



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@hkicpa.org.hk >. Click [here](#) for past issues.

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Standard Setting Developments

Technical Learning and Support

1. Technical Learning and Support Programme July 2016

The Institute will run a series of technical update evenings in July 2016:

- **TUE – practical application issues on the new HKFRSs and the Companies Ordinance**
- **TUE – Financial Instruments: Common issues and applications on the classification of liabilities and equity**

Register early to secure a seat. Click on the above event titles for the registration forms.

Members' Handbook

2. Handbook Updates No. 185- 186

- **Handbook Update No. 185** contains Clarifications to HKFRS 15 *Revenue from Contracts with Customers*.

The Institute's **staff summary** explains the rationale for and details of the clarifications to HKFRS 15.

- **Handbook Update No. 186** contains *Disclosure Initiative* (Amendments to HKAS 7 *Statement of Cash Flow*) and *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to HKAS 12 *Income Taxes*).

Financial Reporting

3. The Institute's Financial Reporting Standards Committee Meeting Minutes

The **minutes** for the FRSC meeting held on 3 May 2016 is now available.

4. Invitation to Comment on an IASB Exposure Draft

The Institute issued an **Invitation to Comment** on the IASB's ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests* (Proposed Amendments to IFRS 3 and IFRS 11) and requested for comments by **30 September 2016**.

Audit & Assurance

5. Invitation to Comment on an Exposure Draft Practice Note

The Institute issued an **Invitation to Comment** on Exposure Draft Practice Note 840 (Revised) *The Reporting Engagement on Solicitors' Accounts under the Solicitors' Accounts Rules and the Accountant's Report Rules* and requested for comments by **30 July 2016**.

Useful Resources

6. Institute Standard-Setting Resource Centres

Access the Institute's comprehensive resource centres:

- **New Companies Ordinance**
- **SMP and SME**

7. LinkedIn

The Institute's Standard Setting Department launched a LinkedIn page to engage with interested parties on the latest standards and developments in financial reporting, auditing and ethics. Click **here** to follow us for prompt updates and join in on our discussions.

8. Publications

(i) Insurance:

- The IASB provided an overview of applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (the forthcoming amendments to IFRS 4) via **webinar**.

(ii) Integrated Reporting:

- The Chief Executive of CPA Australia provided an [overview](#) of the growth in integrated reporting across different jurisdictions since the global financial crisis.

(iii) Leases:

- Zhonghui Anda CPA issued a [summary](#) of the requirements of HKFRS 16 *Leases* for both lessees and lessors.

(iv) Presentation and Disclosure:

- The IASB provided an overview of its disclosure initiative and its upcoming principles of disclosure discussion paper via [webinar](#).
- The International Organization of Securities Commission provided [guidance](#) to listed issuers for presenting non-GAAP financial measurements.
- The U.K. Financial Reporting Council issued an [FAQ](#) on the European Securities and Markets Authority's Guidelines on alternative performance measures, which will be effective on 3 July.

(v) Corporate reporting:

- The Global Reporting Initiative ("GRI") has developed the [GRI-HKEX Reporting Guide linkage document](#) to help organizations understand how they can best report their sustainability performance and to take advantage of the synergies between the HKEX's ESG Reporting Guide and the GRI's Sustainability Reporting Framework.
- PwC has published a [survey](#) that shares the views of investors and CEOs on the threats and opportunities facing businesses today.

Advocacy and Practice Development/Member Support

Corporate Governance

9. Best Corporate Governance BCGA 2016 Invites Entries

Now in their 17th year, the Institute's corporate governance awards have been reviewed by the Awards Organizing Committee, which has resulted in some changes. Firstly, the name has changed to the **Best Corporate Governance Awards** ("BCGA"), dropping the word "disclosure", to emphasize that the focus is on good corporate governance practices, not just good disclosure. There are also new awards for some specific and important aspects of good governance: (i) risk management and internal control; (ii) board and audit committee operation and functioning; and (iii) website information. These new awards will be open to companies and public sector organizations that are not in line for one of the main category awards. The aim is to encourage and give recognition to companies and organizations that are making genuine efforts to implement good governance practices, but may not have the resources to do everything in one go. The approach to determining the winners of Significant Improvement Awards ("SIAs") has also changed. This year, companies and public sector organizations that have made significant improvements are invited to nominate themselves for consideration. They will be asked to provide more information about the improvements that they have made, and may also be invited to an interview to explain in more detail what they have done during the year to upgrade their governance.

