities market. Please refer to the [press release](#) for details.

The proposed enhancements on the POS auction mechanism include:

- Adjusting securities coverage to include all equities and funds;
- Introducing randomised auction matching;
- Allowing at-auction limit orders throughout POS;
- Allowing short selling orders with a price not lower than the previous closing price; and
- Setting a two-stage price limit — apply a fixed  $\pm 15$  per cent price limit with reference to the previous closing price during order input period, followed by a second stage price during no cancellation and random matching periods, in which order prices will be limited to within the lowest ask and highest bid prices recorded at the end of order input period.

In addition, the HKEX also seeks views on the following VCM enhancements in the securities market:

- Expanding VCM stock coverage from constituent stocks of the Hang Seng Index and Hang Seng China Enterprises Index (80+ stocks) to constituent stocks of Hang Seng Composite LargeCap, MidCap and SmallCap Indexes (total of nearly 500 stocks)
- Applying a tiered structure of triggering thresholds at  $\pm 10$  per cent,  $\pm 15$  per cent, and  $\pm 20$  per cent to the last traded price five minutes before respectively for the constituent stocks of the three Hang Seng Composite Indexes
- Allowing multiple triggers per trading session for each VCM stock.

Comments are requested by **27 September 2019**.

## Taxation

### 13. Announcements by the Inland Revenue Department ("IRD")

Members may wish to be aware of the following matters:

- **A webpage on transfer pricing documentation** has been set up to explain the requirements in relation to master file and local file, and the IRD's approach to ensure compliance with the requirements.
- The IRD's **penalty policy webpage** has been updated to cover double taxation relief, exchange of information, transfer pricing requirements, etc.
- **Financial Secretary announces measures to support enterprises and residents**
- **Updated Tax Guide for Charitable Institutions and Trusts of a Public Character**
- **List of Qualifying Debt Instruments (as at 30 June 2019)**
- **Stamp Duty statistics (July 2019)**

## Legislation & Other Initiatives

### 14. Anti-Money Laundering News and Notices

#### News:

The Financial Action Task Force ("FATF") has published the anti-money laundering/ counter-terrorist financing ("AML/CTF") **Mutual Evaluation Report on Hong Kong**.

The government has issued a **press release**, which notes that Hong Kong's AML/CTF regime is assessed to be compliant and effective overall, making it the first jurisdiction in the Asia-Pacific region to have achieved an overall compliant result in the current round of FATF evaluations.

#### Notices:

For the current lists of terrorists, terrorist associates and relevant persons/ entities under United Nations ("UN") sanctions, members should refer to **the Institute's AML webpage** which is updated regularly. The United Nations Sanctions webpage of the **Commerce and Economic Development Bureau** contains consolidated lists of UN sanctions currently in force in Hong Kong.

### 15. Anti-Money Laundering/ Counter-Terrorist Financing Guidance

For mandatory guidelines and information from the Institute 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 to provide trust or company services 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 ensure that they are 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

### 16. Other Publications

(i) The HKEX has published:

- **Report** on IPO applications, delisting and suspensions as at 30 August 2019
- **Enforcement newsletter for the six months ended 30 June 2019** to provide regular update of enforcement cases and outcomes

(ii) The SFC has published:

- **Quarterly report for April to June 2019** summarising key developments and a brief summary in the corresponding **press release**

(iii) Other publications:

- **Cyber and the CFO** by ACCA, Chartered Accountants Australia and New Zealand, Macquarie University and Optus
- **How to prepare to be CFO** by CFO.com
- **Talent strategies for the digital age** by Financial Management
- **The Passionate Practitioner: Developing the Digitalized Small and Medium Practice** by ACCA
- **Impact of Technology to the Accountancy Profession** by ASEAN Federation of Accountants
- **Ten Steps to Successful Firm Risk Management** by IFAC
- **What I've learned building a blockchain business** by Journal of Accountancy
- **How to make your firm more attractive to job seekers** by InTheBlack