There will continue to be five main categories of awards in BCGA, namely Hang Seng Index ("HSI"), non-HSI (with separate categories for large companies and mid-to-small companies by market capitalization), H-share companies and other Mainland enterprises, and public

sector/not-for-profit organizations. Awards will also be presented for outstanding sustainability and social responsibility reporting.

The BCGA focuses on and encourages voluntary disclosures of governance and sustainability information in annual and sustainability reports that is useful for stakeholders and which is indicative of a good corporate governance culture. The judges and reviewers also look at other sources of information that may provide insights into a company's or organization's actual corporate governance practices.

Take this opportunity to show support for good corporate governance by encouraging your company or public sector organization to participate in BCGDA. The deadline for entry is **15 August 2016**. Click for the [press release](#) and the [entry form](#).

Professional Accountants in Business

10. COSO Seeks Public Comment on Update to Enterprise Risk Management Framework

The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") is inviting comments on the proposed revised COSO Enterprise Risk Management ("ERM") framework. The new title, *Enterprise Risk Management – Aligning Risk with Strategy and Performance*, recognizes the increasing importance of the connection between strategy and entity performance and offers a perspective on current and evolving concepts and applications of ERM.

The revised framework updates the core definitions of risk and ERM and the components of ERM. It also introduces principles that reflect the evolution of risk management thinking and practices. The redefined components and principles may provide organizations with direction for all levels of management in designing, implementing, and conducting ERM practices.

Read the following documents also refer to the [COSO webpage](#) for further details:

- [Executive summary](#)
- [Draft framework](#)
- [Survey on the framework](#)
- [FAQs](#)

The deadline for comment is 30 September. Members who wish to submit views on this consultation via the Institute, please send them to commentletters@hki CPA.org.hk before **end of August 2016**.

Corporate Finance

11. HKEX Publishes Guidance on IPO Vetting and Suitability for Listing

The Hong Kong Exchanges and Clearing ("HKEX") has noted there have been a number of newly listed issuers' controlling shareholders which either sold, or gradually sold down, their interests shortly after the post-listing regulatory lock-up period, sometimes, combined with changes to management and/or the nature of the listed business. HKEX believes these companies invite speculative trading which is not in the interest of the investing public.

On 3 June, HKEX issued a guidance letter ([HKEX-GL68-13A](#)) on initial public offering ("IPO") vetting and suitability for listing. It considers that suitability is an important criterion and plans to take a more focused review when a listing applicant has certain characteristics identified in the guidance letter.

In order to maintain the quality and reputation of the Hong Kong market, HKEX indicated that it would take a proactive stance where there are questions about listing applicants' reasons and justification for listing.

12. SFC and HKEX Issue Joint Consultation on Listing Regulation

The Securities and Futures Commission ("SFC") and HKEX have jointly [released a consultation paper](#) on proposed enhancements to the Stock Exchange's decision-making and governance structure for listing regulation. These enhancements focus on listing policies and decisions which are important for market quality, market competitiveness and development.

Under the proposals:

- Two new committees, the Listing Policy Committee and the Listing Regulatory Committee, on which the SFC and HKEX are equally represented, will be established. The former will initiate, steer and decide listing policy while the latter will decide on IPO and post-IPO matters that have suitability concerns or broader policy implications.
- The existing Listing Committee, which the HKEX Chief Executive will cease to be a member, will provide a non-binding view to the Listing Policy Committee and the Listing Regulatory Committee.
- The listing function will remain within HKEX.
- The Listing Committee, together with the HKEX Listing Department, will continue to decide a large majority of initial listing applications and post-listing matters.
- The ways that the SFC exercises and performs its powers and functions will be enhanced.

The three-month consultation ends on 19 September 2016. Members who wish to submit views on this consultation via the Institute, please send them to commentletters@hkicpa.org.hk before **20 August 2016**.

13. SFC Report on Stock Exchange's Performance in Regulating Listing Matters

The SFC has published a **report** on its annual review of the performance of the Stock Exchange of Hong Kong ("SEHK") in its regulation of listing matters during 2014.

The SFC is of the view that the operational procedures and decision-making processes reviewed, other than certain procedures involving issuance of guidance to the market, were appropriate to enable SEHK to discharge its statutory obligations to maintain an orderly, informed and fair market during the review

period. It has also identified certain areas for SEHK to continue to enhance its performance.

Taxation

14. Announcements by the Inland Revenue Department ("IRD")

Members may wish to be aware of the following matters:

- **Revised application forms** for certificate of Hong Kong resident status in respect of the Comprehensive Arrangement for the Avoidance of Double Taxation between the Mainland and Hong Kong
- Tax obligations of **property owners**, and **taxpayers and employers**
- **Inland Revenue (Amendment) (No. 3) Ordinance 2016** came into effect on 30 June 2016, aiming to provide a legal framework in Hong Kong for implementing automatic exchange of financial account information in tax matters
- **Stock Borrowing Relief – Filing of Return of Stock Borrowing Transactions**
- **Taxpayer convicted for falsely claiming deduction for donations**

Legislation & Other Initiatives

15. Anti-Money Laundering/Combating the Financing of Terrorism ("AML/CFT") Notices

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

- **Government notice 3106**: A list of relevant persons and entities has been specified under the United Nations Sanctions (Central African Republic) Regulation 2016.
- **Government notice 3765**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.

- **Legal notice 90:** The United Nations Sanctions (Central African Republic) Regulation 2016 has been published in the Gazette.
- **Legal notice 91:** The United Nations Sanctions (Yemen) Regulation 2015 (Amendment) Regulation 2016 has been published in the Gazette.
- **Legal notice 111:** The United Nations Sanctions (Libya) Regulation 2011 (Amendment) Regulation 2016 has been published in the Gazette.
- **High-risk and non-cooperative jurisdictions:** In June, the Financial Action Task Force ("FATF") issued two documents:
 - **FATF public statement**, identifying jurisdictions with strategic AML/CFT deficiencies that pose risk to the international financial system.
 - **Improving global AML/CFT compliance: on-going process**, identifying jurisdictions with strategic AML/CFT deficiencies, for which they have developed an action plan with the FATF.
- **Consolidated FATF standards on information sharing:** This publication compiles the relevant sections on information sharing from the existing FATF Recommendations.
- **US executive order 13224:** The list relating to "Blocking property and prohibiting transactions with persons who commit, threaten to commit or support terrorism".

For more AML-related circulars from the office of the commissioner of insurance, click [here](#).

For more background information on the current law in Hong Kong relating to AML/CFT, see the Institute's [Anti-money Laundering Bulletin 1](#), "Requirements on anti-money laundering, anti-terrorist financing and related matters", and the [supplement](#) on suspicious transaction reporting.

Useful Resources

16. Library Resources

Featured titles and **new books** for members' reference are now available.

In addition, members can [login](#) to the **e-Library** and access e-journals and e-books on a wide range of business subjects.

17. Other Publications

(i) HKEX has published:

- Guidance on IPO vetting and suitability for listing ([HKEX-GL68-13A](#))
- Updated guidance on:
 - documentary requirements and administrative matters for collective investment schemes applications ([HKEX-GL79-14](#))
 - pre-vetting of documents and announcements in IPO cases and post-vetting announcements relating to price stabilization actions ([HKEX-GL16-09](#))
 - conditions for waivers from strict compliance with Main Board rule 4.04(1) and GEM rules 7.03(1) and 11.10 in relation to producing audited accounts for the latest financial year if a listing applicant intends to issue a listing document shortly after the year end ([HKEX-GL25-11](#))
- **Report** on initial public offering applications, delisting and suspensions (as at 30 Jun)

(ii) SFC has published:

- **Annual report 2015-16** summarizing its work during the year, including regulatory enhancements currently underway which are directed to market

efficiency, competitiveness and orderliness

- **Takeovers bulletin (issue no. 37)** covers Takeovers Panel's ruling on breach of the Takeovers Code by Alibaba Group. It also reminds relevant parties and their advisers to maintain confidentiality and take all necessary steps to ensure there is no leakage of information prior to the announcement of a firm intention to make an offer in order to avoid unnecessary trading suspensions. Also, a whitewash waiver in respect of a transaction involving the issue of new securities may not be granted if there is non-compliance with the Listing Rules or other applicable rules and regulations.
- Executive speeches, by:
 - Ashley Alder, CEO: **Keynote remarks at Hedge Fund Standards Board Institutional Investor Roundtable**
 - Ashley Alder, CEO: **Hong Kong as an evolving international financial centre - the significance of regulation**
 - Julia Leung, Executive Director, Investment Products: **Liquidity Risk Management of Investment Funds**

(iii) The Financial Services Development Council **annual report 2015-16**.

(iv) The Competition Commission published the inaugural issue of its e-newsletter, **Competition Matters**.

(v) Other publications:

- **12 questions to ask your cloud provider** by Accounting Technology
- **Providing leadership in a digital world** by ICAEW
- **"Professional accountants – the future" research** by ACCA
- **Buyer and seller perspectives on small- and medium-sized practices** by Transition Advisors, LLC
- **SMEs massively underestimating accountancy fees** by Accountancy Age
- **Weathering the storm: Asia-Pacific banking review 2016** by McKinsey & Company